

## Consolidated Financial Statements of



For the years ended December 31, 2010 and 2009

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Pinetree Capital Ltd.**

We have audited the accompanying consolidated balance sheets of **Pinetree Capital Ltd.**, as at December 31, 2010 and 2009, and the consolidated statements of operations, deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and 2009, and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
March 10, 2011

*Ernst + Young LLP*

**Chartered Accountants  
Licensed Public Accountants**

**PINETREE CAPITAL LTD.**  
**Consolidated Balance Sheets**  
**As at December 31,**  
**(In thousands of dollars)**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>Assets</b>			
Investments, at fair value	3(a,b), 4, 6	\$ 793,864	\$ 366,724
Equity accounted investments	3(c)	899	1,911
Cash and cash equivalents		158	404
Due from brokers		14	24
Prepays and other receivables	9(f, g)	1,084	312
Capital assets	5	676	517
Income taxes receivable		-	3,307
Future income tax assets	12(c)	-	10,363
		<u>\$ 796,695</u>	<u>\$ 383,562</u>
<b>Liabilities and Shareholders' Equity</b>			
Due to brokers	6	\$ 85,570	\$ 33,673
Accounts payable and accrued liabilities		34,094	6,824
Class C preferred share liabilities, at fair value	8	529	373
		<u>120,193</u>	<u>40,870</u>
<b>Future income tax liabilities</b>	12(c)	<b>33,921</b>	-
		<u>154,114</u>	<u>40,870</u>
<b>Lease commitments</b>	11		
<b>Shareholders' equity</b>			
Share capital	10	276,629	274,725
Warrants and broker warrants	10(d)	66,524	67,139
Contributed surplus	10(e)	29,830	27,008
Retained earnings (deficit)		269,598	(26,180)
		<u>642,581</u>	<u>342,692</u>
		<u>\$ 796,695</u>	<u>\$ 383,562</u>

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Sheldon Inwentash" Director

"Gerry Goldberg" Director

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**PINETREE CAPITAL LTD.****Consolidated Statements of Operations****Years Ended December 31,****(In thousands of dollars, except for securities and per share amounts)**

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	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>Net investment gains</b>			
Gains (losses) on disposal of investments, net	9(d)	\$ 43,091	\$ (22,426)
Unrealized gains on investments, net	3(c)	340,563	229,344
Gain on disposal of equity accounted investment	9(e)	-	370
Losses from equity accounted investments	3(c)	(774)	(116)
		<u>382,880</u>	<u>207,172</u>
<b>Other income</b>			
Interest and dividend income		1,054	460
Other income	9(c)	585	3,388
		<u>384,519</u>	<u>211,020</u>
<b>Expenses</b>			
Operating, general and administrative	8, 9(a), 10(c)	42,021	15,522
Transaction costs		1,532	1,491
Foreign exchange loss		70	1,571
Amortization		134	131
Interest	6, 9(b)	662	1,766
		<u>44,419</u>	<u>20,481</u>
<b>Income before income taxes</b>		<b>340,100</b>	<b>190,539</b>
<b>Provision for income taxes</b>	12	<b>44,322</b>	<b>33,146</b>
<b>Net income for the year</b>	14(f)(iii)	<b>\$ 295,778</b>	<b>\$ 157,393</b>
<hr/>			
<b>Earnings per common share</b>			
Basic		\$ 2.18	\$ 1.19
Diluted		\$ 2.15	\$ 1.18
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<b>Weighted average number of common shares outstanding</b>			
Basic		135,664,918	132,416,280
Diluted		137,544,401	133,250,083

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See accompanying notes to the consolidated financial statements.

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**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Retained Earnings (Deficit)**  
**Years Ended December 31,**  
**(In thousands of dollars)**

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	<u>2010</u>	<u>2009</u>
Deficit, beginning of year	\$ (26,180)	\$ (183,573)
Net income for the year	<u>295,778</u>	<u>157,393</u>
Retained earnings (deficit), end of year	\$ 269,598	\$ (26,180)

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See accompanying notes to the consolidated financial statements.

**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31,**  
**(In thousands of dollars)**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>Cash flows from (used in) operating activities</b>			
Net income for the year		\$ 295,778	\$ 157,393
Items not affecting cash			
Losses (gains) on disposal of investments, net		(43,091)	22,426
Unrealized gains on investments, net		(340,563)	(229,344)
Gain on disposal of equity accounted investment		-	(370)
Losses from equity accounted investments		774	116
Investment dividend-in-kind		(778)	-
Unrealized gain on Class C preferred share liabilities	8	211	54
Amortization		134	131
Stock-based compensation	10(c)	2,921	4,223
Net future income taxes		44,284	33,132
		<u>(40,330)</u>	<u>(12,239)</u>
Changes in non-cash working capital balances related to operations			
Due from brokers		10	28
Prepays and other receivables		(772)	133
Income taxes receivable		3,307	15,678
Accounts payable and accrued liabilities		26,994	6,382
		<u>(10,791)</u>	<u>9,982</u>
<b>Cash flows from financing activities</b>			
Proceeds pursuant to private placements		-	319
Proceeds pursuant to exercise of stock options	10(a)	1,190	24
Repayments of advances from officer		-	(24,234)
Increase in due to brokers		51,897	33,623
Repayments to affiliated company		-	(1,250)
Repayment of bank indebtedness		-	(953)
Redemption of Class C preferred share liabilities	8	(55)	-
		<u>53,032</u>	<u>7,529</u>
<b>Cash flows used in investing activities</b>			
Purchase of capital assets, net		(17)	(50)
Purchase of investments		(229,357)	(203,117)
Proceeds on disposal of investments		187,237	184,122
Purchase of equity accounted investments		(350)	(740)
Proceeds on disposal of equity accounted investment		-	2,650
		<u>(42,487)</u>	<u>(17,135)</u>
<b>Net increase (decrease) in cash and cash equivalents, during the year</b>		<b>(246)</b>	<b>376</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>404</b>	<b>28</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 158</b>	<b>\$ 404</b>
<b>Supplemental cash flow information</b>			
Income taxes paid		\$ 37	\$ -
Income taxes received		3,307	15,956
Dividends paid on Class C Shares	8	16	-
Interest paid		662	1,766
Non-cash investing activities		778	6,842

See accompanying notes to the consolidated financial statements.

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# **PINETREE CAPITAL LTD.**

## **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

**(In thousands of dollars, except for securities and per share amounts)**

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### **1. Nature of business:**

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". Pinetree is a diversified investment and merchant banking firm focused on the small-cap market. Pinetree's investments are primarily in the following resource sectors: Precious Metals, Uranium and Coal, Base Metals, Oil & Gas, and Potash, Lithium and Rare Earths. Pinetree's investment approach is to develop a macro view of a sector, build a position consistent with the view by identifying micro-cap opportunities within that sector, and devise an exit strategy designed to maximize the Company's relative return in light of changing fundamentals and opportunities.

### **2. Significant accounting policies:**

Management has prepared the accompanying consolidated financial statements in Canadian dollars and in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the presentation of the consolidated financial statements are as follows:

#### **(a) Basis of consolidation:**

These consolidated financial statements include the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc., Pinetree (Barbados) Inc., Pinebarb (Israel) Inc., Pinetree Capital Investment Corp. ("PCIC"), and Emerald Capital Corp., as well as Pinetree Resource Partnership and Pinetree Income Partnership, each a general partnership of which Pinetree indirectly owns a 100% interest. All inter-company accounts and transactions have been eliminated upon consolidation.

#### **(b) Fair value of investments:**

Investments which are designated, based on management's intentions, as held-for-trading using the fair value option, are reported at fair value. The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements. The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (note 4).

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## **PINETREE CAPITAL LTD.**

### **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

**(In thousands of dollars, except for securities and per share amounts)**

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#### **2. Significant accounting policies (continued):**

(i) Publicly-traded investments (i.e., securities of issuers that are public companies):

1. Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair value based on quoted closing bid prices at the consolidated balance sheet date or the closing bid price on the last day the security traded if there were no trades at the consolidated balance sheet date. These are included in Level 1 in note 4.
2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These are included in Level 2 in note 4.
3. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price at the consolidated balance sheet date of the underlying security less the exercise price of the warrant, and zero. These are included in Level 2 in note 4.

(ii) Private company investments (securities of issuers that are not public companies):

All privately-held investments (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in note 4. Options and warrants of private companies are carried at nil.

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

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## **PINETREE CAPITAL LTD.**

### **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

**(In thousands of dollars, except for securities and per share amounts)**

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#### **2. Significant accounting policies (continued):**

The following circumstances are used to determine if the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to the events described below which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio. Absent the occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

The fair value of a privately-held investment may be adjusted upward if:

1. there has been a significant subsequent equity financing provided by outside investors, at a valuation above the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
2. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable.

Such events include, without limitation:

- i. political changes in a country in which the investee company operates which, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
- ii. receipt by the company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed with its project(s);
- iii. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
- iv. release by the investee company of positive exploration results, which either proves or expands their resource prospects; and
- v. important, positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

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## **PINETREE CAPITAL LTD.**

### **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

**(In thousands of dollars, except for securities and per share amounts)**

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#### **2. Significant accounting policies (continued):**

In the circumstances described above under (i) through (v), or in circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

The fair value of a privately-held investment may be adjusted downward if:

1. there has been a significant subsequent equity financing provided by outside investors, at a valuation below the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
2. the investee company is placed into receivership or bankruptcy;
3. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
4. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

Such events include, without limitation:

- i. political changes in a country in which the investee company operates which increases the tax burden on companies, which prohibit mining where it was previously allowed, which increases the need for permitting or approvals, etc.;
- ii. denial of the investee company's application for environmental, mining, aboriginal or similar approvals which prohibit the investee company from proceeding with its projects;
- iii. the investee company releases negative exploration results; and
- iv. changes to the management of the investee company take place which the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

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## **PINETREE CAPITAL LTD.**

### **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

**(In thousands of dollars, except for securities and per share amounts)**

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#### **2. Significant accounting policies (continued):**

In the circumstances described above under (i) through (iv), or in circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

##### **(iii) Other investment instruments:**

Included in Pinetree's investments are certain instruments that are accounted for as follows:

1. Convertible debentures and convertible notes are carried as though converted to common shares.
2. Cumulative dividends expected to be received are included in the fair value of each investment.

##### **(c) Equity accounted investments:**

Investments in companies over which Pinetree has or is deemed to have significant influence, but does not control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of net income or losses of such investments is included in the consolidated statements of operations.

##### **(d) Cash and cash equivalents:**

Cash and cash equivalents consists of cash and short-term investments with original maturities of less than three months.

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**2. Significant accounting policies (continued):****(e) Capital assets:**

Capital assets are recorded at cost, less accumulated amortization. Amortization is provided at rates designed to amortize the cost of capital assets over their estimated useful lives as follows:

	<b>Rate</b>	<b>Basis</b>
Computer equipment	30% to 45%	Declining balance
Computer software	55%	Declining balance
Furniture and equipment	20%	Declining balance
Leasehold improvements	7 years	Over the initial term of the lease

**(f) Revenue recognition:**

Securities transactions are recorded on a settlement date basis. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of operations and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statements of operations as incurred.

Income or losses from an equity accounted investment are reflected in the consolidated statements of operations at the end of each reporting period. Dividend income is recorded on the ex-dividend date. Dividends received from equity accounted investments are recorded as a reduction of the carrying value of the equity accounted investment. Interest income and other income are recorded on an accrual basis.

**(g) Foreign currency translation:**

The Company's subsidiaries are considered to be integrated operations. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates. All revenue and expenses denominated in foreign currencies are translated at rates of exchange prevailing at the transaction dates. Gains or losses resulting from translation are included in the determination of net income (loss) for the year.

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## **PINETREE CAPITAL LTD.**

### **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

**(In thousands of dollars, except for securities and per share amounts)**

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#### **2. Significant accounting policies (continued):**

(h) Non-monetary transactions:

Transactions in which shares or other non-cash consideration are exchanged for assets or services are valued at the fair value of the assets or services involved in accordance with Section 3831, Non-Monetary Transactions, of the Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook").

(i) Income taxes:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

(j) Stock-based compensation plans:

The Company has stock-based compensation plans which are described in note 10(b). Any consideration received on the exercise of stock options or sale of stock is credited to share capital. The Company records compensation expense and credits contributed surplus for all stock options granted. Stock options granted during the year are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model.

(k) Interest expense:

Interest expense is recorded on an accrual basis.

(l) Earnings per common share:

Basic earnings per common share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow. Diluted earnings per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding.

# PINETREE CAPITAL LTD.

## Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

(In thousands of dollars, except for securities and per share amounts)

### 2. Significant accounting policies (continued):

(m) Management's uncertainties and use of estimates:

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(n) Cost of private placement financings:

Incremental costs incurred in respect of raising capital through private placements are charged against equity proceeds raised.

(o) Class C preferred share liabilities:

Class C preferred share liabilities are liabilities designated as held-for-trading using the fair value option. The fair value of these obligations is determined by reference to the underlying trading price of Pinetree's shares (note 8). The fair value of the Class C preferred share liabilities also includes accrued dividends.

### 3. Investments:

(a) Investments accounted for at fair value consist of the following as at December 31, 2010:

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals)</b>					
Queenston Mining Inc.	(i, ii, iii)	5,650,000 common shares 50,000 warrants expire Nov 26, 2011	\$ 15,159	\$ 33,341	10.5
Gold Canyon Resources Inc.	(i, ii, iii)	11,543,748 common shares 1,000,000 warrants expire Sep 29, 2011 1,000,000 warrants expire Feb 8, 2012 531,252 warrants expire Jun 17, 2012 475,000 warrants expire Sep 23, 2012 300,000 warrants expire Oct 29, 2012	6,147	31,912	10.1
Continental Gold Ltd.	(i)	2,000,000 common shares	4,118	19,760	6.2
Colossus Minerals Inc.	(i, ii)	1,500,000 common shares	1,946	13,230	4.2
African Gold Group Inc.	(i, ii, iii)	14,702,500 common shares 282,500 warrants expire Jun 16, 2011 650,000 warrants expire Dec 17, 2012	5,466	12,837	4.1
Auryx Gold Corp.	(ii, iii)	10,500,000 common shares	5,250	9,600	3.0

# PINETREE CAPITAL LTD.

## Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

(In thousands of dollars, except for securities and per share amounts)

### 3. Investments (continued):

As at December 31, 2010:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Valley High Ventures Ltd.	(iii)	4,250,000 common shares 250,000 warrants expire Jun 21, 2011 500,000 warrants expire Apr 8, 2012	<b>2,857</b>	<b>9,503</b>	<b>3.0</b>
Mega Precious Metals Inc. (formerly Mega Silver Inc.)	(ii, iii 9(h))	10,130,600 common shares 600,000 warrants expire Feb 25, 2012	<b>5,643</b>	<b>7,598</b>	<b>2.4</b>
Caledonia Mining Corporation	(iii)	43,401,500 common shares	<b>6,453</b>	<b>6,510</b>	<b>2.1</b>
Goldstone Resources Inc.	(iii)	5,000,000 common shares 441,667 warrants expire Feb 24, 2011	<b>3,576</b>	<b>5,200</b>	<b>1.6</b>
Azimuth Resources Limited	(iii)	21,000,000 common shares 4,000,000 warrants expire Dec 31, 2012	<b>1,953</b>	<b>5,054</b>	<b>1.6</b>
Benton Resources Corp.	(iii)	4,000,000 common shares	<b>2,526</b>	<b>4,760</b>	<b>1.5</b>
Apogee Minerals Ltd.	(iii)	13,000,000 common shares 1,175,000 warrants expire Apr 30, 2011 500,000 warrants expire Dec 18, 2011 625,000 warrants expire May 12, 2012 2,500,000 warrants expire Dec 3, 2012	<b>2,070</b>	<b>4,422</b>	<b>1.4</b>
Temex Resources Corp.	(ii, iii)	12,510,000 common shares 440,000 warrants expire May 26, 2011 625,000 warrants expire Nov 19, 2012	<b>5,945</b>	<b>4,363</b>	<b>1.4</b>
Slam Exploration Ltd.	(ii, iii)	16,395,000 common shares 5,000,000 warrants expire Sep 22, 2011 1,000,000 warrants expire Mar 31, 2012 2,500,000 warrants expire Aug 18, 2012	<b>1,727</b>	<b>4,348</b>	<b>1.4</b>
Latin American Minerals Inc.	(ii, iii, 9(h))	15,850,000 common shares 500,000 warrants expire Feb 18, 2011 1,000,000 warrants expire Oct 5, 2011 1,000,000 warrants expire Sep 10, 2012	<b>6,511</b>	<b>3,923</b>	<b>1.2</b>
Cream Minerals Ltd.	(iii)	16,000,000 common shares 2,000,000 warrants expire Apr 13, 2011 5,000,000 warrants expire Dec 21, 2012	<b>3,071</b>	<b>3,922</b>	<b>1.2</b>
Bear Gold Lake Ltd. (formerly NFX Gold Inc.)	(ii, iii)	12,750,000 common shares 750,000 warrants expire Jun 4, 2011 1,000,000 warrants expire Oct 23, 2011	<b>8,603</b>	<b>3,379</b>	<b>1.1</b>
Nortec Ventures Corp.	(ii, iii)	16,000,000 common shares 1,500,000 warrants expire Jun 15, 2011	<b>2,469</b>	<b>3,375</b>	<b>1.1</b>
Currie Rose Resources Inc.	(ii, iii)	8,500,000 common shares 1,250,000 warrants expire Mar 10, 2012	<b>1,555</b>	<b>3,228</b>	<b>1.0</b>
Pele Mountain Resources Inc.	(ii, iii)	10,000,000 common shares	<b>3,233</b>	<b>3,192</b>	<b>1.0</b>
Niogold Mining Corp.	(ii, iii)	8,500,000 common shares 900,000 warrants expire Dec 22, 2011 750,000 warrants expire Dec 23, 2012	<b>2,996</b>	<b>3,135</b>	<b>1.0</b>

# PINETREE CAPITAL LTD.

## Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

(In thousands of dollars, except for securities and per share amounts)

### 3. Investments (continued):

As at December 31, 2010:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Nuinsco Resources Ltd.	(iii)	15,000,000 common shares 5,000,000 warrants expire Oct 1, 2012	<b>1,285</b>	<b>2,747</b>	<b>0.9</b>
Goldrush Resources Ltd.	(ii, iii)	8,500,000 common shares 1,000,000 warrants expire Mar 11, 2012	<b>1,710</b>	<b>2,414</b>	<b>0.8</b>
Silver Quest Resources Ltd.	(iii)	4,085,615 common shares 415,307 warrants expire Aug 26, 2012	<b>1,555</b>	<b>2,411</b>	<b>0.8</b>
Soltoro Ltd.	(ii, iii)	3,751,000 common shares 500,000 warrants expire Jun 21, 2011 250,000 warrants expire Aug 12, 2011	<b>1,770</b>	<b>2,406</b>	<b>0.8</b>
AM Gold Inc. (formerly Acero-Martin Exploration Inc.)	(iii)	4,500,000 common shares 500,000 warrants expire Jul 14, 2011 250,000 warrants expire Apr 30, 2012	<b>2,350</b>	<b>2,385</b>	<b>0.8</b>
Creso Exploration Inc.	(iii)	3,500,000 common shares 2,000,000 warrants expire Jun 1, 2012 300,000 warrants expire Oct 8, 2012	<b>2,218</b>	<b>2,170</b>	<b>0.7</b>
ICN Resources Ltd.	(iii)	3,250,000 common shares 750,000 warrants expire Dec 02, 2011	<b>856</b>	<b>2,134</b>	<b>0.7</b>
Castillian Resources Corp.	(iii)	18,793,265 common shares 1,666,667 warrants expire Jul 16, 2012 1,500,000 warrants expire Dec 30, 2012	<b>5,111</b>	<b>2,065</b>	<b>0.7</b>
Visible Gold Mines Inc.	(ii, iii)	3,500,000 common shares 1,000,000 warrants expire Oct 21, 2011	<b>1,046</b>	<b>1,997</b>	<b>0.6</b>
EMC Metals Corp.	(iii)	5,000,000 common shares 250,000 warrants expire Feb 17, 2011 899,500 warrants expire Aug 15, 2011	<b>1,977</b>	<b>1,924</b>	<b>0.6</b>
Goldeye Explorations Limited	(ii, iii)	22,250,000 common shares 1,000,000 warrants expire Dec 16, 2011 2,000,000 warrants expire May 19, 2012 5,000,000 warrants expire Sep 29, 2012	<b>2,535</b>	<b>1,881</b>	<b>0.6</b>
Valencia Ventures Inc.	(ii, iii)	14,884,000 common shares 4,700,000 warrants expire Nov 25, 2011	<b>4,580</b>	<b>1,880</b>	<b>0.6</b>
AMI Resources Inc.	(ii, iii)	11,888,000 common shares 1,500,000 warrants expire Apr 28, 2011 500,000 warrants expire Nov 22, 2011 500,000 warrants expire Dec 10, 2011	<b>1,600</b>	<b>1,820</b>	<b>0.6</b>
Unigold Inc.	(ii, iii)	10,821,500 common shares 1,500,000 warrants expire Dec 1, 2011	<b>4,138</b>	<b>1,786</b>	<b>0.6</b>
Golden Tag Resources Ltd.	(iii)	2,820,500 common shares 2,000,000 warrants expire Nov 30, 2011	<b>1,389</b>	<b>1,740</b>	<b>0.5</b>
Redstar Gold Corp.	(ii, iii)	7,000,000 common shares	<b>1,477</b>	<b>1,715</b>	<b>0.5</b>
Resinco Capital Partners Inc.	(ii, iii)	11,114,000 common shares 6,250,000 warrants expire Nov 17, 2011	<b>1,211</b>	<b>1,667</b>	<b>0.5</b>

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### 3. Investments (continued):

As at December 31, 2010:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
UC Resources Ltd.	(ii, iii)	16,000,000 common shares 500,000 warrants expire Feb 15, 2011 1,250,000 warrants expire Mar 9, 2011 500,000 warrants expire Aug 26, 2011 750,000 warrants expire Sep 27, 2012 1,500,000 warrants expire Dec 21, 2012	<b>4,216</b>	<b>1,583</b>	<b>0.5</b>
Caldera Resources Inc.	(ii, iii)	8,500,000 common shares 2,000,000 warrants expire Jan 6, 2012 1,500,000 warrants expire Apr 16, 2012	<b>928</b>	<b>1,561</b>	<b>0.5</b>
Lago Dourado Minerals Ltd.	(ii)	2,350,000 common shares	<b>575</b>	<b>1,498</b>	<b>0.5</b>
Erin Ventures Inc.	(ii, iii)	9,125,000 common shares 1,000,000 warrants expire Mar 9, 2011 1,875,000 warrants expire Apr 30, 2011 1,000,000 warrants expire Dec 2, 2011	<b>1,098</b>	<b>1,449</b>	<b>0.5</b>
Metals Creek Resources Corp.	(ii, iii)	4,000,000 common shares 1,000,000 warrants expire Oct 2, 2011	<b>495</b>	<b>1,425</b>	<b>0.4</b>
Colt Resources Inc.	(ii, iii)	1,392,857 common shares 1,099,774 warrants expire Jun 29, 2011 271,429 warrants expire Feb 25, 2012	<b>377</b>	<b>1,406</b>	<b>0.4</b>
Ginguro Exploration Inc.	(ii, iii, 9(h))	4,888,000 common shares 1,250,000 warrants expire Jun 17, 2011 625,000 warrants expire Dec 11, 2011	<b>1,349</b>	<b>1,347</b>	<b>0.4</b>
Oroco Resource Corp.	(ii, iii)	4,000,000 common shares 500,000 warrants expire Jun 3, 2011 500,000 warrants expire Apr 14, 2012	<b>1,220</b>	<b>1,337</b>	<b>0.4</b>
Alexander Nubia International Inc.	(iii)	3,750,000 common shares 1,250,000 warrants expire Oct 1, 2011	<b>582</b>	<b>1,313</b>	<b>0.4</b>
RJK Explorations Ltd.	(ii, iii)	9,000,000 common shares 5,000,000 warrants expire Dec 15, 2012	<b>861</b>	<b>1,242</b>	<b>0.4</b>
African Queen Mines Ltd.	(iii)	2,000,000 common shares 500,000 warrants expire Apr 20, 2011 250,000 warrants expire Dec 23, 2011 250,000 warrants expire Nov 1, 2012	<b>961</b>	<b>1,211</b>	<b>0.4</b>
Shoreham Resources Ltd.	(ii)	3,250,000 common shares 250,000 warrants expire May 14, 2011	<b>858</b>	<b>1,203</b>	<b>0.4</b>
Pacific Ridge Exploration Ltd.	(ii, iii)	4,250,000 common shares 1,250,000 warrants expire Dec 22, 2011	<b>1,804</b>	<b>1,145</b>	<b>0.4</b>
Northern Lion Gold Corp.	(ii, iii)	4,523,500 common shares 500,000 warrants expire May 24, 2012	<b>1,775</b>	<b>1,091</b>	<b>0.3</b>

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## Notes To The Consolidated Financial Statements

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(In thousands of dollars, except for securities and per share amounts)

### 3. Investments (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Abcourt Mines Inc.	(iii)	6,750,000 common shares 4,000,000 warrants expire Dec 13, 2011 1,500,000 warrants expire Dec 23, 2011	926	1,013	0.3
Valgold Resources Ltd.	(ii, iii)	4,000,000 common shares 1,000,000 warrants expire Nov 23, 2012 1,000,000 warrants expire Mar 3, 2015	3,172	1,008	0.3
Commander Resources Ltd.	(iii)	5,000,000 common shares	1,901	1,000	0.3
Total of 121 other investments – Resources (Precious Metals) sector (iv)			83,984	63,101	19.8
			243,164	316,667	100.0
<b>Sector: Resources (Uranium and Coal)</b>					
Cline Mining Corporation	(i, ii, iii)	15,000,000 common shares	15,562	60,450	35.3
Rockgate Capital Corp.	(i, ii, iii 9(h))	6,927,500 common shares 250,000 warrants expire Jul 28, 2011 322,500 warrants expire Sep 16, 2011	6,536	17,052	10.0
Mega Uranium Ltd.	(i, ii, iii, 9(h))	12,500,000 common shares 165,000 warrants expire Feb 22, 2012 764,712 warrants expire Jun 6, 2012 1,500,000 warrants expire Oct 26, 2014	36,087	14,218	8.3
Mawson Resources Ltd.	(i, iii)	4,398,000 common shares 750,000 warrants expire May 6, 2011 375,000 warrants expire Oct 25, 2012	2,982	11,208	6.6
U308 Corp.	(i, ii, iii, 9(h))	8,251,271 common shares 750,000 warrants expire Oct 14, 2012	3,946	8,770	5.1
Tournigan Energy Ltd.	(iii)	17,500,000 common shares 500,000 warrants expire Jul 14, 2012 1,250,000 warrants expire Dec 30, 2012	4,651	5,480	3.2
Energy Fuels Inc.	(iii)	6,000,000 common shares	4,170	5,280	3.1
Forum Uranium Corp.	(ii, iii)	10,000,000 common shares 3,000,000 warrants expire Apr 22, 2011	2,384	3,235	1.9
Silver Spruce Resources Inc.	(ii, iii)	15,000,000 common shares 2,500,000 warrants expire Sep 7, 2012 1,000,000 warrants expire Dec 23, 2012	4,282	3,226	1.9
Virginia Energy Resources Inc.	(iii)	6,100,000 common shares 750,000 warrants expire Apr 21, 2012 100,000 warrants expire Jul 21, 2014	4,696	2,964	1.7
Mesa Uranium Corp.	(ii, iii)	2,294,833 common shares 500,000 warrants expire Nov 20, 2011 750,000 warrants expire Dec 6, 2012	944	2,829	1.7
Southern Andes Energy Inc.	(ii, iii)	6,052,683 common shares 1,458,333 warrants expire Sep 12, 2011 2,000,000 warrants expire Dec 17, 2011	3,935	2,754	1.6

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### 3. Investments (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium and Coal) (continued)</b>					
Cue Resources Ltd.	(ii, iii)	12,999,300 common shares 2,500,000 warrants expire Jul 11, 2011 4,000,000 warrants expire Nov 10, 2012	5,318	2,505	1.5
Sparton Resources Inc.	(ii, iii)	12,000,000 common shares	2,953	2,280	1.3
Dios Exploration inc.	(ii, iii)	5,942,500 common shares	3,252	1,902	1.1
Calypso Uranium Corp.	(ii, iii)	6,000,000 common shares	2,678	1,710	1.0
Crossland Uranium Mines Ltd.	(iii)	8,000,000 common shares	2,441	1,710	1.0
RPT Resources Ltd.	(iii)	6,000,000 common shares	1,808	1,260	0.7
Tigris Uranium Corp.	(iii)	2,000,000 common shares	200	1,260	0.7
Kirrin Resources Inc.	(ii, iii)	8,234,166 common shares 1,500,000 warrants expire Sep 12, 2011 250,000 warrants expire Oct 30, 2011 1,750,000 warrants expire Dec 20, 2011 1,000,000 warrants expire May 30, 2012	1,182	1,063	0.6
Pacific Bay Minerals Ltd.	(ii, iii)	7,900,000 common shares 2,500,000 warrants expire Nov 19, 2011 2,400,000 warrants expire Dec 3, 2011	1,290	1,020	0.6
Total of 32 other investments – Resources (Uranium and Coal) sector (iv)			28,848	18,936	11.1
			140,145	171,112	100.0
<b>Sector: Resources (Base Metals)</b>					
Macarthur Minerals Ltd.	(i, ii, iii)	6,340,700 common shares 500,000 warrants expire Jan 3, 2013	8,175	19,933	13.5
Coro Mining Corp.	(i, iii)	10,000,000 common shares	3,498	11,700	7.9
Solitario Exploration & Royalty Corp.	(i, iii)	2,500,000 common shares	5,097	8,775	5.9
Erdene Resource Development Corp.	(i, iii)	7,000,000 common shares	3,428	8,680	5.9
Probe Mines Ltd.	(i, ii, iii)	4,387,400 common shares 500,000 warrants expire Feb 2, 2012	2,903	7,499	5.1
Woulfe Mining Corp.	(iii)	18,000,000 common shares 2,500,000 warrants expire Dec 17, 2011	7,665	5,440	3.7
Advanced Explorations Inc.	(iii)	5,585,000 common shares 1,500,000 warrants expire Sep 22, 2011	1,807	5,222	3.5
Western Troy Capital Resources Inc	(ii, iii)	6,539,166 common shares 500,000 warrants expire Nov 29, 2012	3,326	4,668	3.2
MacDonald Mines Exploration Ltd.	(ii, iii)	16,000,000 common shares 3,075,000 warrants expire Oct 29, 2011	7,268	3,040	2.1
Bolero Resources Corp.	(ii, iii)	4,019,500 common shares 1,000,000 warrants expire Oct 28, 2011 2,000,000 warrants expire Oct 4, 2012	4,298	2,534	1.7

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## Notes To The Consolidated Financial Statements

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(In thousands of dollars, except for securities and per share amounts)

### 3. Investments (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Base Metals) (continued)</b>					
International PBX Ventures Ltd.	(iii)	4,500,000 common shares 500,000 warrants expire Nov 30, 2011	<b>1,646</b>	<b>2,283</b>	<b>1.5</b>
Duran Ventures Inc.	(iii)	8,500,000 common shares 1,000,000 warrants expire Apr 17, 2011 1,500,000 warrants expire Dec 23, 2012	<b>2,002</b>	<b>2,226</b>	<b>1.5</b>
MBMI Resources Inc.	(ii, iii)	11,826,574 common shares 1,000,000 warrants expire May 28, 2011 2,500,000 warrants expire Apr 19, 2013	<b>6,821</b>	<b>2,151</b>	<b>1.5</b>
Castle Resources Inc.	(iii)	4,400,000 common shares 500,000 warrants expire Apr 15, 2011 500,000 warrants expire Oct 7, 2012	<b>1,206</b>	<b>2,139</b>	<b>1.4</b>
Beaufield Resources Inc.	(iii)	5,000,000 common shares	<b>2,630</b>	<b>2,125</b>	<b>1.4</b>
Halo Resources Ltd.	(ii, iii)	3,300,000 common shares 200,000 warrants expire May 26, 2011 200,000 warrants expire Jun 29, 2011 200,000 warrants expire Nov 4, 2011 1,000,000 warrants expire Oct 4, 2012 500,000 warrants expire Dec 23, 2012	<b>2,473</b>	<b>2,107</b>	<b>1.4</b>
African Metals Corporation	(ii, iii)	4,282,000 common shares 1,250,000 warrants expire Oct 22, 2011 1,000,000 warrants expire Aug 27, 2012	<b>993</b>	<b>2,060</b>	<b>1.4</b>
Bridgeport Ventures Inc.	(ii, iii)	2,250,000 common shares 500,000 warrants expire Dec 1, 2012 250,000 warrants expire Dec 20, 2012	<b>1,381</b>	<b>2,025</b>	<b>1.4</b>
Happy Creek Minerals Ltd.	(ii, iii)	6,000,000 common shares 500,000 warrants expire Dec 21, 2012	<b>2,373</b>	<b>1,891</b>	<b>1.3</b>
Rio Cristal Resources Corp.	(iii)	4,805,000 common shares 1,750,000 warrants expire Aug 30, 2012	<b>715</b>	<b>1,638</b>	<b>1.1</b>
Southern Silver Exploration Corp.	(ii, iii)	4,500,000 common shares 1,500,000 warrants expire Oct 27, 2012	<b>992</b>	<b>1,500</b>	<b>1.0</b>
Zenyatta Ventures Ltd.	(iii)	2,580,000 common shares 1,180,000 warrants expire Dec 23, 2012	<b>685</b>	<b>1,403</b>	<b>0.9</b>
Infrastructure Materials Corp.	(ii, iii)	8,177,174 common shares	<b>3,032</b>	<b>1,383</b>	<b>0.9</b>
Sultan Minerals Inc.	(ii, iii)	13,000,000 common shares 4,000,000 warrants expire Nov 24, 2012	<b>2,848</b>	<b>1,082</b>	<b>0.7</b>
Canadian Arrow Mines Ltd.	(ii, iii)	13,071,430 common shares 1,000,000 warrants expire Mar 17, 2011 1,500,000 warrants expire Apr 29, 2011 3,571,430 warrants expire Oct 18, 2012	<b>2,290</b>	<b>1,034</b>	<b>0.7</b>
Newport Exploration Ltd.	(ii, iii)	5,500,000 common shares	<b>1,249</b>	<b>1,018</b>	<b>0.7</b>
Total of 66 other investments – Resources (Base Metals) sector (iv)			<b>82,877</b>	<b>42,507</b>	<b>28.7</b>
			<b>163,678</b>	<b>148,063</b>	<b>100.0</b>

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### 3. Investments (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Oil &amp; Gas)</b>					
Primary Petroleum Corp.	(i, ii, iii)	14,681,800 common shares	4,228	13,507	18.7
Brownstone Energy Inc. (formerly Brownstone Ventures Inc.)	(i, ii, iii, 9(h))	10,197,720 common shares 500,000 warrants expire May 28, 2011 1,369,110 warrants expire Apr 13, 2012	8,189	10,544	14.6
Talon Metals Corp.	(i, iii)	4,000,500 common shares	2,219	6,561	9.1
Canadian Spirit Resources Inc.	(i, ii)	3,000,000 common shares	3,157	5,520	7.6
Centric Energy Corp.	(i, ii, iii)	7,500,000 common shares	2,321	4,425	6.1
Contact Exploration Inc.	(iii)	5,250,000 common shares 1,250,000 warrants expire May 10, 2012 500,000 warrants expire Oct 15, 2012	907	2,969	4.1
Donnybrook Energy Inc. (formerly Coastport Capital Inc.)	(iii)	6,403,000 common shares 1,250,000 warrants expire Feb 13, 2011 500,000 warrants expire Feb 25, 2011	1,599	2,861	4.0
Anglo Canadian Oil Corp.	(iii)	6,225,000 common shares 500,000 warrants expire May 16, 2011	739	2,397	3.3
Vulcan Minerals Inc.	(iii)	4,882,500 common shares 500,000 warrants expire Nov 3, 2011 100,000 warrants expire Nov 26, 2011	2,915	2,002	2.8
Greencastle Resources Inc.	(ii, iii)	5,000,000 common shares	1,520	1,675	2.3
Total of 38 other investments – Resources (Oil & Gas) sector (iv)			31,096	19,802	27.4
			58,890	72,263	100.0
<b>Sector: Resources (Potash, Lithium and Rare Earths)</b>					
Stans Energy Corp.	(i, iii)	9,500,000 common shares 500,000 warrants expire Aug 2, 2011	1,996	12,675	19.1
Canada Lithium Corp.	(i)	4,500,000 common shares 2,022,500 warrants expire Sep 30, 2011	5,176	11,297	17.0
IC Potash Corp. (formerly Trigon Uranium Corp.)	(i, ii, iii)	6,562,500 common shares 937,500 warrants expire Dec 2, 2011 500,000 warrants expire Sep 15, 2013	5,582	9,205	13.8
Lithium Americas Corp.	(i, iii)	4,600,000 common shares 125,000 warrants expire May 13, 2012	6,410	8,740	13.1
Matamec Explorations Inc.	(i, iii)	9,600,001 common shares 750,000 warrants expire Jun 16, 2012	2,847	6,054	9.1
Western Potash Corp.	(ii, iii)	1,000,000 common shares 8,500,000 warrants expire Apr 15, 2011 500,000 warrants expire Jun 21, 2013	1,618	4,539	6.8
Rare Earth Metals Inc.	(ii, iii)	6,500,000 common shares 250,000 warrants expire Nov 10, 2011 2,000,000 warrants expire Dec 16, 2011	1,862	2,646	4.0
New World Resource Corp.	(ii, iii)	6,236,852 common shares 1,000,000 warrants expire Jun 26, 2011	3,074	2,464	3.7

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### 3. Investments (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Potash, Lithium and Rare Earths) (continued)</b>					
Ucore Uranium Inc.	(ii)	2,431,250 common shares 1,250,000 warrants expire Jul 24, 2011 318,750 warrants expire Dec 9, 2012	1,103	2,092	3.1
Strategic Resources Inc.	(ii, iii)	11,000,000 common shares 2,500,000 warrants expire Jan 7, 2012 3,000,000 warrants expire Nov 17, 2012	2,838	2,020	3.0
Fieldex Exploration Inc.	(ii, iii)	7,610,778 common shares 1,388,889 warrants expire Oct 29, 2011	1,315	1,446	2.2
Total of 9 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv)			3,503	3,346	5.1
			<b>37,324</b>	<b>66,524</b>	<b>100.0</b>
<b>Sector: Technology and Other</b>					
Titanium Corporation Inc.	(i)	1,775,000 common shares 250,000 warrants expire Jun 15, 2012	1,972	3,221	16.7
Opel Solar International Inc.	(i, ii, iii)	8,500,000 common shares 750,000 warrants expire Dec 13, 2011 500,000 warrants expire Jul 21, 2012	6,822	2,720	14.1
Landdrill International Inc.	(i, ii, iii)	8,057,000 common shares	2,296	2,296	11.9
Diagnos Inc.	(i, ii, iii)	4,988,500 common shares 1,500,000 warrants expire Nov 11, 2011	1,481	1,422	7.4
Fiber Optic Systems Technology, Inc.	(i, ii, iii)	11,882,112 common shares \$100,000 12% convertible debenture 1,825,000 warrants expire Mar 5, 2011 1,111,111 warrants expire May 7, 2011 3,000,000 warrants expire Sep 23, 2012	4,494	1,164	6.1
REBgold Corporation	(ii, iii)	10,787,500 common shares 2,000,000 warrants expire May 10, 2011 1,000,000 warrants expire Aug 6, 2013 1,537,500 warrants expire Jun 17, 2015	1,287	1,025	5.3
Total of 32 other investments – Technology and Other sector (iv)			29,095	7,387	38.5
			<b>47,447</b>	<b>19,235</b>	<b>100.0</b>
<b>Total investments (v)</b>			<b>\$ 690,648</b>	<b>\$ 793,864</b>	

- (i) These investments are in the top five of their respective sector, by fair value, are publicly traded and these investments have a fair value greater than \$1,000 as at December 31, 2010.
- (ii) The Company has filed an “early warning report” pursuant to applicable Canadian securities legislation for these investments and these investments have a fair value greater than \$1,000 as at December 31, 2010.

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### 3. Investments (continued):

- (iii) The Company owns, on a partially diluted basis, at least a 5% interest in the publicly-traded company and these investments have a fair value greater than \$1,000 as at December 31, 2010.
- (iv) Total other investments in each sector include all equity investments, warrants, promissory notes, and convertible debentures which are not individually listed in their respective sector, held by the Company as at December 31, 2010.
- (v) As at December 31, 2010, included in total investments were securities of private companies with a fair value totaling \$23,428 (cost of \$34,006) determined in accordance with the Company's accounting policy for private company investments.
- (b) Investments accounted for at fair value consist of the following as at December 31, 2009 by sector:

As at December 31, 2009:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals)</b>					
Queenston Mining Inc.	(i, ii, iii)	5,248,200 common shares	14,035	28,970	18.3
Colossus Minerals Inc.	(i, ii)	3,000,000 common shares	3,583	17,160	10.9
Evolving Gold Corp.	(i, ii, iii)	9,500,000 common shares			
		500,000 warrants expire Nov 24, 2011	4,572	10,374	6.6
African Gold Group Inc.	(i, ii, iii)	9,079,500 common shares			
		3,000,000 warrants expire Jan 23, 2011			
		282,500 warrants expire Jun 16, 2011	3,167	6,888	4.4
Solitario Exploration & Royalty Corp	(i, iii)	2,508,053 common shares	5,107	6,019	3.8
Latin American Minerals Inc.	(ii, iii, 9(h))	13,500,000 common shares			
		500,000 warrants expire Feb 19, 2010			
		1,000,000 warrants expire Oct 5, 2011	6,119	3,158	2.0
Mega Precious Metals Inc. (formerly Mega Silver Inc.)	(ii, iii, 9(h))	4,980,836 common shares			
		375,000 warrants expire Nov 2, 2010	2,847	2,957	1.9
Unigold Inc.	(ii, iii)	10,516,000 common shares			
		1,500,000 warrants expire Dec 1, 2011	4,049	2,778	1.8
Valencia Ventures Inc.	(ii, iii)	14,884,000 common shares			
		4,700,000 warrants expire Nov 25, 2011	4,580	2,686	1.7
Bear Gold Lake Ltd. (formerly NFX Gold Inc.)	(ii, iii)	10,327,000 common shares			
		1,000,000 warrants expire Oct 23, 2010			
		750,000 warrants expire Jun 4, 2011	8,024	2,582	1.6
Niogold Mining Corp.	(ii, iii)	7,171,500 common shares			
		900,000 warrants expire Dec 22, 2010	2,588	2,242	1.4
Silver Quest Resources Ltd.	(ii, iii)	4,250,000 common shares			
		1,250,000 warrants expire Sep 16, 2010			
		1,250,000 warrants expire Oct 6, 2010	877	2,163	1.4
Caledonia Mining Corporation	(iii)	35,910,000 common shares	5,740	2,155	1.4

**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements**

December 31, 2010 and 2009

(In thousands of dollars, except for securities and per share amounts)

**3. Investments (continued):**

As at December 31, 2009:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Temex Resources Corp.	(ii, iii)	8,977,000 common shares			
		440,000 warrants expire May 26, 2011	4,818	2,020	1.3
TNR Gold Corp.	(iii)	6,575,000 common shares			
		500,000 warrants expire Apr 17, 2010	1,493	1,874	1.2
Commander Resources Ltd.	(iii)	5,000,000 common shares	1,934	1,700	1.1
Redstar Gold Corp.	(ii, iii)	6,750,000 common shares	1,433	1,688	1.1
Nortec Ventures Corp.	(ii)	16,080,000 common shares			
		540,000 warrants expire Feb 14, 2010			
		1,500,000 warrants expire Jun 15, 2011	2,482	1,675	1.1
Goldstone Resources Inc. (formerly Ontex Resources Limited)	(iii)	1,458,333 common shares			
		416,666 warrants expire Sept 5, 2010			
		833,333 warrants expire Nov 22, 2010			
		441,666 warrants expire Feb 24, 2011	1,404	1,240	0.8
AMI Resources Inc.	(ii, iii)	7,638,000 common shares			
		2,000,000 warrants expire May 4, 2010			
		1,500,000 warrants expire Apr 28, 2011	1,055	1,224	0.8
Shoreham Resources Ltd.	(ii, iii)	3,600,000 common shares			
		750,000 warrants expire May 14, 2010			
		250,000 warrants expire May 14, 2011	950	1,044	0.7
Gold Canyon Resources Inc.	(ii, iii)	5,550,000 common shares			
		1,000,000 warrants expire Sep 29, 2011	2,036	1,022	0.6
Treasury Metals Inc.	(iii)	2,186,055 common shares			
		500,000 warrants expire Nov 22, 2010	645	1,016	0.6
Pacific North West Capital Corp.	(ii, iii)	5,500,000 common shares			
		250,000 warrants expire Dec 30, 2010	2,498	1,008	0.6
Total of 120 other investments – Resources (Precious Metals) sector (iv)			91,636	52,384	32.9
			177,672	158,027	100.0
<b>Sector: Resources (Uranium and Coal)</b>					
Mega Uranium Ltd.	(i, ii, iii, 9(h))	13,400,000 common shares			
		914,712 warrants expire Feb 22, 2012			
		1,500,000 warrants expire Oct 26, 2014	\$ 39,747	\$ 10,356	21.1
Rockgate Capital Corp.	(i, ii, iii, 9(h))	8,500,000 common shares			
		500,000 warrants expire Mar 27, 2010			
		250,000 warrants expire Jul 28, 2011	8,296	5,550	11.3
Cline Mining Corp.	(i, ii, iii)	13,500,000 common shares	10,409	4,725	9.6
Tournigan Energy Ltd.	(i, iii)	10,000,000 common shares	2,913	2,250	4.6
Continental Precious Minerals Inc.	(i, ii, iii)	2,000,000 common shares			
		1,000,000 warrants expire May 6, 2012	1,091	1,920	3.9
Sparton Resources Inc.	(ii, iii)	8,236,500 common shares			
		2,500,000 warrants expire Oct 5, 2010	2,323	1,542	3.1
Pele Mountain Resources Inc.	(ii, iii)	8,000,000 common shares			
		1,000,000 warrants expire Feb 22, 2010	2,823	1,520	3.1

# PINETREE CAPITAL LTD.

## Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

(In thousands of dollars, except for securities and per share amounts)

### 3. Investments (continued):

As at December 31, 2009:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium and Coal) (continued)</b>					
Forum Uranium Corp.	(ii, iii)	10,496,500 common shares 3,000,000 warrants expire Apr 22, 2011	2,708	1,381	2.8
U308 Corp.	(ii, iii, 9(h))	2,550,100 common shares	996	1,224	2.5
Energy Fuels Inc.	(iii)	4,500,000 common shares	3,456	1,125	2.3
Total of 50 other investments – Resources (Uranium and Coal) sector (iv)			58,050	17,473	35.7
			132,812	49,066	100.0
<b>Sector: Resources (Base Metals)</b>					
Noront Resources Ltd.	(i, ii)	3,600,000 common shares	6,965	7,452	10.4
Macarthur Minerals Ltd.	(i, ii, iii)	4,465,200 common shares 500,000 warrants expire Jan 3, 2010	5,372	3,751	5.2
Bridgeport Ventures Inc.	(i, ii, iii)	1,602,600 common shares 500,000 warrants expire Dec 1, 2012	698	3,158	4.4
Coro Mining Corp.	(i, iii)	5,000,000 common shares	900	2,800	3.9
International Nickel Ventures Corp.	(i, ii)	2,800,000 common shares	3,615	2,464	3.4
Probe Mines Ltd.	(ii, iii)	4,500,000 common shares	3,080	2,430	3.4
MacDonald Mines Exploration Ltd.	(ii, iii)	14,916,000 common shares 3,075,000 warrants expire Oct 29, 2011	7,012	2,163	3.0
Creston Moly Corp.	(iii)	10,409,900 common shares 2,500,000 warrants expire May 9, 2010	8,370	2,147	3.0
MBMI Resources Inc.	(ii, iii)	7,617,074 common shares 1,000,000 warrants expire Dec 29, 2010 1,000,000 warrants expire May 28, 2011	6,266	1,809	2.5
Uranium Star Corp.	(iii)	3,000,000 common shares 1,500,000 warrants expire Jun 16, 2011	786	1,533	2.1
Infrastructure Materials Corporation	(ii, iii)	7,525,000 common shares	2,877	1,529	2.1
Tribute Minerals Inc.	(iii)	9,450,000 common shares 1,000,000 warrants expire Jun 24, 2011 2,500,000 warrants expire Dec 21, 2011	1,612	1,317	1.8
Bolero Resources Corp.	(ii, iii)	1,665,500 common shares 1,000,000 warrants expire Oct 28, 2011	3,637	1,050	1.5
Copper Mesa Mining Corporation	(ii, iii)	20,787,270 common shares	3,601	1,039	1.4
Total of 91 other investments – Resources (Base Metals) sector (iv)			100,785	37,069	51.9
			155,576	71,711	100.0
<b>Sector: Resources (Oil &amp; Gas)</b>					
Brownstone Ventures Inc.	(i, ii, iii, 9(h))	7,647,000 common shares 500,000 warrants expire May 28, 2011	6,797	6,143	17.9
Southern Pacific Resources Corp.	(i, ii)	5,488,500 common shares	4,724	5,300	15.4
Canadian Spirit Resources Inc.	(i, ii, iii)	2,121,300 common shares 500,000 warrants expire Feb 19, 2010	1,870	3,532	10.3
Vulcan Minerals Inc.	(i, iii)	3,782,500 common shares 100,000 warrants expire Nov 26, 2011	2,246	2,487	7.2

# PINETREE CAPITAL LTD.

## Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

(In thousands of dollars, except for securities and per share amounts)

### 3. Investments (continued):

As at December 31, 2009:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Oil &amp; Gas) (continued)</b>					
Red Maple Energy Inc.	(i)	5,400,000 common shares	750	1,557	4.5
Quetzal Energy Ltd.	(ii, iii, 9h))	9,110,000 common shares 5,000,000 warrants expire Oct 26, 2011 600,000 warrants expire Apr 21, 2012	4,085	1,508	4.4
Changfeng Energy Inc.	(iii)	3,346,500 common shares	1,329	1,088	3.2
Talon Metals Corp.	(iii)	2,504,000 common shares	1,699	1,014	2.9
Total of 38 other investments – Resources (Oil & Gas) sector (iv)			29,168	11,775	34.2
			52,668	34,404	100.0
<b>Sector: Resources (Potash, Lithium and Rare Earths)</b>					
Ucore Uranium Inc.	(i, ii, iii)	10,000,000 common shares 1,250,000 warrants expire Jul 24, 2011	4,549	5,081	18.7
Stans Energy Corp.	(i, iii)	6,000,000 common shares 2,000,000 warrants expire Nov 30, 2010	934	2,767	10.2
Orocobre Ltd.	(i)	2,500,000 common shares	2,573	2,689	9.9
Rare Earth Metals Inc.	(i, iii)	4,000,000 common shares 2,000,000 warrants expire Dec 16, 2011	1,000	2,019	7.4
Lithium Americas Corp.	(i)	1,250,000 common shares	700	1,875	6.9
IC Potash Corp. (formerly Trigon Uranium Corp.)	(iii)	4,285,500 common shares 937,500 warrants expire Dec 2, 2011	4,701	1,564	5.8
49 North Resources Inc.	(ii, iii)	815,000 common shares 815,000 warrants expire Jun 18, 2011	2,241	1,557	5.7
Fieldex Exploration Inc.	(ii, iii)	6,879,278 common shares 1,388,889 warrants expire Oct 29, 2011	1,146	1,450	5.3
New World Resource Corp.	(ii, iii)	6,236,852 common shares 925,926 warrants expire Sep 25, 2010 1,000,000 warrants expire Jun 26, 2011	3,074	1,363	5.0
Total of 19 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv)			9,318	6,738	25.1
			30,236	27,103	100.0
<b>Sector: Technology and Other</b>					
Enghouse Systems Ltd.	(i)	750,000 common shares	5,217	6,450	24.4
Diagnos Inc.	(i, ii, iii)	5,767,500 common shares 1,500,000 warrants expire Nov 11, 2011	1,683	2,730	10.3
Antisense Therapeutics Limited	(i, iii)	37,500,000 common shares	2,055	1,938	7.3
Opel Solar International Inc.	(i, ii, iii)	6,150,000 common shares 1,000,000 warrants expire May 11, 2010 750,000 warrants expire Dec 13, 2011	6,037	1,476	5.6
Total of 42 other investments – Technology and Other sector (iv)			37,626	13,819	52.4
			52,618	26,413	100.0
<b>Total investments (v)</b>			<b>\$ 601,582</b>	<b>\$ 366,724</b>	

# PINETREE CAPITAL LTD.

## Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

(In thousands of dollars, except for securities and per share amounts)

### 3. Investments (continued):

- (i) These investments are in the top five of their respective sector, by fair value, are publicly traded and these investments have a fair value greater than \$1,000 as at December 31, 2009.
  - (ii) The Company has filed an "early warning report" pursuant to applicable Canadian securities legislation for these investments and these investments have a fair value greater than \$1,000 as at December 31, 2009.
  - (iii) The Company owns, on a partially diluted basis, at least a 5% interest in the publicly-traded company and these investments have a fair value greater than \$1,000 as at December 31, 2009.
  - (iv) Total other investments in each sector include all equity investments, warrants, promissory notes, and convertible debentures which are not individually listed in their respective sector, held by the Company as at December 31, 2009.
  - (v) As at December 31, 2009, included in total investments were securities of private companies with a fair value totaling \$32,731 (cost of \$41,346) determined in accordance with the Company's accounting policy for private company investments.
- (c) Equity accounted investments consist of the following as at December 31, 2010 and 2009:

	2010	2009
Equity accounted investments - carrying value, beginning of year	\$ 1,911	\$ 3,567
Purchases of equity accounted investments	350	740
Proceeds on disposal of equity accounted investment	-	(2,650)
Gain on disposal of equity accounted investment	-	370
Transfer of equity accounted investment to investments (i)	(588)	-
Losses from equity accounted investments	(774)	(116)
<b>Equity accounted investments - carrying value, end of year</b>	<b>\$ 899</b>	<b>\$ 1,911</b>
<b>Equity accounted investments - cost</b>	<b>\$ 1,924</b>	<b>\$ 2,714</b>
<b>Number of equity accounted investments</b>	<b>1</b>	<b>4</b>

- (i) During the year ended December 31, 2010, one of the Company's equity accounted investments, Vesta Capital Corp. ("Vesta"), completed its acquisition of United Hydrocarbon Corporation ("UHC"), which constituted a reverse takeover of Vesta by UHC. Under the terms of the acquisition, Vesta issued a total of 113,999,772 Vesta shares to existing shareholders of UHC resulting in the dilution of Pinetree's percentage holding in Vesta from 31.7% to approximately 5.0%. Accordingly, the Company ceased accounting for its investment in Vesta using the equity method as at April 23, 2010. The Company now classifies its investment in Vesta as investments, at fair value. The fair value of the Company's investment in Vesta at the time of the change in accounting method from the equity method to the fair

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**3. Investments (continued):**

value method was \$300 and the dilution gain resulting from the change in accounting method was \$141, which is included in unrealized gains on investments.

During the year ended December 31, 2010, the Company also reclassified its equity accounted investment, Western Troy Capital Resources Inc. ("Western Troy") to investments, at fair value. On November 30, 2010, Western Troy completed two non-brokered private placements and issued 5,000,000 units resulting in the dilution of Pinetree's percentage holding in Western Troy from approximately 22.3% to approximately 18.3%. Each unit consisted of one common share and one warrant. Accordingly, the Company ceased accounting for its investment in Western Troy using the equity method as at November 30, 2010. The fair value of the Company's investment in Western Troy at the time of the change in accounting method from the equity method to the fair value method was \$2,820 and the dilution gain resulting from the change in accounting method was \$2,391, which is included in unrealized gains on investments.

During the year ended December 31, 2010, the Company ceased to have significant influence in its equity accounted investment, AlphaNorth General Partner Inc. ("AGP"), a company established under the laws of Ontario, Canada, and as a result, reclassified its investment in AGP to investments, at fair value. (See note 9(f)).

**4. Financial instruments hierarchy:**

The following table presents the Company's financial instruments, measured at fair value on the consolidated balance sheet as at December 31, 2010 and categorized into levels of the fair value hierarchy:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>Quoted market price</b>	<b>Valuation technique – observable market inputs</b>	<b>Valuation technique – non-observable market inputs</b>	<b>Total</b>
<b>Assets</b>				
Investments, at fair value	<b>\$ 662,358</b>	<b>\$ 108,078</b>	<b>\$ 23,428</b>	<b>\$ 793,864</b>
	<b>662,358</b>	<b>108,078</b>	<b>23,428</b>	<b>793,864</b>
<b>Liabilities</b>				
Class C preferred share liabilities, at fair value	-	<b>\$ 529</b>	-	<b>\$ 529</b>
	-	<b>529</b>	-	<b>529</b>

There were no significant transfers from Level 1 to 2 during the year ended December 31, 2010. During the year ended December 31, 2010, \$43,412 of the investments which were held in Level 2 as at December 31, 2009, was transferred to Level 1. The transfer out of Level 2 to

# PINETREE CAPITAL LTD.

## Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

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### 4. Financial instruments hierarchy (continued):

Level 1 consists of restricted investments as at December 31, 2009 which became unrestricted during the year ended December 31, 2010.

The following table presents the Company's financial instruments, measured at fair value on the consolidated balance sheet as at December 31, 2009 and categorized into levels of the fair value hierarchy:

	Level 1 Quoted market price	Level 2 Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs	Total
<b>Assets</b>				
Investments, at fair value	\$ 281,964	\$ 52,029	\$ 32,731	\$ 366,724
	281,964	52,029	32,731	366,724
<b>Liabilities</b>				
Class C preferred share liabilities, at fair value	-	\$ 373	-	\$ 373
	-	373	-	373

There were no significant transfers from Level 1 to 2 or Level 2 to 1 during the year ended December 31, 2009.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the year ended December 31, 2010. These financial instruments are measured at fair value utilizing non-observable market inputs. The realized losses and net unrealized losses are recognized in the consolidated statements of operations.

	Opening balance, December 31, 2009	Net purchases	Realized losses	Net unrealized losses	Net transfer out of Level 3	Ending balance, December 31, 2010
Investments, at fair value	\$ 32,731	\$ 15,556	\$ (2,804)	\$ (1,963)	\$ (20,092)	\$ 23,428

The net transfer out of Level 3 consists of investments in private companies as at December 31, 2009 and companies which were purchased during the year ended December 31, 2010 which became publicly-traded investments during the year ended December 31, 2010.

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements**

December 31, 2010 and 2009

(In thousands of dollars, except for securities and per share amounts)

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**4. Financial instruments hierarchy (continued):**

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the year ended December 31, 2009.

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	Opening balance, December 31, 2008	Net purchases	Realized losses	Net unrealized gains	Net transfer out of Level 3	Ending balance, December 31, 2009
Investments, at fair value	\$ 14,270	\$ 4,966	\$ (3,649)	\$ 18,856	\$ (1,712)	\$ 32,731

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The net transfer out of Level 3 consists of investments in private companies as at December 31, 2008 and companies which were purchased during the year ended December 31, 2009 which became publicly-traded investments during the year ended December 31, 2009.

**5. Capital assets:**

Capital assets consist of the following as at December 31:

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	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 97	\$ 67	\$ 30	\$ 76	\$ 55	\$ 21
Computer software	22	12	10	20	1	19
Leasehold improvements	946	528	418	347	133	214
Furniture and equipment	476	258	218	465	202	263
	\$ 1,541	\$ 865	\$ 676	\$ 908	\$ 391	\$ 517

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**6. Due to brokers:**

Due to brokers consists of margin borrowings collateralized by the Company's investments held at the brokers. In the normal course of business, the Company utilizes the margin borrowings to finance its investment activities. Interest is charged on the daily outstanding balance at a tiered rate equal to the brokers' overnight rate plus 0.40%.

**7. Bank indebtedness:**

The Company has an operating line of credit with the Royal Bank of Canada ("RBC") for \$250 (December 31, 2009 - \$1,000) collateralized by the Company's assets. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand. As at December 31, 2010 and 2009, the Company had nil outstanding on the line of credit.

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## **PINETREE CAPITAL LTD.**

### **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

**(In thousands of dollars, except for securities and per share amounts)**

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#### **8. Class C preferred share liabilities:**

During the year ended December 31, 2009, Pinetree's wholly owned subsidiary, PCIC, completed brokered and non-brokered private placements of an aggregate of 31,900 Class C preferred shares ("Class C Shares") of PCIC at a price of \$10 per Class C Share for gross proceeds of \$319. PCIC paid commissions and other expenses totaling \$58 related to the private placements which were recorded in the consolidated statements of operations. PCIC is authorized to issue an unlimited number of Class A preferred shares, Class B preferred shares, Class C Shares, and common shares. Pinetree owns directly and indirectly all Class A preferred shares, Class B preferred shares, and common shares of PCIC.

During the year ended December 31, 2010, 4,400 Class C Shares were cancelled by PCIC following their retraction by the holders at prices of between \$10.00 per share and \$15.10 per share plus accrued and unpaid dividends. As at December 31, 2010, 27,500 Class C Shares were issued and outstanding. The Class C Shares are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter. During the year ended December 31, 2010, PCIC paid total dividends of \$16 to Class C shareholders which were expensed as an operating, general and administrative expense in the consolidated statements of operations.

The Class C Shares' redemption and retraction prices are linked to the market price of the Company's common shares, subject to a minimum redemption price (at any time) and minimum retraction price (until the first anniversary of issue) of \$10 per share. As at December 31, 2010, both the redemption price and the retraction price in effect was \$19.25 per share (December 31, 2009 - \$11.69 per share). Accordingly, as at December 31, 2010, the Company recorded an increase in the fair value of the Class C Shares of \$211 (2009 - \$54) which was expensed as an operating, general and administrative expenses in the consolidated statements of operations. As at December 31, 2010, the Company had Class C preferred share liabilities of \$529 (December 31, 2009 - \$373).

#### **9. Related party transactions:**

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**9. Related party transactions (continued):**

Related party transactions were as follows during the years ended December 31:

Type of service	Nature of relationship	2010	2009
Consulting fees (a)	Officers	\$ 867	\$ 7,135
Director fees	Directors	159	136
Interest expense (b)	Director, shareholder, and officer	183	1,532
Other income (c)	Affiliated companies	585	3,388
Realized gain (losses) on disposal of investments (d)	Affiliated companies	-	406
Realized gain on disposal of equity accounted investments (e)	Director, shareholder, and officer	-	370

- (a) Consulting agreements are with the Company's Vice President - Legal & Corporate Affairs, Vice President – Business Development, Vice President – Research, Vice President – Trading, Head Trader, and Vice President, Corporate Development and Chief Financial Officer. The costs relating to these agreements are included in operating, general and administrative expenses. For the year ended December 31, 2010, included in consulting fees is \$400 (2009 - \$6,000) in bonus payments to officers of the Company. In the prior year, the Company also had a consulting agreement with the Company's Chairman and Chief Executive Officer ("CEO"). Effective January 1, 2010, the CEO's consulting agreement was terminated and replaced with an employment agreement between the CEO and the Company.
- (b) From time to time, the CEO advances funds to Pinetree. On December 15, 2008, the Company entered into a \$25,000 credit facility (the "Credit Facility") with the CEO. The Credit Facility is secured under a General Security Agreement (the "GSA"). The GSA covers all present and future tangible and intangible property of the Company subject to any security interests ranking in priority thereto, including the security interest for the Company's bank line of credit (note 7) and subordinate of the Company's brokers in respect of its margin borrowings (note 6). The Credit Facility, which was due to mature on December 31, 2010 and was subsequently extended to December 31, 2011, bears interest at a rate of 1% per month on the outstanding principal amount and has a standby fee of 0.25% per annum on the undrawn portion of the Credit Facility calculated daily and payable monthly in arrears. During the year ended December 31, 2010, a maximum balance of \$4,490 (2009 - \$24,549) was outstanding under the Credit Facility. Included in the consolidated statements of operations is \$183 (2009 - \$1,532) of interest and standby fee expense relating to the Credit Facility. As at December 31, 2010 and 2009, there was nil outstanding under the Credit Facility.
- (c) Other income relates to sublease and services agreements of approximately \$585 (2009 - \$3,388) from companies in which Pinetree has a common director and common officers. The Company has a cost sharing arrangement with certain of its affiliated companies covering specific operating, general and administrative expenses, including lease commitments and salaries.

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**9. Related party transactions (continued):**

- (d) During the year ended December 31, 2009, the Company sold certain of its investments at market prices to Mega Uranium Ltd. ("Mega"). The Company has an investment in Mega, which is a company with a common director and common officers of the Company and is a reporting issuer trading on the TSX under the symbol "MGA". Total proceeds on the sales were \$1,348 and the Company recognized an aggregate realized gain on the sales of \$406. The Company's sales to Mega were done in the normal course of the Company's divestment activities.
- (e) During year ended December 31, 2009, the Company sold an equity accounted investment, its 50% interest in PowerOne Capital Markets Limited with a carrying value of \$2,280, to the Company's CEO for total proceeds of \$2,650. The Company recognized a gain on the disposal of the equity accounted investment of \$370.
- (f) On March 10, 2010, the Company entered into an agreement with AlphaNorth 2010 Flow-Through Limited Partnership (the "Fund"), a limited partnership established under the laws of Ontario, pursuant to which the Company agreed to provide funds to the Fund from time to time, of up to \$500 principal amount in the form of a revolving term loan. Funds provided by Pinetree under the loan bear interest at a rate equal to prime plus 2% and are secured by a general security agreement over the Fund's assets. At the time of the agreement, the Company had a common director and owned a 20% interest in the Fund's general partner, AGP. As at December 31, 2010, the Company no longer has a common director with AGP.
- (g) As at December 31, 2009, the Company had a loan receivable from an officer of the Company totaling \$75 which was repaid in full on January 29, 2010. The loan bore interest at RBC's prime rate plus 1% per annum, compounded monthly. The loan was used by the officer to purchase investments and was collateralized by those investments.
- (h) The Company has investments in listed issuers which are related parties with a common director and common officers of the Company or related parties with a director who is an officer of the Company. See notes 3(a, b).
- (i) During the year ended December 31, 2010, the Company granted to directors and officers the following options:

<b>Date Granted</b>	<b>Options Granted</b>	<b>Exercise Price</b>	<b>Expiry</b>
April 1, 2010	250,000	\$ 1.83	March 31, 2015
June 1, 2010	1,165,000	1.46	May 31, 2015
September 1, 2010	250,000	1.41	August 31, 2015
December 1, 2010	250,000	3.23	November 30, 2015
<b>Total granted</b>	<b>1,915,000</b>		

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## PINETREE CAPITAL LTD.

### Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

(In thousands of dollars, except for securities and per share amounts)

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#### 10. Share capital:

Authorized: Unlimited number of common shares, no par value

Issued and outstanding common shares:

	# of Shares	Amount
Balance, December 31, 2008	131,313,988	\$ 267,848
Issued pursuant to exercise of stock options	40,868	35
Issued pursuant to an investment in 49 North Resource Fund Inc.	914,796	2,241
Issued pursuant to the acquisition of Caymus Capital Corp.	2,000,001	2,980
Issued pursuant to an investment in U308 Corp.	600,000	996
Issued pursuant to an investment in Resinco Capital Partners Inc. (formerly Longview Capital Partners Inc.)	360,000	625
Balance, December 31, 2009	135,229,653	\$ 274,725
Issued pursuant to exercise of stock options (a)	<b>1,146,020</b>	<b>1,904</b>
<b>Balance, December 31, 2010</b>	<b>136,375,673</b>	<b>\$ 276,629</b>

(a) During the year ended December 31, 2010, 1,146,020 options were exercised at prices between \$0.53 per share and \$1.75 per share for total proceeds of \$1,190. Pursuant to the exercise of stock options, amounts of \$714 in contributed surplus were reallocated to share capital.

(b) Stock option plans:

The Company grants stock options to eligible directors, officers, employees and consultants pursuant to its 2007 Stock Option Plan (the "2007 Plan"). The 2007 Plan was established during the Company's fiscal year ended December 31, 2007 and replaced all other stock option plans of the Company (which were concurrently terminated). Options granted under these other plans which remain outstanding are now governed by the 2007 Plan. Under the terms of the 2007 Plan, the number of common shares which may be issued pursuant to the exercise of options granted under or otherwise governed by the 2007 Plan may not exceed 10% of the number of common shares outstanding at the time of grant; however, the number of options that have been cancelled or expired unexercised (whether in full or in part) will once again be issuable under the 2007 Plan.

The exercise price of an option granted under the 2007 Plan is determined by the Board of Directors but cannot be less than the closing price of the common shares on the TSX on the last day on which the common shares trade prior to the grant date of the option.

The Board of Directors has the discretion to determine the term and vesting provisions (if any) of options granted under the 2007 Plan, provided that the option terms may not exceed 10 years. In the last quarter of 2008, the Company established a fixed schedule of option grant dates. Going forward, options may be granted on a quarterly basis, on four designated dates during each year.

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**10. Share capital (continued):**

## (c) Stock options:

The following table summarizes stock options granted during the year ended December 31, 2010:

<b>Date Granted</b>	<b>Options Granted</b>	<b>Exercise Price</b>	<b>Expiry</b>
April 1, 2010	265,000	\$ 1.83	March 31, 2015
June 1, 2010	1,252,500	1.46	May 31, 2015
September 1, 2010	250,000	1.41	August 31, 2015
December 1, 2010	250,000	3.23	November 30, 2015
Total granted	2,017,500		

Stock options granted during the year ended December 31, 2010 vest at the rate of 1/6<sup>th</sup> of the grant at the end of each three-month period over an 18-month period. Options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense over the vesting period and credits contributed surplus for all options granted.

The fair value of the options granted during the year ended December 31, 2010 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	<b>102.6% - 109.7%</b>
Expected dividend yield	<b>0.0%</b>
Risk-free interest rate	<b>2.25% - 3.0%</b>
Expected option life in years	<b>3.5</b>
Fair value per stock option granted on April 1, 2010	<b>\$ 1.24</b>
Fair value per stock option granted on June 1, 2010	<b>\$ 0.99</b>
Fair value per stock option granted on September 1, 2010	<b>\$ 0.96</b>
Fair value per stock option granted on December 1, 2010	<b>\$ 2.30</b>

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**10. Share capital (continued):**

The fair value of the options granted during the prior year was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	<b>97.6%</b>
Expected dividend yield	<b>0.0%</b>
Risk-free interest rate	<b>2.25%</b>
Expected option life in years	<b>3.5</b>
Fair value per stock option granted on April 1, 2009	<b>\$ 0.84</b>
Fair value per stock option granted on June 30, 2009	<b>\$ 1.13</b>
Fair value per stock option granted on September 1, 2009	<b>\$ 0.95</b>
Fair value per stock option granted on December 1, 2009	<b>\$ 1.35</b>

For the year ended December 31, 2010, included in operating, general and administrative expenses is stock-based compensation of \$684 (2009 - \$1,205) relating to the stock options granted during the year and \$2,237 (2009 - \$3,018) relating to stock options granted in prior years to directors, officers, employees, and consultants of the Company.

A summary of the status of the Company's stock options as at December 31, and changes during the years then ended is presented below:

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<b>Stock Options</b>	<b>2010</b>		<b>2009</b>	
	<b># of Options</b>	<b>Weighted Average Exercise Price</b>	<b># of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding, at beginning of year	<b>10,312,740</b>	<b>\$ 3.79</b>	6,182,208	\$ 5.38
Granted	<b>2,017,500</b>	<b>1.72</b>	4,221,400	1.42
Exercised	<b>(1,146,020)</b>	<b>1.04</b>	(40,868)	0.59
Cancelled	<b>(500,000)</b>	<b>13.02</b>	-	-
Terminated	<b>(806,800)</b>	<b>4.09</b>	(50,000)	2.82
Outstanding, at end of year	<b>9,877,420</b>	<b>\$ 3.19</b>	10,312,740	\$ 3.79
Exercisable, at end of year	<b>8,074,204</b>	<b>\$ 3.51</b>	7,038,852	\$ 4.89

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements**

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**10. Share capital (continued):**

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2010:

<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
34,340	34,340	\$ 3.99	June 20, 2011
50,000	50,000	5.25	October 15, 2011
100,000	100,000	9.74	February 4, 2012
312,500	312,500	13.02	April 26, 2012
50,000	50,000	9.50	July 2, 2012
25,000	25,000	4.08	September 3, 2012
2,347,000	2,347,000	5.45	September 16, 2012
1,307,500	1,307,500	3.14	April 10, 2013
1,270,000	1,270,000	1.29	March 31, 2014
50,000	50,000	1.73	June 29, 2014
2,380,170	1,977,094	1.46	August 31, 2014
85,000	56,240	2.07	November 30, 2014
265,000	88,200	1.83	March 31, 2015
1,100,910	364,730	1.46	May 31, 2015
250,000	41,600	1.41	August 31, 2015
250,000	-	3.23	November 30, 2015
<b>9,877,420</b>	<b>8,074,204</b>		

## (d) Warrants and broker warrants:

A summary of the status of the Company's warrants and broker warrants as at December 31, 2010 and 2009 and the changes during the years then ended is presented below:

	<b>2010</b>		<b>2009</b>	
<b>Warrants and Broker Warrants</b>	<b># of Warrants and Broker Warrants</b>	<b>Weighted Average Exercise Price</b>	<b># of Warrants and Broker Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding, at beginning of year	<b>21,236,421</b>	<b>\$ 7.15</b>	22,542,671	\$ 7.21
Expired	<b>(722,771)</b>	<b>2.72</b>	(1,306,250)	8.18
Outstanding, at end of year	<b>20,513,650</b>	<b>\$ 7.31</b>	21,236,421	\$ 7.15

The following table summarizes the warrants and broker warrants outstanding as at December 31, 2010:

<b>Number of Warrants and Broker Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Warrants/ Broker Warrants Value</b>
<b>5,000,000</b>	<b>\$ 15.00</b>	<b>April 16, 2012</b>	<b>\$ 37,100</b>
<b>6,875,000</b>	<b>6.50</b>	<b>October 23, 2012</b>	<b>19,662</b>
<b>8,638,650</b>	<b>3.50</b>	<b>July 11, 2013</b>	<b>9,762</b>
<b>20,513,650</b>			<b>\$ 66,524</b>

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**10. Share Capital (continued):**

(e) Contributed surplus transactions for the respective years are as follows:

	<b>Amount</b>
Balance, December 31, 2008	\$ 17,667
Stock-based compensation	4,223
Exercise of stock options	(11)
Reallocation of expired broker warrants	5,129
Balance, December 31, 2009	27,008
Stock-based compensation (note 10(c))	<b>2,921</b>
Exercise of stock options (note 10(a))	<b>(714)</b>
Reallocation of expired broker warrants	<b>615</b>
<b>Balance, December 31, 2010</b>	<b>\$ 29,830</b>

As at December 31, 2010 and 2009, contributed surplus comprised of the following:

	<b>2010</b>	<b>2009</b>
Fair value of stock-based compensation	<b>\$ 24,086</b>	\$ 21,879
Fair value of expired broker warrants	<b>5,744</b>	5,129
	<b>\$ 29,830</b>	\$ 27,008

(f) Normal course issuer bid:

During the year ended December 31, 2010, the Company instituted a normal course issuer bid in respect of its common shares (the "NCIB"). Pursuant to the terms of the NCIB, and in accordance with the policies of the TSX, during the period commencing September 1, 2010 and ending August 31, 2011, the Company may purchase up to 5,000,000 common shares, representing approximately 3.7% of the common shares outstanding as at August 27, 2010. Purchases will be made in open market transactions through the facilities of the TSX and on other published markets at market prices prevailing at the time of acquisition. All common shares purchased under the NCIB will be cancelled. During the year ended December 31, 2010, no common shares of the Company were purchased under the NCIB.

**11. Lease commitments:**

Future minimum annual lease payments under operating leases for equipment and premises are approximately as follows:

2011	\$ 689
2012	687
2013	681
	<b>\$ 2,057</b>

# PINETREE CAPITAL LTD.

## Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

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### 12. Income taxes:

- (a) The provision for income taxes attributable to income before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 31.0% (2009 – 33.0%) of pre-tax income as a result of the following:

	2010	2009
Income before income taxes	\$ 340,100	\$ 190,539
Computed expected income tax provision (recovery)	105,431	62,878
Non-taxable portion of capital losses (gains)	(13,403)	43,449
Non-taxable portion of unrealized gains	(52,713)	(1,000)
Non-taxable stock-based compensation expense	906	1,394
Taxable capital gains dividend	8,712	-
Tax rate differential	(3,183)	(29,265)
Foreign tax rate differential	-	897
Future income tax asset valuation allowance	-	(43,754)
Permanent and other differences	(1,428)	(1,453)
Provision for income taxes	\$ 44,322	\$ 33,146

- (b) Significant components of the provision for income taxes for the year ended December 31 are as follows:

	2010	2009
Current tax expense	\$ -	\$ -
Future income tax recovery relating to origination and reversal of temporary differences	44,322	33,146
Provision for income taxes	\$ 44,322	\$ 33,146

- (c) The tax effects of temporary differences that give rise to significant portions of the future income tax assets and liabilities are presented below:

	2010	2009
<b>Future income tax assets (liabilities)</b>		
Non-capital losses	\$ 10,347	\$ 10,874
Corporate minimum tax credit	4,103	4,103
Ontario transitional tax credits	2,593	2,619
Share issuance costs	897	1,867
Investments – differences in carrying value and tax cost	(51,982)	(9,319)
Capital assets – differences in amortized and unamortized cost	121	219
Total future income tax assets (liabilities)	(33,921)	10,363
Less: valuation allowance (i)	-	-
<b>Net future income tax assets (liabilities)</b>	\$ (33,921)	\$ 10,363

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## PINETREE CAPITAL LTD.

### Notes To The Consolidated Financial Statements

December 31, 2010 and 2009

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#### 12. Income taxes (continued):

- (i) The future income tax assets ("FTA") relate primarily to the tax benefit that would arise from the application of the Company's non-capital loss carryforwards against future taxable income. A valuation allowance against the FTA is recorded to the extent that the Company considers it more likely than not that all or a portion of the FTA will not be realized. Based upon the Company's historical level of taxable income and expectations for future taxable income, the Company believes that it will more likely than not realize the tax benefits and, as such, the Company has recorded no valuation allowance.
- (d) At December 31, 2010, the Company has approximately \$78,200 (2009 - \$49,000) of Canadian non-capital losses available to reduce future years' income for tax purposes, the tax effect of which has been recorded in the accounts. The non-capital losses will expire as follows:

2028	\$	65,200
2030		13,000
		<u>78,200</u>

#### 13. Management of capital:

The Company includes the following items in its managed capital as at December 31:

	2010	2009
Due to brokers	\$ 85,570	\$ 33,673
Class C preferred share liabilities, at fair value	529	373
Shareholders' equity comprised of		
Share capital	276,629	274,725
Warrants and broker warrants	66,524	67,139
Contributed surplus	29,830	27,008
Retained earnings (deficit)	269,598	(26,180)
	<u>\$ 728,680</u>	<u>\$ 376,738</u>

The Company's objectives when managing capital are:

- (a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
- (c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

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## **PINETREE CAPITAL LTD.**

### **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

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#### **13. Management of capital (continued):**

- (d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. There were no changes to the Company's objectives in managing and maintaining capital since December 31, 2009. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments;
- (b) utilizing leverage in the form of margin (due to brokers) and the Company's bank credit line (bank indebtedness);
- (c) raising capital through equity financings; and
- (d) utilizing a Credit Facility from the CEO.

The Company is not subject to any capital requirements imposed by a regulator. When using margin for its investing activities, however, Pinetree is subject to the margin requirements applicable thereto, which can require, at any time and from time to time, that the Company provide additional funds to its brokers depending upon the then-value of its investments purchased on margin.

In August 2010, the Company's operating line of credit with RBC was reduced to \$250 from \$1,000 (note 7). As at December 31, 2010 and 2009, the Company had nil outstanding on the line of credit.

The payment of cash dividends does not form part of Pinetree's current capital management program and, to date, the Company has not declared any cash dividends on its common shares. However, the holders of the Class C Shares issued by PCIC are entitled to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter. During the year ended December 31, 2010, PCIC paid total dividends of \$16 to Class C shareholders. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2010.

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## **PINETREE CAPITAL LTD.**

### **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

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#### **14. Financial instruments:**

Financial instrument risks:

The investment operations of Pinetree's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets and liabilities are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including liquidity, market, interest rate, currency and credit risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in lesser proceeds from disposition and losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. Pinetree invests significantly in securities of "junior" issuers, which can at times be relatively illiquid, and if the Company decides to dispose of securities of a particular issuer it may not be able to do so at the time at favourable prices, or at all. Overall, the Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions, such that absent overall market disruptions or extreme circumstances, liquidity risk can be minimized.

The Company uses varying levels of financial leverage (or "margin") when purchasing investments. Trading on margin allows the Company to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows the Company to increase its portfolio size by increasing the number and amount of investments through the use of leverage.

However, if the market moves against the Company's positions and the Company's investments decline in value, the Company may be required to provide additional funds to its brokers, which could be substantial. Given the nature of the Company's business, the Company may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments prematurely and/or at a loss, in order to generate funds needed to satisfy the Company's obligations. Furthermore, if the Company is unable to provide the necessary funds within the time required, the Company's marginable investments may be involuntarily liquidated at a loss by its brokers to meet the obligations (and the Company may still be required to make up any additional shortfall in funds thereafter).

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**14. Financial instruments (continued):**

The Company has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of the Company's investments in order to meet margin calls could have a materially adverse impact on the Company's operating results.

There were no changes to the way the Company manages liquidity risk since December 31, 2009. The Company manages liquidity risk by reviewing the amount of margin available on a daily basis, and managing its cash flow given its daily margin availability. The Company holds investments which can be converted into cash when required.

As at December 31, 2010, the Company had used margin of \$85,570 and had additional margin available of \$7,214. As at December 31, 2010, there would be no change to the Company's available margin from a change in the closing bid price of the Company's investments by -10% to 10% with all other variables held constant as at December 31, 2010.

As at December 31, 2009, the Company had used margin of \$33,673 and had additional margin available of \$1,831. The following table shows the estimated sensitivity of the Company's available margin from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2009:

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<b>Percentage of change in closing bid price</b>	<b>Margin available with a % increase in closing bid price</b>	<b>Margin available with a % decrease in closing bid price</b>
2%	\$ 2,017	\$ 1,645
4%	2,204	1,459
6%	2,390	1,272
8%	2,576	897
10%	2,762	101

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As at December 31, 2010, the Company also had Class C preferred share liabilities of \$529 (2009 - \$373) related to the potential redemption and/or retraction of Class C Shares. The prices at which redemption/retraction rights may be exercised are based on the volume weighted average trading ("VWAT") price per share of the Company's common shares on the TSX for the applicable 20-day trading period (note 8), subject to a minimum redemption price of \$10 per Class C Share. The redemption/retraction price in effect as at December 31, 2010 was \$19.25 per share (2009 - \$11.69 per share).

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements**

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**14. Financial instruments (continued):**

The following table shows the estimated sensitivity of the Company's Class C preferred share liability amounts based on different 20-day VWAT prices of the Company's common shares as at December 31, 2010:

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<b>Pinetree's 20-day VWAT trading price</b>	<b>Redemption/ retraction value per Class C Share</b>	<b>Total Class C preferred share liabilities related to the redemption/retraction of Class C Shares</b>	<b>Increase in Class C preferred share liabilities</b>
\$ 1.87	\$ 10.00	\$ 275	\$ -
2.00	10.71	295	20
2.25	12.05	331	56
2.50	13.39	368	93
2.75	14.73	405	130
3.00	16.06	442	167
3.25	17.40	479	204
3.50	18.74	515	240
3.75	20.08	552	277
4.00	21.42	589	314
4.25	22.76	626	351
4.50	24.10	663	388

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The following table shows the estimated sensitivity of the Company's Class C preferred share liability amounts based on different 20-day VWAT prices of the Company's common shares as at December 31, 2009:

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<b>Pinetree's 20-day VWAT trading price</b>	<b>Redemption/ retraction value per Class C Share</b>	<b>Total Class C preferred share liabilities related to the redemption/retraction of Class C Shares</b>	<b>Increase in Class C preferred share liabilities</b>
\$ 1.87	\$ 10.00	\$ 319	\$ -
2.00	10.71	342	23
2.25	12.05	384	65
2.50	13.39	427	108
2.75	14.73	470	151
3.00	16.06	512	193
3.25	17.40	555	236
3.50	18.74	598	279
3.75	20.08	641	322
4.00	21.42	683	364

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## PINETREE CAPITAL LTD.

### Notes To The Consolidated Financial Statements

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(In thousands of dollars, except for securities and per share amounts)

#### 14. Financial instruments (continued):

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at December 31, 2010:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	\$ 85,570	\$ 85,570	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	34,094	34,094	-	-	-
Class C preferred share liabilities	529	529	-	-	-
Future income tax liabilities	33,921	-	33,921	-	-
	<u>\$ 154,114</u>	<u>\$ 120,193</u>	<u>\$ 33,921</u>	<u>\$ -</u>	<u>\$ -</u>

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at December 31, 2009:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	\$ 33,673	\$ 33,673	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	6,824	6,824	-	-	-
Class C preferred share liabilities	373	373	-	-	-
	<u>\$ 40,870</u>	<u>\$ 40,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### (b) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

Additionally, in accordance with CICA Handbook Section 3855, Pinetree is required to mark to market its held-for-trading investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Pinetree's financial position.

There were no changes to the way the Company manages market risk since December 31, 2009. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers, although Pinetree's investment activities are currently concentrated primarily across several sectors in the natural resource industry: precious metals, uranium and coal, base metals, oil & gas, potash, lithium and rare earths.

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**14. Financial instruments (continued):**

The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required.

During periods of significant broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations.

The following table shows the estimated sensitivity of the Company's after-tax net income for the year ended December 31, 2010 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2010:

<b>Percentage of change in closing bid price</b>	<b>Change in net after-tax income from % increase in closing bid price</b>	<b>Change in net after-tax income from % decrease in closing bid price</b>
2%	\$ 13,615	\$ (13,615)
4%	27,230	(27,230)
6%	40,844	(40,844)
8%	54,459	(54,459)
10%	68,074	(68,074)

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the year ended December 31, 2009 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2009:

<b>Percentage of change in closing bid price</b>	<b>Change in net after-tax income from % increase in closing bid price</b>	<b>Change in net after-tax income from % decrease in closing bid price</b>
2%	\$ 6,248	\$ (6,248)
4%	12,496	(12,496)
6%	18,744	(18,744)
8%	24,992	(24,992)
10%	31,240	(31,240)

**(c) Interest rate risk:**

Interest rate risk is the impact that changes in interest rates could have on the Company's income and liabilities. As at December 31, 2010, the Company had due to brokers (margin) which bears interest at rates fluctuating with the prime rate or overnight lending rate. The Company's obligations under the Credit Facility bear interest at a fixed rate.

All of the interest risk liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. There were no changes to the way the Company manages interest rate risk since December 31, 2009. Pinetree does not hedge against any interest rate risk.

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**14. Financial instruments (continued):**

The following table shows the estimated sensitivity of the Company's net after-tax income for the year ended December 31, 2010 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2010:

<b>Change in interest rate</b>	<b>Change in net after-tax income from an increase in interest rate</b>	<b>Change in net after-tax income from a decrease in interest rate</b>
0.25%	\$ (103)	\$ 103
0.50%	(206)	206
0.75%	(309)	309
1.00%	(411)	411

The following table shows the estimated sensitivity of the Company's net after-tax income for the year ended December 31, 2009 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2009:

<b>Change in interest rate</b>	<b>Change in net after-tax income from an increase in interest rate</b>	<b>Change in net after-tax income from a decrease in interest rate</b>
0.25%	\$ (29)	\$ 29
0.50%	(58)	58
0.75%	(87)	87
1.00%	(116)	116

**(d) Currency risk:**

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time. The Company may have margin borrowings or financial instruments denominated in U.S. dollars, Australian dollars, and British pounds. A change in the foreign exchange rate of the Canadian dollar versus another currency may increase or decrease the Company's obligations due to brokers and increase or decrease the value of its financial instruments.

There were no changes to the way the Company manages currency risk since December 31, 2009. The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency exposure, although Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments.

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**14. Financial instruments (continued):**

The following assets and liabilities were denominated in foreign currencies:

	2010	2009
Denominated in U.S. dollars:		
Investments	\$ 8,364	\$ 11,885
Cash and cash equivalents	9	11
Due from brokers	14	24
Prepays and other receivables	591	129
Due to brokers	(2,632)	(139)
Accounts payable and accrued liabilities	(14)	(22)
Net assets denominated in U.S. dollars	<u>6,332</u>	<u>11,888</u>
Denominated in Australian dollars:		
Investments	14,533	11,335
Due from (to) brokers	2,004	(443)
Net assets denominated in Australian dollars	<u>16,537</u>	<u>10,892</u>
Denominated in British pounds:		
Investments	2,942	86
Due to brokers	(1,091)	-
Net assets denominated in British pounds	<u>1,851</u>	<u>86</u>

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The following table shows the estimated sensitivity of the Company's net after-tax income for the year ended December 31, 2010 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2010:

Percentage of change in U.S. dollar	Change in net after-tax income from an increase in % in the U.S. dollar exchange rate	Change in net after - tax income from a decrease in % in the U.S. dollar exchange rate
2%	\$ 87	\$ (87)
4%	175	(175)
6%	262	(262)
8%	349	(349)
10%	437	(437)

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**14. Financial instruments (continued):**

The following table shows the estimated sensitivity of the Company's net after-tax income for the year ended December 31, 2010 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2010:

<b>Percentage of change in Australian dollar</b>	<b>Change in net after-tax income from an increase in % in the Australian dollar exchange rate</b>	<b>Change in net after - tax income from a decrease in % in the Australian dollar exchange rate</b>
2%	\$ 228	\$ (228)
4%	456	(456)
6%	685	(685)
8%	913	(913)
10%	1,141	(1,141)

The following table shows the estimated sensitivity of the Company's net after-tax income for the year ended December 31, 2009 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2009:

<b>Percentage of change in U.S. dollar</b>	<b>Change in net after-tax income from an increase in % in the U.S. dollar exchange rate</b>	<b>Change in net after - tax income from a decrease in % in the U.S. dollar exchange rate</b>
2%	\$ 159	\$ (159)
4%	319	(319)
6%	479	(479)
8%	637	(637)
10%	796	(796)

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**14. Financial instruments (continued):**

The following table shows the estimated sensitivity of the Company's net after-tax income for the year ended December 31, 2009 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2009:

<b>Percentage of change in Australian dollar</b>	<b>Change in net after-tax income from an increase in % in the Australian dollar exchange rate</b>	<b>Change in net after - tax income from a decrease in % in the Australian dollar exchange rate</b>
2%	\$ 146	\$ (146)
4%	292	(292)
6%	438	(438)
8%	584	(584)
10%	730	(730)

(e) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities (in connection with securities lending and convertible or debt securities, for example) will not perform their underlying obligations. There were no changes to the way the Company manages credit risk since December 31, 2009.

The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. As at December 31, 2010, the total fair value of these investments was \$506 (2009 - \$1,498). The Company believes it is not significantly exposed to credit risk as these investments comprise 0.1% (2009 - 0.4%) of the Company's total investments.

During the year ended December 31, 2010, the Company entered into a securities lending agreement ("SLA") with one of its prime brokers in order to earn additional revenue, which is included in other income in the consolidated statements of operations. The Company receives collateral in an amount equal to the percentage of the market value of the loaned securities as agreed upon with the prime broker. The securities on loan continue to be included in investments on the consolidated balance sheets. The Company believes it is not significantly exposed to credit risk since the prime broker is required to pay the Company the fair value of the securities loaned if the securities are not returned upon the Company's request. As at December 31, 2010, the total fair value of investments loaned to third parties was \$5,355 which comprise 0.7% of the Company's total investments.

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## **PINETREE CAPITAL LTD.**

### **Notes To The Consolidated Financial Statements**

**December 31, 2010 and 2009**

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#### **14. Financial instruments (continued):**

(f) Fair value of financial instruments:

The method of calculating the fair value of the Company's financial instruments and the assumptions made in determining their value, varies depending upon the nature of the instrument:

- (i) The carrying values of cash and cash equivalents, other receivables, due from/to brokers, and accounts payable and accrued liabilities in the consolidated balance sheets approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments and Class C preferred share liabilities are carried at amounts in accordance with the Company's accounting policies (notes 2(b, o)).
- (iii) The Company does not have any other comprehensive income components and, as such, comprehensive income is equal to net income.

The total amount of the change in fair value of the Company's financial instruments and the total amount of unrecognized gains and losses on its financial instruments are reflected in the accompanying consolidated statements of operations. Assumptions made in determining the fair value of the Company's financial instruments are discussed in notes 2 (b, o).

#### **15. Segmented information:**

The Company has a single reportable geographic segment - Canada - and all of the Company's capital assets are located in Canada.

#### **16. Future accounting changes:**

Recent accounting pronouncements:

- (a) On February 13, 2008, the Accounting Standards Board confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to begin using International Financial Reporting Standards ("IFRS") in place of GAAP as the basis for preparation of financial statements. Pinetree will adopt IFRS commencing with financial statements for periods ending after January 1, 2011, with comparatives in the prior year.

The Company is in the process to transition from GAAP to IFRS. The initial analysis of IFRS in comparison with GAAP has identified a number of differences. Based on the analyses completed to date, Management has determined that none of the differences are expected to have a material impact on the Company's reported results and financial position, although there may be significant changes in certain areas following the adoption of IFRS. The Company expects that most adjustments required upon transition to IFRS

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**PINETREE CAPITAL LTD.****Notes To The Consolidated Financial Statements****December 31, 2010 and 2009****(In thousands of dollars, except for securities and per share amounts)**

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**16. Future accounting changes (continued):**

will be made retrospectively against opening retained earnings, and shown on the first comparative consolidated balance sheet.

IFRS 1, "First Time Adoption Of International Financial Reporting Standards" provides entities which are adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to certain of the IFRS requirements for retrospective application of IFRS. The Company is analyzing the various choices and will implement those which are determined to be most appropriate to the Company's particular circumstances.

**17. Comparative consolidated financial statements:**

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2010 consolidated financial statements.