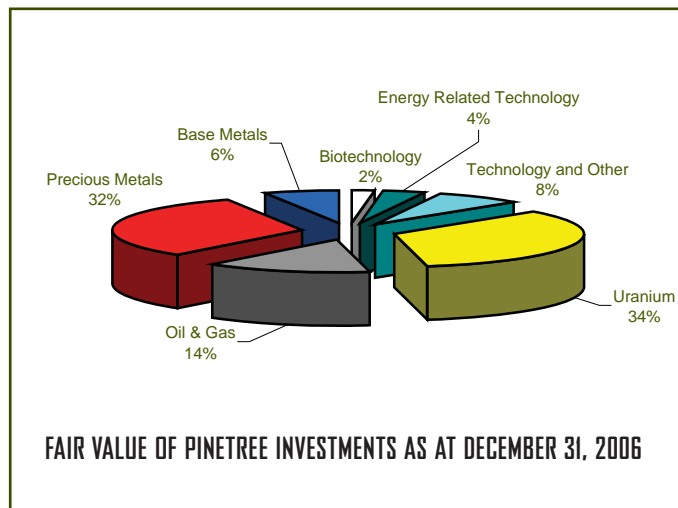
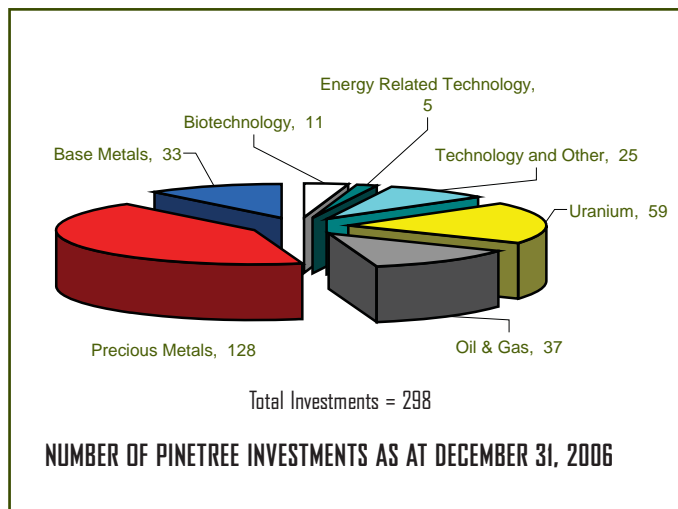


# Venture to Grow

PINETREE CAPITAL LETTER TO SHAREHOLDERS 2006



# Financial Overview



Dear Shareholders,

Over the years we have invested in a number of different sectors, but our core business approach has remained unchanged. Pinetree is a diversified investment, financial advisory and merchant banking firm focused on the small cap market. Our investment objective is to anticipate emerging trends and macro changes in consumption and invest heavily in micro-cap companies that are targeting these markets. Key to this strategy is building a position ahead of others in the financial markets.

On the whole, fiscal 2006 was an exciting year for Pinetree. The Company realized net gains of \$94 million on the disposal of its investments an increase of 417% over the previous year. We also had net income of approximately \$183 million (\$4.63 per basic share) as compared to approximately \$52 million (\$1.85 per basic share) last year. This represents a 254% increase in net income and 150% increase in earnings per share.

With the completion of two private placement financings, raising total net proceeds of approximately \$64 million, we are well positioned to make strategic investments in the coming year. As at December 31, 2006, Pinetree held investments with a fair value of approximately \$552 million as compared to \$176 million at the end of last year. This represents a 214% increase.

In terms of our areas of investment, we continue to focus on the resource sector. At the end of fiscal year 2006, roughly 86% of the fair value of our investments were in this sector. Our financial performance has been, and is expected to continue to be, closely linked to the demand for the key sectors and commodities in which we invest.

During fiscal 2006, we continued to invest in four main categories:

- Uranium ● Precious Metals ● Oil and Gas ● Base Metals

In addition, we made a small number of investments in energy related technologies, biotechnology and other technologies.

# Sector Performance



## Uranium

With the spot price of uranium reaching record highs, the uranium mining and exploration sector remained strong during 2006 and has continued to strengthen in 2007. Driving this demand is the renaissance of nuclear power, seen as a clean, reliable, base-load generating technology. Growth in energy needs, primarily from China and India, combined with environmental concerns over energy produced from fossil fuels is expected to continue to push future demand for nuclear power even higher. According to experts there are approximately 443 nuclear reactors currently in operation supplying 16% of the world's electricity. With another 250 nuclear reactors under construction, planned or proposed, the demand for uranium is expected to increase significantly from the current 170 million pound range to the 250 million pound range by 2030.

On the supply side, the flooding of the Cigar Lake project, caused a significant delay in timing of future uranium production. While Cigar Lake effectively removed uranium from the supply in 2008, Energy Resources of Australia announced flooding in their Ranger mine, creating a supply squeeze in the near term. Global uranium production in 2006 was roughly 100 million pounds and according to some sources production is expected to increase by 15% in 2007. The current short fall between supply and demand is being filled by secondary sources of uranium that are quickly depleting. Unless a significant number of additional mines are brought to production soon, energy analysts predict a global uranium shortage over the next decade and beyond.

Several years ago we recognized that global growth would lead to an increase in demand for nuclear power and invested in uranium companies. We continued this trend in 2006. Our top five uranium sector investments as at December 31, 2006 based on fair market value were:

1. Mega Uranium
2. Tournigan Gold Corp
3. Khan Resources Inc.
4. Dejour Enterprises Ltd.
5. OmegaCorp Ltd.



## Precious Metals

The market for gold in 2006 was volatile, but ended the year on a strong note. The weaker US dollar and inflationary pressures coupled with political tensions in the Middle East all contributed to the rise in the price of gold in 2006. In addition, Q3 saw the demand for jewelry reach another quarterly high at \$11.8 billion. This demand was fueled largely by social and economic changes in countries such as India, China and the Middle East. Economic growth in these countries created more disposable income amongst its citizens and increased the demand for gold jewelry.

The strong gold price, which has not dipped below \$600/oz since the end of October 2006, made exploration in new areas more economically attractive. With a new gold mine taking between 5 and 10 years to begin production, discovering new sources of gold today is critical to continued supply. Accordingly, we continue to invest in exploration companies which we believe have a combination of quality properties, resources and management.

Our top five precious metal sector investments as at December 31, 2006 based on fair market value were:

1. Aurelian Resources Inc.
2. Guyana Goldfields Inc.
3. Aquiline Resources Inc.
4. Afriore Ltd.
5. iShares Silver Trust



# Sector Performance



## Oil and Gas

Other commodity prices, especially those which are energy related, were also strong in 2006. Some of our key investments were in companies focused on the exploration and development of the Canadian Oil Sands. Again due to the global economic growth, oil prices remained relatively high during 2006 reaching \$79/bbl in July 2006, making exploration and project development economically attractive. Our strategy at Pinetree is to identify companies with good potential properties and reserves and invest heavily in advance of the projects being developed. Due to numerous global economic and political factors, many commentators expect prices of energy related commodities to remain strong, although with intermittent price fluctuations due to underlying volatility in oil and gas pricing.

Our top five oil and gas sector investments as at December 31, 2006 based on fair market value were:

1. Connacher Oil & Gas Ltd.
2. Oilsands Quest Inc.
3. Brownstone Ventures Inc.
4. Petrolifera Petroleum Limited
5. Canoro Resources Ltd.

## Base Metals

Base metals are primarily used in construction and include metals such as iron, nickel, lead and copper. Though the US housing market cooled off significantly during 2006, the demand for base metals remained strong due to construction in China, the Middle East and India. The economic growth in these countries created a demand for raw materials and exploration continued in search of new resources.

Our top five base metal sector investments as at December 31, 2006 based on fair market value were:

1. International Nickel Ventures Corp.
2. Liberty Mines Inc.
3. Scandinavian Minerals Ltd.
4. BcMetals Corporation
5. Independent Nickel Corp.

Overall our resource investments performed very well in 2006 and I am very pleased that the fair value of our investments crossed the \$500 million mark. Looking into 2007, we remain focused on the resource sector with an eye for new opportunities in other areas. We will continue to execute our investment strategy and identify and invest in growth sectors early to create maximum returns for you, our shareholders. We are grateful for your continued support.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Inwentash', is written over a white background.

Sheldon Inwentash  
Chairman and CEO