

Consolidated Financial Statements of

Pinetree Capital Ltd.

For the years ended December 31, 2006 and 2005

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AUDITORS' REPORT

To the Shareholders of

Pinetree Capital Ltd.

We have audited the consolidated balance sheets of **Pinetree Capital Ltd.** as at December 31, 2006 and 2005 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
March 8, 2007

Ernst + Young LLP

Chartered Accountants

PINETREE CAPITAL LTD.
Consolidated Balance Sheets
As at December 31,

	<u>2006</u>	<u>2005</u>
Assets		
Investments, at fair value (notes 3 and 4)	\$ 552,376,814	\$ 176,142,271
Cash and cash equivalents	175,407	-
Prepays and other receivables (note 9(c, d))	916,691	182,487
Capital assets, net (note 6)	359,002	12,994
	<u>\$ 553,827,914</u>	<u>\$ 176,337,752</u>
Liabilities and Shareholders' Equity		
Bank indebtedness, net (note 10)	\$ -	\$ 2,317,947
Due to brokers (note 11)	57,570,900	37,237,403
Accounts payable and accrued liabilities (note 9(e))	7,860,956	2,114,168
Loan from officer (note 9(f))	-	1,976,485
Advances from affiliated company (note 8)	77,750	1,015,000
Short-term loan payable (note 12)	-	2,600,000
Deferred revenue (note 13)	-	995,873
Income taxes payable (note 15)	14,094,826	117,650
	<u>79,604,432</u>	<u>48,374,526</u>
Promissory note (note 14)	19,271,188	-
Future tax liabilities (note 15)	87,121,863	17,177,760
	<u>185,997,483</u>	<u>65,552,286</u>
Shareholders' equity		
Share capital (note 7)	98,832,076	25,433,456
Contributed surplus (note 7(i))	4,917,770	1,907,994
Retained earnings	264,080,585	83,444,016
	<u>367,830,431</u>	<u>110,785,466</u>
	<u>\$ 553,827,914</u>	<u>\$ 176,337,752</u>

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Sheldon Inwentash" Director

"Ronald Perry" Director

PINETREE CAPITAL LTD.
Consolidated Statements of Operations
Years Ended December 31,

	<u>2006</u>	<u>2005</u>
Net investment gains		
Gain on disposal of investments, net	\$ 94,251,399	\$ 18,219,425
Unrealized gains on investments, net	196,956,314	53,150,534
	<u>291,207,713</u>	<u>71,369,959</u>
Other revenue		
Interest and dividend income (note 9)	249,222	324,773
Other income (note 9(b))	3,224,866	1,636,571
	<u>294,681,801</u>	<u>73,331,303</u>
Expenses		
Operating, general and administrative (note 9)	14,218,869	4,742,725
Transaction costs	1,418,924	-
Stock-based compensation (note 7(h))	5,355,331	1,855,685
Foreign exchange loss (gain)	812,764	(11,606)
Amortization	7,203	2,682
Interest (note 14)	3,718,071	1,392,991
	<u>25,531,162</u>	<u>7,982,477</u>
Income before income taxes	269,150,639	65,348,826
Provision for income taxes (note 15)	86,023,086	13,662,329
Net income for the year	\$ 183,127,553	\$ 51,686,497
Earnings per common share (note 7(a))		
Basic	\$ 4.63	\$ 1.85
Diluted	\$ 4.36	\$ 1.71
Weighted average number of common shares outstanding (note 7(a))		
Basic	39,582,445	27,990,258
Diluted	41,998,689	30,174,458

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Retained Earnings
Years Ended December 31,

	<u>2006</u>	<u>2005</u>
Retained earnings, beginning of year, as previously reported	\$ 83,444,016	\$ 37,851,290
Change in accounting for financial instruments (note 3)	<u>(2,490,984)</u>	-
Retained earnings, beginning of year, as restated	80,953,032	37,851,290
Adjustment for cancellation of issuer buy back and dissenting shares (note 7(e))	-	(6,093,771)
Net income for the year	<u>183,127,553</u>	<u>51,686,497</u>
Retained earnings, end of year	\$ 264,080,585	\$ 83,444,016

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Cash Flows
Years Ended December 31,

	2006	2005
Cash flows from (used in) operating activities		
Net income for the year	\$ 183,127,553	\$ 51,686,497
Items not affecting cash		
Gain on disposal of investments, net	(94,251,399)	(18,219,425)
Unrealized gains on investments, net	(196,956,314)	(53,150,534)
Amortization	7,203	2,682
Stock-based compensation expense	5,355,331	1,855,685
Future income taxes	70,712,007	13,781,775
	<u>(32,005,619)</u>	<u>(4,043,320)</u>
Changes in non-cash working capital balances related to operations		
Prepays and other receivables	(734,204)	438,490
Accounts payable and accrued liabilities	5,746,788	699,577
Deferred revenue	(995,873)	995,873
Income taxes payable	13,977,176	(1,819,919)
Interest payable on promissory note	146,188	-
	<u>(13,865,544)</u>	<u>(3,729,299)</u>
Cash flows from (used in) financing activities		
Purchase of shares under normal course issuer bid	-	(1,456,586)
Proceeds from issue of share capital pursuant to private placements, net	64,025,034	-
Proceeds from issue of share capital pursuant to exercise of stock options	4,298,331	2,378,360
Proceeds from issue of share capital pursuant to exercise of warrants	2,729,700	-
Loan from officer	(1,976,485)	1,976,485
Deposits in trust	-	637,782
Advances from affiliated company	(937,250)	115,346
	<u>68,139,330</u>	<u>3,651,387</u>
Cash flows from (used in) investing activities		
Purchase of capital assets, net	(353,211)	(8,894)
Increase in due to brokers	20,333,497	19,730,837
Short-term loan payable	(2,600,000)	289,260
Purchase of investments	(272,380,609)	(89,608,969)
Proceeds on disposal of investments	203,219,891	67,263,600
	<u>(51,780,432)</u>	<u>(2,334,166)</u>
Net increase (decrease) in cash and cash equivalents, during the year	2,493,354	(2,412,078)
Cash and cash equivalents (bank indebtedness), beginning of year	(2,317,947)	94,131
Cash and cash equivalents (bank indebtedness), end of year	\$ 175,407	\$ (2,317,947)
Supplemental cash flow information		
Income taxes paid	\$ 1,332,038	\$ 1,619,198
Interest paid	3,571,883	1,392,991
Non-cash financing activities		
Promissory note	19,125,000	-

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005

1. Nature of business:

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated under the laws of the Province of Ontario and is publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". Pinetree is a diversified investment, financial advisory and merchant banking firm focused on the small cap market. Pinetree's investments are primarily in the following resource sectors: Uranium, Oil & Gas, Precious Metals, and Base Metals. As well, Pinetree has investments in the Biotechnology, Energy Related Technology, and Technology sectors. Pinetree's investment approach is to build a macro position in a sector, find the micro-cap opportunities in that sector and work with those companies to build them to commercial production and create an exit.

On July 31, 2006, the Company effected a two-for-one stock split by issuing a stock dividend of one common share for every common share outstanding on the close of business on July 19, 2006. All current figures and comparative figures reflect the stock split, retroactively.

2. Significant accounting policies:

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

(a) Basis of preparation:

These consolidated financial statements include the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc. ("Genevest"), Pinetree Resource Partnership, Pinetree Income Partnership, Pinetree (Barbados) Inc., Pinetree Capital Markets Limited, and Emerald Capital Corp. All significant inter-company accounts and transactions have been eliminated on consolidation.

(b) Investments:

At 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.

(i) Publicly-traded investments:

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 values based on quoted closing bid prices at the consolidated balance sheet dates or the closing bid price on the last day the security traded if there were no trades at the consolidated balance sheet dates.

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005

2. Significant accounting policies (continued):

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.
3. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments.
4. Options and warrants of publicly-traded securities which do not have a quoted bid price are carried at the difference between the exercise price and the quoted closing bid price of the underlying securities, if the exercise price is lower than the quoted closing bid price. Otherwise, such options and warrants are carried at nil.

(ii) Privately-held investments:

1. Securities in privately-held companies are recorded at cost unless an upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Company's carrying value. Downward adjustments to carrying value are made when there is evidence of other than a temporary decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition.
2. Options and warrants of privately-held securities are carried at cost unless there is an upward or downward adjustment supported by pervasive and objective evidence such as significant subsequent equity financing by an unrelated, professional investor at a transaction price higher or lower than the Company's carrying value.

(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.

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005

2. Significant accounting policies (continued):

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's publicly-traded investments could be disposed of currently may differ from carrying value based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. The amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned, as a substantial period of time may have elapsed since the latest third party equity financing.

(c) Cash and cash equivalents:

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

(d) 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:

	Rate	Basis
Computer equipment	30% to 45%	Declining balance
Furniture and equipment	20%	Declining balance
Leasehold improvements	7 years	Over the term of the lease

(e) Revenue recognition:

Security transactions are recorded on a settlement 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 are expensed as incurred. Dividend income is recorded on the ex-dividend date. Interest income and other income are recorded on an accrual basis. Deferred revenue is recognized over the period for which the revenue is earned.

(f) 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 year end. 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.

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005

2. Significant accounting policies (continued):

Gains or losses resulting from translation are included in the determination of net income for the year. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction.

(g) Income taxes:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future 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 tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

(h) Stock-based compensation plans:

The Company has stock-based compensation plans which are described in note 7(g). 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.

(i) Earnings per common share:

Basic earnings per common share has been 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 has been calculated in accordance with the treasury stock method and was based on the weighted average number of common shares and dilutive common share equivalents outstanding.

(j) 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 contingent assets and liabilities 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.

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005

3. Change in accounting policy:

Effective January 1, 2006, the Company adopted Canadian Institute of Chartered Accountants' Handbook Section 3855, Financial Instruments – Recognition and Measurement (“CICA Section 3855”). CICA Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. As permitted by CICA Section 3855 and consistent with the investment policy followed in the preparation of the annual consolidated financial statements as at December 31, 2005, investments held by the Company are accounted for at fair value in accordance with CICA Accounting Guideline 18, Investment Companies. Publicly-traded securities are fair valued based on their closing bid prices on the consolidated balance sheet dates and all transaction costs are immediately recorded into income. As permitted under the new rules, the prior year's consolidated financial statements have not been restated. The cumulative effect of this change as of January 1, 2006 was to decrease retained earnings by \$2,490,984. The change was not reflected in prior quarters' consolidated financial statements as the effect on those periods' financial statements was not material.

4. Investments:

(a) Investments consist of the following as at December 31, 2006 by sector:

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
Sector: Resources (Uranium)					
Mega Uranium Ltd.	(i, ii)	5,449,307 common shares	\$ 22,403,134	\$ 38,639,469	20.6
Tournigan Gold Corp.	(i)	3,052,100 common shares			
		750,000 warrants expire Mar 31, 2007	2,696,205	12,095,627	6.4
Khan Resources Inc.	(i, iii)	3,215,300 common shares	2,523,258	11,834,356	6.3
Dejour Enterprises Ltd.	(i)	3,066,500 common shares			
		US\$197,846 convertible debenture			
		250,000 warrants expire Dec 31, 2007	5,091,043	8,626,063	4.6
Omegacorp Ltd.	(i)	7,000,306 common shares	3,366,784	7,235,079	3.9
Cash Minerals Ltd.	(i, iii)	4,202,000 common shares			
		375,000 warrants expire Nov 29, 2007			
		200,000 warrants expire Apr 4, 2008	3,227,413	7,019,331	3.7
Continental Precious Minerals Inc.	(ii, iii)	1,706,369 common shares			
		1,250,000 warrants expire Apr 17, 2008			
		115,385 warrants expire Nov 28, 2008	1,859,179	6,634,672	3.5
Twenty-Seven Capital Corp.	(iii)	1,467,600 common shares	2,342,108	3,977,196	2.1
Monster Copper Corp.	(ii, iii)	4,250,000 common shares			
		400,000 warrants expire Dec 6, 2007			
		1,500,000 warrants expire Apr 30, 2008	1,465,008	3,650,575	1.9
Cline Mining Corp.	(ii, iii)	7,007,600 common shares	3,840,073	3,398,686	1.8
Pele Mountain Resources Inc.	(ii, iii)	3,382,000 common shares			
		250,000 warrants expire Mar 24, 2008	1,097,431	3,303,371	1.8
Mawson Resources Ltd.	(iii)	1,100,000 common shares			
		200,000 warrants expire Dec 7, 2007			
		152,500 warrants expire Apr 28, 2008	1,260,940	2,705,362	1.4
Cue Capital Corp.	(iii)	1,250,000 subscription receipts	625,000	2,653,125	1.4
Strategic Metals Ltd.	(iii)	3,000,000 common shares	1,402,207	2,370,000	1.3

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005

4. Investments (continued):

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
Sector: Resources (Uranium) (continued)					
Kilgore Minerals Ltd.	(ii, iii)	1,875,000 common shares 350,000 warrants expire Sept 19, 2007	1,205,580	2,294,750	1.2
Trigon Uranium Corp.	(ii, iii)	1,825,000 common shares 250,000 warrants expire Apr 27, 2008 312,500 warrants expire Dec 11, 2008	550,754	2,235,325	1.2
Red Hill Energy Inc. (formerly UGL Enterprises Ltd.)	(iii)	2,600,954 common shares 341,666 warrants expire Mar 31, 2007 31,061 warrants expire Apr 8, 2007 250,000 warrants expire Dec 7, 2008	1,660,470	2,065,202	1.1
Uranium City Resources Inc.	(ii, iii)	2,750,000 common shares 1,000,000 warrants expire Oct 20, 2007	1,071,575	1,912,500	1.0
Uranium Star Corp.	(iii)	1,000,000 common shares 1,000,000 warrants expire Dec 15, 2008	576,500	1,768,925	0.9
Uranium North Resources Corp.	(iii)	1,167,000 common shares 583,500 warrants expire Dec 6, 2007	875,250	1,651,305	0.9
Bluerock Resources Ltd.	(ii)	1,111,100 common shares 1,111,100 warrants expire Oct 27, 2008	499,995	1,062,212	0.6
Neutron Energy, Inc.	(iii)	US\$165,000 series A convertible debenture US\$680,000 series B convertible debenture	952,000	952,000	0.5
Global Uranium Corporation	(ii, iii)	1,800,000 common shares 1,800,000 warrants expire Mar 29, 2008	450,000	666,000	0.4
Total of 36 other investments – Resources (Uranium) sector (iv)			21,120,629	59,130,067	31.5
			82,162,536	187,881,198	100.0
Sector: Resources (Oil & Gas)					
Connacher Oil & Gas Ltd.	(i)	4,625,000 common shares	17,231,069	16,095,000	20.7
Oilsands Quest Inc. (formerly CanWest Petroleum Corp.)	(i)	2,257,754 common shares 250,000 warrants expire Dec 12, 2007	3,094,883	13,332,975	17.1
Brownstone Ventures Inc.	(i, ii, iii)	5,803,159 common shares 975,000 warrants expire Jul 19, 2008	5,455,687	12,690,823	16.3
Petrolifera Petroleum Limited	(i, ii)	500,000 common shares	3,298,753	8,810,000	11.3
Canoro Resources Ltd.	(i)	2,529,800 common shares 292,400 warrants expire Jul 25, 2007	2,601,771	4,843,950	6.2
Bontan Corporation Inc.	(ii, iii)	3,112,000 common shares 2,000,000 warrants expire Mar 27, 2008	977,446	895,724	1.2
West Africa Energy Inc. Primary Petroleum	(ii, iii) (iii)	1,963,260 common shares 1,000,000 common shares 666,667 warrants expire Mar 16, 2007 \$250,000 5% convertible debenture	548,559 750,000	883,467 750,000	1.1 1.0
Total of 29 other investments – Resources (Oil & Gas) sector (iv)			18,078,211	19,545,693	25.1
			52,036,379	77,847,632	100.0
Sector: Resources (Precious Metals)					
Aurelian Resources Inc.	(i)	535,000 common shares	1,952,550	16,397,750	9.2
Guyana Goldfields Inc.	(i)	1,000,000 common shares	3,851,529	11,900,000	6.7
Aquiline Resources Inc.	(i)	1,266,800 common shares 125,000 warrants expire Oct 11, 2007	2,941,024	9,868,648	5.5
Afriore Ltd.	(i)	900,000 common shares	1,314,967	7,812,000	4.4
iShares Silver Trust	(i)	50,348 common shares	6,891,261	7,527,428	4.2
Solitario Resources Corp.	(i)	1,535,200 common shares	2,730,099	7,292,200	4.1

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005

4. Investments (continued):

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
Aranka Gold Inc.	(iii)	1,135,294 common shares 235,294 warrants expire Dec 22, 2007	1,257,500	4,890,588	2.7
Tri Origin Exploration Ltd.	(ii, iii)	3,950,000 common shares	1,079,409	3,792,000	2.1
Noront Resources Ltd.	(ii, iii)	4,100,000 common shares 375,000 warrants expire Dec 30, 2007 750,000 warrants expire Jan 5, 2008 1,250,000 warrants expire Dec 20, 2008	1,475,469	2,895,690	1.6
Unigold Inc.	(ii, iii)	5,050,000 common shares 1,000,000 warrants expire Jul 11, 2007	1,976,517	2,676,500	1.5
Aura Gold Inc.	(ii, iii)	4,469,500 common shares 668,250 warrants expire Nov 30, 2007	1,770,250	2,594,393	1.5
Madison Minerals Inc.	(iii)	2,200,000 common shares 500,000 warrants expire Dec 7, 2007 250,000 warrants expire Oct 11, 2008	1,324,779	2,194,150	1.2
MacArthur Minerals Ltd.	(iii)	1,000,000 common shares	300,000	2,160,000	1.2
Arctic Star Diamond Corp.	(iii)	5,500,000 common shares 500,000 warrants expire Mar 28, 2007 2,500,000 warrants expire Oct 27, 2008	1,422,799	1,324,000	0.7
Silver Reserve Corp.	(iii)	1,700,000 common shares US\$875,000 2% convertible debenture	1,312,205	1,312,205	0.7
Sienna Gold Inc.		2,300,000 common shares 750,000 warrants expire Nov 1, 2007	1,737,354	1,288,000	0.7
Intrepid Nustar Exchange Corp.	(iii)	1,750,000 common shares 110,000 warrants expire Feb 9, 2007	1,337,715	1,102,500	0.6
Christopher James Gold Corp.	(iii)	2,105,000 common shares 500,000 warrants expire Feb 1, 2007 225,000 warrants expire Jun 19, 2008 500,000 warrants expire Aug 30, 2008	825,970	1,099,863	0.6
New World Resources Corp.	(iii)	1,425,000 common shares	1,670,978	1,054,500	0.6
AMI Resources Inc.	(ii, iii)	2,000,000 common shares 2,000,000 warrants expire Dec 21, 2008	400,000	1,036,000	0.6
Valencia Ventures Inc.	(ii, iii)	2,500,000 common shares 1,500,000 warrants expire Mar 15, 2008	465,000	1,025,000	0.6
FieldEx Exploration Inc.	(ii, iii)	2,000,000 common shares 2,000,000 warrants expire Nov 29, 2007	300,000	980,000	0.5
Murgor Resources Inc.	(iii)	3,850,000 common shares 500,000 warrants expire Jun 12, 2008 625,000 warrants expire Dec 12, 2008	806,811	950,950	0.5
Lateegra Gold Corp.	(iii)	702,000 common shares 457,000 warrants expire Oct 13, 2008 200,000 warrants expire Nov 30, 2008	600,622	877,758	0.5
Silver Quest Resources Ltd.	(iii)	1,000,000 common shares	366,667	630,000	0.4
Sable Resources Ltd.	(iii)	600,000 common shares 250,000 warrants expire May 17, 2007	251,380	588,500	0.3
Total of 102 other investments – Resources (Precious Metals) sector (iv)			54,029,362	83,805,333	46.8
			94,392,217	179,075,956	100.0

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005

4. Investments (continued):

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
Sector: Resources (Base Metals)					
International Nickel Ventures Corp.	(i, iii)	2,500,000 common shares	3,129,533	5,500,000	15.8
Liberty Mines Inc.	(i)	1,750,000 common shares	726,329	4,777,500	13.7
Scandinavian Minerals Ltd.	(i)	650,000 common shares	2,640,709	3,118,375	8.9
BcMetals Corporation	(i, iii)	2,148,067 common shares			
		100,000 warrants expire Apr 16, 2007	1,991,514	2,341,393	6.7
Independent Nickel Corp.	(i, ii, iii)	3,750,000 common shares	1,001,151	2,137,500	6.1
War Eagle Mining Co. Inc.	(i, ii, iii)	2,150,000 common shares			
		1,500,000 warrants expire Mar 7, 2008	1,184,467	1,326,500	3.8
Geologix Explorations Inc.	(ii, iii)	2,150,000 common shares			
		500,000 warrants expire May 4, 2008	1,596,955	1,184,650	3.4
Newport Exploration Ltd.	(ii, iii)	2,865,000 common shares			
		2,400,000 warrants expire Dec 12, 2008	391,635	815,411	2.3
United Bolero Development Corp.	(iii)	3,000,000 common shares			
		1,000,000 warrants expire Mar 23, 2008	1,123,162	769,500	2.2
Atlas Moly Inc.	(iii)	1,600,000 common shares			
		1,600,000 warrants expire Dec 31, 2007	543,074	543,074	1.6
Landdrill International Inc.	(iii)	2,200,000 common shares			
		250,000 warrants expire Mar 14, 2008			
		150,000 warrants expire Apr 7, 2008			
		500,000 warrants expire Oct 12, 2008	705,980	532,950	1.5
Pacific Comox Resources Ltd.	(iii)	5,571,428 common shares			
		3,571,428 warrants expire Jun 12, 2008	416,890	529,286	1.5
Ungava Minerals Corp.	(ii, iii)	1,000,000 common shares			
		1,000,000 warrants expire Jul 4, 2008	500,000	500,000	1.4
Total of 20 other investments – Resources (Base Metals) sector (iv)			7,852,793	10,817,681	31.1
			23,804,192	34,893,820	100.0
Sector: Biotechnology					
GeneNews Limited (formerly ChondroGene Limited)	(i, iii)	3,050,000 common shares	3,103,143	3,172,000	28.9
Transition Therapeutics Inc.	(i)	1,500,000 common shares	1,589,897	2,295,000	20.9
Vyteris Holdings Inc.	(i, iii)	1,246,666 common shares			
		500,000 warrants expire Nov 8, 2008	494,247	1,569,658	14.3
Orthosoft Inc.	(i)	1,250,000 common shares	687,375	925,000	8.4
Haemacure Corp.	(i, ii, iii)	4,231,000 common shares			
		1,000,000 warrants expire Mar 19, 2007	1,446,290	507,720	4.6
Total of 6 other investments - Biotechnology sector (iv)			3,778,327	2,488,751	22.9
			11,099,279	10,958,129	100.0
Sector: Energy Related Technology					
Solomon Technologies, Inc.	(i, iii)	5,421,522 common shares			
		US\$150,000 12% promissory note due Jan 15, 2007	1,500,915	12,616,136	62.2
Fiber Optics Systems Technology Inc.	(i, ii, iii)	2,667,768 common shares	1,984,777	3,193,318	15.7
Global Green Solutions Inc.	(i, iii)	1,727,743 common shares			
		350,000 class A warrants expire May 5, 2008			
		350,000 class B warrants expire May 5, 2008	465,205	2,454,270	12.1

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Notes to Consolidated Financial Statements
Years Ended December 31, 2006 and 2005

4. Investments (continued):

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
Sector: Energy Related Technology (continued)					
Alternative Energy Sources Inc.	(i)	1,000,000 common shares			
		1,000,000 warrants expire Jun 19, 2011	1,113,800	1,270,177	6.3
Enercoil Resources Incorporated	(i)	1,333,333 common shares			
		1,166,666 warrants expire Dec 2, 2007	750,000	750,000	3.7
Total of 1 other investments – Energy Related Technology sector (iv)			623,350	—	—
			6,438,047	20,283,901	100.0
Sector: Technology and Other					
Certicom Corp.	(i)	500,000 common shares	2,396,475	2,515,000	6.1
Enghouse Systems Limited	(i)	295,000 common shares	357,140	2,333,657	5.6
Fluid Audio Networks, Inc.	(i, iii)	300,000 series A preferred shares			
		267,357 series B preferred shares			
		104,000 series C preferred shares			
		150,000 series C preferred shares	1,501,026	1,486,777	3.6
Clearly Canadian Beverage Corporation	(i)	432,934 common shares			
		333,334 warrants expire Sept 1, 2008	1,373,102	1,185,570	2.9
GoFish Corporation	(i)	225,000 common shares			
		112,500 warrants expire Oct 27, 2011	380,903	1,151,025	2.8
Fortress Paper Ltd.	(i)	500,000 common shares	1,000,000	1,000,000	2.4
VIQ Solutions Inc.	(i, ii, iii)	6,500,000 common shares	1,173,225	877,500	2.1
ShifTV Inc.	(iii)	1,500,000 common shares			
		750,000 warrants expire Nov 30, 2009	750,000	750,000	1.8
Cell-loc Location Technologies Inc.	(iii)	2,749,500 common shares			
		1,250,000 warrants expire Nov 14, 2007			
		2,000,000 warrants expire Sept 7, 2008	549,900	705,247	1.7
View22 Technology Inc.	(iii)	1,000,000 common shares			
		500,000 warrants expire Aug 2, 2008	700,000	700,000	1.7
Total of 15 other investments – Technology and Other sector (iv)			9,954,399	28,731,402	69.3
			20,136,170	41,436,178	100.0
Total investments			\$ 290,068,820	\$ 552,376,814	

- (i) These investments are in the top five of their respective sector, by fair value, and these investments have a fair value greater than \$500,000 as at December 31, 2006.
- (ii) The Company has issued a Section 101 report under the Ontario Securities Act for these investments and these investments have a fair value greater than \$500,000 as at December 31, 2006.
- (iii) The Company owns, on a partially diluted basis, at least a 5% interest in the company and these investments have a fair value greater than \$500,000 as at December 31, 2006.
- (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, 2006.

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
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4. Investments (continued):

(b) Investments consist of the following as at December 31, 2005 by sector:

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
Sector: Resources (Uranium)					
Brownstone Ventures Inc.	(i, ii, iii)	2,564,859 common shares	\$ 554,917	\$ 5,052,772	17.4
Tournigan Gold Corp.	(i, iii)	3,114,500 common shares			
		750,000 warrants expire Mar 31, 2007	1,726,537	2,926,786	10.1
Khan Resources Inc.	(i, iii)	2,860,000 common shares			
		150,000 warrants expire Sept 30, 2006	1,821,810	2,860,000	9.9
Western Canadian Coal Corp.	(i)	500,000 common shares			
		43,500 warrants expire Feb 9, 2006	1,453,336	1,755,000	6.1
Summit Resources Ltd.	(i)	2,500,000 common shares	666,071	1,211,888	4.2
Kilgore Minerals Ltd.	(ii, iii)	1,101,000 common shares			
		350,000 warrants expire Jan 20, 2006	585,228	872,622	3.0
Monster Copper Corp.	(iii)	1,635,000 common shares			
		400,000 warrants expire Dec 6, 2007	506,073	574,703	2.0
UGL Enterprises Ltd.	(iii)	1,391,954 common shares			
		341,666 warrants expire Mar 31, 2007			
		31,061 warrants expire Apr 8, 2007	642,277	508,063	1.8
First Uranium Ltd.	(iii)	500,000 common shares	500,000	500,000	1.7
Total of 26 other investments – Resources (Uranium) sector (iv)			10,580,057	12,674,990	43.8
			19,036,306	28,936,824	100.0
Sector: Resources (Oil & Gas)					
Connacher Oil & Gas Ltd.	(i)	2,000,000 common shares	1,213,972	7,680,000	19.1
CanWest Petroleum Corp.	(i, iii)	1,000,000 common shares			
		US\$600,000 8% convertible debenture			
		573,437 warrants expire Sept 19, 2006			
		209,766 warrants expire Sept 19, 2007			
		250,000 warrants expire Dec 12, 2007	2,769,550	5,717,917	14.2
Delta Petroleum Corp.	(i)	216,129 common shares	4,984,708	5,485,709	13.7
GeoGlobal Resources Inc.	(i)	238,200 common shares			
		150,000 warrants expire Feb 24, 2006			
		37,500 warrants expire Sept 9, 2007	965,101	5,221,860	13.0
Petrolifera Petroleum Limited	(i, ii)	417,600 common shares			
		150,000 warrants expire May 8, 2007	680,800	3,702,744	9.2
Total of 19 other investments – Resources (Oil & Gas) sector (iv)			11,415,823	12,361,366	30.8
			22,029,954	40,169,596	100.0
Sector: Resources (Precious Metals)					
Guyana Goldfields Inc.	(i)	1,342,500 common shares	2,195,521	5,235,750	13.7
Miramar Mining Corporation	(i)	1,170,200 common shares			
		50,000 warrants expire Feb 15, 2006	2,276,100	3,548,384	9.3
Afriore Ltd.	(i)	800,000 common shares			
		50,000 warrants expire Aug 24, 2007	840,574	2,313,000	6.0
Aquiline Resources Inc.	(i)	1,371,400 common shares			
		125,000 warrants expire Oct 11, 2006	1,680,308	2,149,670	5.6
Solitario Resources Corp.	(i)	1,047,800 common shares	1,393,821	1,896,518	5.0
FieldEx Exploration Inc.	(ii, iii)	2,000,000 common shares			
		2,000,000 warrants expire Nov 29, 2007	300,000	1,112,000	2.9

PINETREE CAPITAL LTD.
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4. Investments (continued):

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
Unigold Inc.	(ii, iii)	1,352,000 common shares 1,000,000 warrants expire Oct 12, 2006	466,074	943,600	2.5
Southern Silver Exploration Corp.	(iii)	800,000 common shares 200,000 warrants expire Apr 11, 2007 800,000 warrants expire Oct 31, 2007	200,000	741,600	1.9
Noront Resources Ltd.	(iii)	2,844,500 common shares 150,000 warrants expire May 26, 2006 375,000 warrants expire Dec 30, 2007	956,385	650,833	1.7
Total of 51 other investments – Resources (Precious Metals) sector (iv)			18,329,797	19,647,249	51.4
			28,638,580	38,238,604	100.0
Sector: Resources (Base Metals)					
FNX Mining Company Inc.	(i)	775,000 common shares	6,821,320	10,532,250	69.2
Liberty Mines Inc.	(i, iii)	1,350,091 common shares 454,545 warrants expire Jan 15, 2007	331,704	842,821	5.5
Yukon Zinc Corporation	(i)	2,000,000 common shares 250,000 warrants expire Oct 21, 2006 350,000 warrants expire Oct 22, 2007	545,008	783,175	5.1
BcMetals Corporation	(i)	1,030,267 common shares 33,333 warrants expire Nov 21, 2006 100,000 warrants expire Apr 16, 2007	1,029,700	700,582	4.6
Titanium Corporation Inc.	(i)	200,000 common shares 200,000 warrants expire Aug 27, 2007	450,000	520,000	3.4
Total of 9 other investments – Resources (Base Metals) sector (iv)			2,241,205	1,851,932	12.2
			11,418,937	15,230,760	100.0
Sector: Biotechnology					
ChondroGene Limited	(i)	1,916,295 common shares	1,254,158	2,107,925	35.5
LAB International Inc.	(i)	1,325,000 common shares 300,000 warrants expire Dec 30, 2006	1,612,432	1,298,500	21.9
Haemacure Corp.	(i, ii, iii)	4,231,500 common shares 1,000,000 warrants expire Mar 19, 2006	1,446,461	1,057,875	17.8
Total of 2 other investments - Biotechnology sector (iv)			2,661,352	1,473,510	24.8
			6,974,403	5,937,810	100.0
Sector: Energy Related Technology					
Fiber Optics Systems Technology Inc.	(i, ii, iii)	2,729,278 common shares 1,921,022 warrants expire Mar 2, 2006	2,008,997	17,565,314	90.7
Solomon Technologies, Inc.	(i, iii)	25,000 common shares 1,171,474 series A preferred stock US\$150,000 12% promissory note due Mar 15, 2006 1,221,474 warrants expire Apr 30, 2014	1,826,276	683,993	3.5
Interex Oilfield Services Ltd.		500,000 warrants expire Nov 5, 2014 959,000 common shares	623,350	623,350	3.2
Enercoil Resources Incorporated	(i, iii)	1,000,000 common shares 1,000,000 warrants expire Dec 2, 2006	500,000	500,000	2.6
			4,958,623	19,372,657	100.0

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4. Investments (continued):

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
Sector: Technology and Other					
Enghouse Systems Limited	(i)	650,000 common shares	786,919	5,206,500	18.4
Certicom Corp.	(i)	600,000 common shares	2,875,770	3,720,000	13.2
VIQ Solutions Inc.	(i, ii, iii)	4,520,000 common shares			
		266,000 warrants expire Jun 30, 2006			
		550,000 warrants expire Jul 14, 2006			
		935,000 warrants expire Sept 16, 2006	909,425	1,197,800	4.2
Tengtu International Corp.	(i, iii)	2,834,798 common shares			
		150,000 warrants expire TBD	1,892,799	1,011,369	3.6
		173,077 8% preferred A stock (10:1)			
		1,730,770 warrants expire Mar 29, 2008			
		865,285 warrants expire Mar 29, 2008			
AirIQ Inc.	(i)	2,858,611 common shares	1,127,012	886,169	3.1
Fluid Audio Networks, Inc.	(iii)	300,000 series A preferred shares			
		257,357 series B preferred shares	903,412	874,862	3.1
ADB Systems International Inc.	(ii, iii)	1,146,500 common shares			
		1,000,000 warrants expire Feb 23, 2009			
		\$375,000 11% convertible debenture	696,501	588,910	2.1
Total of 10 other investments – Technology and Other sector (iv)			5,366,535	14,770,410	52.3
			14,558,373	28,256,020	100.0
Total investments			\$ 107,615,176	\$ 176,142,271	

- (i) These investments are in the top five of their respective sector, by Fair Value, and these investments have a fair value greater than \$500,000 as at December 31, 2005.
- (ii) The Company has issued a Section 101 report under the Ontario Securities Act for these investments and these investments have a fair value greater than \$500,000 as at December 31, 2005.
- (iii) The Company owns, on a partially diluted basis, at least a 5% interest in the company and these investments have a fair value greater than \$500,000 as at December 31, 2005.
- (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, 2005.

5. Contingent liability:

On November 28, 2005, the Ontario Ministry of Finance (“OMF”) issued notices of reassessment to the Company’s wholly-owned subsidiary, Genevest, as a result of an audit of income tax returns filed by Genevest for the 2000 and 2001 taxation years. OMF, among other things, disputed the Company’s revenue recognition methodology on the disposal of certain investments. As at December 31, 2006, Genevest had a potential amount owing of approximately \$1,319,000 relating to this reassessment.

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Notes to Consolidated Financial Statements
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5. Contingent liability (continued):

Genevest has filed notices of objection within the statutory time frame. The final outcome of the notices of objection is not presently determinable. However, Genevest and Genevest's legal and tax advisors believe the Company will prevail in this matter. Accordingly, the Company has not accrued any provision relating to the income tax potentially owing on the reassessments.

6. Capital assets:

Capital assets consist of the following:

	2006			2005		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 19,184	\$ 7,671	\$ 11,513	\$ 14,798	\$ 2,972	\$ 11,826
Leasehold improvements, net	251,508	—	251,508	—	—	—
Furniture and equipment	98,485	2,504	95,981	1,168	—	1,168
	\$ 369,177	\$ 10,175	\$ 359,002	\$ 15,966	\$ 2,972	\$ 12,994

7. Share capital:

Authorized: Unlimited number of common shares, no par value

Issued and outstanding (a):

	# of Shares	Amount
Balance, December 31, 2004	27,060,272	\$ 17,539,298
Purchased for cash under normal course issuer bid	(1,032,000)	(1,456,586)
Issued pursuant to exercise of stock options	3,673,428	3,256,973
Adjustment to retained earnings for cancellation of shares (e)	—	6,093,771
Balance, December 31, 2005	29,701,700	\$ 25,433,456
Issued pursuant to exercise of stock options (b)	1,584,996	6,643,886
Issued pursuant to exercise of Broker Warrants (f)	453,960	2,729,700
Issued pursuant to private placement financing, net (c)	7,111,200	31,336,299
Issued pursuant to private placement financing, net (d)	4,600,000	32,688,735
Balance, December 31, 2006	43,451,856	\$ 98,832,076

(a) On July 31, 2006, the Company effected a two-for-one stock split through a stock dividend of one common share outstanding for every common share on the close of business on July 19, 2006. All figures and comparative figures reflect the stock split, retroactively.

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7. Share capital (continued):

- (b) During the year ended December 31, 2006, 1,584,996 stock options were exercised at prices between \$0.60 and \$4.59 per share for total proceeds of \$4,298,331. Pursuant to the exercise of stock options, amounts in contributed surplus were reallocated to share capital by \$2,345,555.
- (c) On March 15, 2006, the Company completed a non-brokered private placement financing of 7,111,200 common shares of the Company at a price of \$4.50 per share for aggregate gross proceeds of \$32,000,400. A cash commission of \$593,542 and 300,000 Broker Warrants were issued as finders' fees in connection with the financing. Each Broker Warrant will entitle the holder to acquire one common share of Pinetree at a price of \$4.50 per share, expiring September 14, 2007. The Company also paid other expenses of \$70,559 related to the financing.
- (d) On April 27, 2006, the Company completed a brokered private placement financing of 4,600,000 common shares of the Company at a price of \$7.50 per share for aggregate gross proceeds of \$34,500,000. A cash commission of \$1,725,000 and 230,000 Broker Warrants were issued as agency fees in connection with the financing. Each Broker Warrant will entitle the holder to acquire one common share of Pinetree at a price of \$7.50 per share, expiring October 27, 2007. The Company also paid other expenses of \$86,265 related to this financing.

- (e) Adjustment to share capital and retained earnings:

As at December 31, 2005, the Company reclassified \$6,093,771 relating to the cancellation of issuer buy back shares and dissenting shares by increasing share capital and reducing retained earnings by the same amount.

- (f) Broker Warrants:

A summary of the status of the Company's Broker Warrants as at December 31, 2006 and changes during the year is presented below:

	2006	
	# of Warrants	Weighted average exercise price
Outstanding, at beginning of year	—	\$ —
Issued	530,000	5.80
Exercised	(453,960)	(6.01)
Outstanding, at end of year	76,040	\$ 4.54

PINETREE CAPITAL LTD.
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7. Share capital (continued):

The following table summarizes the Broker Warrants outstanding as at December 31, 2006:

Number of warrants	Exercise price	Expiry date
75,000	\$ 4.50	September 14, 2007
1,040	7.50	October 27, 2007
76,040		

(g) Stock option plans:

The Company has two stock option plans in place for directors, officers, key employees and consultants to enable them to purchase common shares of the Company, as administered by the Board of Directors. The plans are referred to as the "2000 Plan" and the "2005 Plan".

The number of common shares authorized to be issued was 2,000,000 for the 2000 Plan and 2,750,000 for the 2005 Plan. On May 27, 2004, an amendment to the 2000 Plan was approved by shareholders to increase the maximum issue to 5,250,000 options, being 3,000,000 options after giving effect to the 1.75 share consolidation that took place on June 1, 2004. An individual can receive grants of no more than 5% of the outstanding common shares of the Company on a yearly basis and options are exercisable over a period not exceeding five years. The 2000 Plan options have a vesting period of eight quarters and the 2005 Plan options have a vesting period of six quarters. The exercise prices for purchasing these shares cannot be less than the minimum exercise price as provided by the TSX rules.

(h) Stock options granted:

Date granted	Options granted	Exercise price	Expiry
January 3, 2006	350,000	\$ 3.50	January 2, 2011
January 30, 2006	700,000	4.59	January 29, 2011
March 22, 2006	600,000	7.63	March 21, 2011
June 20, 2006	28,000	7.98	June 19, 2011
October 16, 2006	25,000	10.49	October 15, 2011
Total granted	1,703,000		

In accordance with CICA Handbook Section 3870, options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense and credits contributed surplus for all options granted.

PINETREE CAPITAL LTD.
Notes to Consolidated Financial Statements
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7. Share capital (continued):

The fair value of the options granted during the year ended December 31, 2006 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	77.8% - 85.3%
Expected dividend yield	n/a
Risk-free interest rate	3.75% - 4.25%
Expected option life in years	3 - 3.5
Fair value per stock option granted on January 3, 2006	\$ 1.78
Fair value per stock option granted on January 30, 2006	\$ 2.59
Fair value per stock option granted on March 22, 2006	\$ 4.32
Fair value per stock option granted on June 20, 2006	\$ 4.52
Fair value per stock option granted on October 16, 2006	\$ 5.95

For the year ended December 31, 2006, included in stock-based compensation is \$4,883,449 (2005 - \$1,827,604) relating to stock options granted during the year and \$471,882 (2005 - \$28,081) relating to stock options granted in the prior years to directors, officers, employees and consultants of the Company.

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

	Amount
Balance, December 31, 2004	\$ 930,922
Stock-based compensation	1,855,685
Exercise of stock options	(878,613)
Balance, December 31, 2005	1,907,994
Stock-based compensation	5,355,331
Exercise of stock options	(2,345,555)
Balance, December 31, 2006	\$ 4,917,770

PINETREE CAPITAL LTD.
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7. Share capital (continued):

(j) A summary of the status of the Company's stock option plans as at December 31, 2006 and 2005 and changes during the years ended on those dates is presented below:

Stock Options	2006		2005	
	# of Shares	Weighted average exercise price	# of Shares	Weighted average exercise price
Outstanding, at beginning of year	2,745,274	\$ 1.70	3,798,214	\$ 0.70
Granted	1,703,000	5.58	2,000,000	2.31
Exercised/forfeited	(1,630,708)	(2.66)	(3,052,940)	(0.68)
Outstanding, at end of year	2,817,566	\$ 3.50	2,745,274	\$ 1.70
Exercisable, at end of year	2,218,226	\$ 2.35	2,148,774	\$ 1.68

The following table summarizes information about stock options outstanding as at December 31, 2006:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
15,142	15,142	\$ 0.60	April 6, 2008
198,570	198,570	0.88	June 10, 2008
5,714	5,714	1.18	January 20, 2009
12,570	12,570	1.24	January 20, 2009
5,400	5,400	1.03	November 16, 2009
100,000	100,000	1.20	January 2, 2010
216,000	216,000	1.05	June 15, 2010
16,800	16,800	1.75	September 29, 2010
85,000	84,170	1.78	October 2, 2010
500,000	500,000	1.68	October 10, 2010
85,000	85,000	2.20	November 16, 2010
675,100	675,100	3.23	December 5, 2010
250,100	250,100	3.50	January 2, 2011
600,000	53,660	7.63	March 21, 2011
27,170	Nil	7.98	June 19, 2011
25,000	Nil	10.49	October 15, 2011
2,817,566	2,218,226		

8. Advances from affiliated company:

As at December 31, 2005, the Company had advances from an affiliated company, PowerOne Capital Markets Limited ("PowerOne") of \$1,015,000. The Company has a 50% interest in PowerOne, an Ontario limited market dealer. These unsecured advances bear no interest and are due on demand. As at December 31, 2006, the Company had advances of \$77,750 from PowerOne.

PINETREE CAPITAL LTD.
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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.

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

Type of service	Nature of relationship	2006	2005
Consulting fees	Director, shareholders, and officers	\$ 455,901	\$ 376,761
Consulting bonuses (a)	Director, shareholders, and officers	10,846,589	1,981,128
Director fees	Directors	38,049	33,057
Interest expense	Affiliated companies	642,594	96,181
Dividend income	Affiliated company	128,000	—
Other income (b)	Affiliated companies	2,206,500	1,360,579
Other receivables (c)	Shareholder and officer	86,000	86,000

- (a) Included in the consulting agreement for the Chairman and Chief Executive Officer of the Company, is an annual bonus equal to 10% of the realized pre-tax profit on the Company's non-limited market dealer business plus a bonus equal to 10% of any of the limited market dealer's business' net realized profit. Included in operating, general and administrative expenses is \$10,561,589 (2005 - \$1,981,128) relating to this bonus.
- (b) Other income includes consulting, sublease, and services agreements of approximately \$2,206,500 (2005 - \$950,645) from companies in which Pinetree has an investment interest. 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. In fiscal 2005, other income included \$428,979 relating to advances which were previously written off but which have since been settled.
- (c) The Company has promissory notes totaling \$86,000 owing from an officer of the Company. The promissory notes are unsecured and interest free.
- (d) Included in prepaids and other receivables is \$152,048 (2005 - \$851) owing from related parties.
- (e) Included in accounts payable and accrued liabilities is \$6,608,941 (2005 - \$1,714,880) owing to related parties.
- (f) As at December 31, 2005, the Company had a loan from a director and officer of the Company of \$1,976,485 which was unsecured and interest free. The loan was fully repaid in January 2006.

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10. Bank indebtedness:

During fiscal year 2005, the Company had an operating line of credit with Royal Bank of Canada ("RBC") for \$3,000,000, and as at December 31, 2005, the Company had used \$2,939,338. The operating line of credit bears interest at RBC prime plus 0.75%. On January 4, 2006, the operating line of credit was reduced to \$1,000,000 and none was used as at December 31, 2006.

11. Due to brokers:

Due to brokers consists of margin borrowings collateralized by the Company's investments held at the broker. 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 rate of the broker's overnight rate plus 1.25%.

12. Short-term loan payable:

As at December 31, 2005, the Company had a \$2,600,000 loan from Quest Capital Corp. (the "Quest Loan") which was secured against the Company's assets and bore interest at 18% per annum. The full amount of the Quest Loan plus any outstanding interest was due on March 31, 2006. The Quest Loan was paid in full prior to March 31, 2006.

13. Deferred revenue:

During fiscal year 2005, the Company received 500,000 common shares of CanWest Petroleum Corporation in lieu of cash for financial advisory fees for the period from November 1, 2005 to October 31, 2006. The fair value of the common shares received was US\$2.05 per common share or \$1,190,025 (US\$1,025,000). During the year, the Company recognized the remaining ten months of deferred revenue of \$995,873 (US\$854,167).

14. Promissory note:

On September 1, 2006, the Company purchased 5,000,000 shares of Mega Uranium Ltd. ("Mega") for a total cost of \$21,250,000 from Brownstone Ventures Inc. ("Brownstone"), a company with a common director and common officers of the Company and a reporting issuer trading on the TSX Venture Exchange under the symbol "BWN". The Company paid \$2,125,000 in cash and signed a Promissory Note for \$19,125,000. The Promissory Note is collateralized against the Mega shares, bears interest at 9% per annum, payable quarterly, and matures on January 31, 2008. Included in the consolidated statements of operations is \$575,322 of interest expense charged by Brownstone of which \$429,134 has been paid.

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15. Income taxes:

(a) Income tax expense attributable to income before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 36.12% (2005 – 36.12%) of pre-tax income as a result of the following:

	2006	2005
Income before income taxes	\$ 269,150,639	\$ 65,348,826
Computed "expected" income tax expense	97,217,211	23,603,996
Corporate minimum tax not previously recognized	(484,353)	(7,503)
Non-taxable portion of dividend income	(46,234)	(2,578)
Non-taxable portion of capital gains	(476,671)	(348,382)
Non-taxable portion of unrealized gains	(3,566,998)	(2,383,024)
Non-taxable stock-based compensation expense	1,934,346	668,206
Tax rate differential	(131,147)	—
Foreign tax rate differential	(9,238,649)	(6,959,609)
Permanent and other differences	815,581	(908,777)
Provision for income taxes	\$ 86,023,086	\$ 13,662,329

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

	2006	2005
Current tax expense (recovery)	\$ 15,311,078	\$ (119,446)
Future income tax expense relating to origination and reversal of temporary differences	70,712,008	13,781,775
Provision for income taxes	\$ 86,023,086	\$ 13,662,329

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

	2006	2005
Future tax assets		
Capital assets – differences in amortization and unamortized capital cost	\$ 966,085	\$ 103,264
Non-capital losses carried forward	—	66,839
Net future tax assets	966,085	170,103
Future tax liabilities		
Investments – differences in carrying value and tax cost	(88,087,948)	(17,347,863)
Net future tax liabilities	(88,087,948)	(17,347,863)
Total future tax assets and liabilities	(87,121,863)	(17,177,760)
Less: valuation allowance	—	—
Net future tax liabilities	\$ (87,121,863)	\$ (17,177,760)

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16. Lease commitments:

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

2007	\$	649,100
2008		649,100
2009		649,100
2010		648,400
2011		681,000
2012		681,000
2013		681,000
	\$	4,638,700

17. Financial instruments:

(a) Fair value:

The Company has determined the fair value of its financial instruments as follows:

- (i) The carrying values of cash and cash equivalents, prepaids and other receivables, bank indebtedness, due to brokers, accounts payable and accrued liabilities, loan from officer, advances from affiliated company, short-term loan payable, and promissory note in the consolidated balance sheets approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments and capital assets are carried at amounts in accordance with the Company's accounting policy set out in note 2(b) and 2(d), respectively.

(b) Currency risk:

The Company's activities which resulted in exposure to fluctuations in foreign currency exchange rates consisted of the purchase of investments. The Company does not use derivative financial instruments to reduce its currency risk.

As at December 31, 2006, investments included \$71,325,833 (2005 - \$19,851,240), cash and cash equivalents included \$38,141 (2005 - \$620,120), prepaids and other receivables included \$291 (2005 - \$291), due to brokers included \$7,452,543 (2005 - \$7,609,145), accounts payable and accrued liabilities included \$76,750 (2005 - \$19,021), deferred revenue included nil (2005 - \$995,873), and income taxes payable included \$10,417 (2005 - \$795) denominated in U.S. dollars. Also, investments included \$26,777,402 (2005 - \$3,263,927) and due to brokers included \$12,161,784 (2005 - \$1,592,125) denominated in Australian dollars. Investments included \$725,050 and due to brokers included \$1,318,868 (2005 - \$3,703,541) denominated in Great Britain pounds. As at December 31, 2005, investments included \$379,202 denominated in South African rand.

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17. Financial instruments (continued):

(c) Credit risk:

Certain of the Company's financial assets, including cash and cash equivalents, are exposed to the risk of a financial loss occurring as a result of default of a counterparty on its obligation to the Company. The Company may, from time to time, invest in debt obligations. The Company is also exposed, in the normal course of business, to credit risk from the sale of its investments and advances to potential investee companies.

18. 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, 2006 consolidated financial statements.

19. Subsequent events:

- (a) Subsequent to December 31, 2006, 40,900 options were exercised at prices between \$1.05 and \$3.50 per share for total proceeds of \$89,250.
- (b) Subsequent to December 31, 2006, 55,000 Broker Warrants were exercised at \$4.50 per share and 268 Broker Warrants were exercised at \$7.50 per share for total proceeds of \$249,510.
- (c) Subsequent to December 31, 2006, the Company granted 95,000 options exercisable at \$19.48 per share and expiring on February 4, 2012.