

## Consolidated Financial Statements of



For the years ended December 31, 2007 and 2006

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# AUDITORS' REPORT

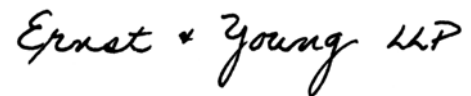
To the Shareholders of  
**Pinetree Capital Ltd.**

We have audited the consolidated balance sheets of **Pinetree Capital Ltd.** as at December 31, 2007 and 2006 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, 2007 and 2006 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  
February 29, 2008



**Chartered Accountants  
Licensed Public Accountants**

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

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments, at fair value (notes 4(a, b))	\$ 592,039	\$ 530,445
Equity accounted investment (note 4(c))	19,555	21,932
Cash and cash equivalents	66	175
Prepays and other receivables (note 11(f))	407	917
Capital assets, net (note 6)	670	359
Income taxes receivable	7,442	-
	<u>\$ 620,179</u>	<u>\$ 553,828</u>
<b>Liabilities and Shareholders' Equity</b>		
Due to brokers (note 7)	\$ 86,601	\$ 57,571
Bank indebtedness, net (note 8)	674	-
Accounts payable and accrued liabilities (note 11(g))	11,177	7,861
Advances from affiliated company (note 9)	10,628	78
Promissory note (note 10)	-	19,271
Income taxes payable	737	14,095
	<u>109,817</u>	<u>98,876</u>
<b>Future tax liabilities (note 14(c))</b>	<b>33,435</b>	<b>87,122</b>
	<u>143,252</u>	<u>185,998</u>
<b>Shareholders' equity</b>		
Share capital (note 12)	236,126	98,832
Warrants and broker warrants (note 12(g))	61,891	-
Contributed surplus (note 12(j))	6,435	4,918
Retained earnings	172,475	264,080
	<u>476,927</u>	<u>367,830</u>
	<u>\$ 620,179</u>	<u>\$ 553,828</u>

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Sheldon Inwentash" \_\_\_\_\_ Director

"Ronald Perry" \_\_\_\_\_ 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>2007</u>	<u>2006</u>
<b>Net investment gains (losses)</b>		
Gains on disposal of investments, net	\$ 190,838	\$ 94,251
Unrealized gains (losses) on investments, net	(288,369)	184,152
Income from equity accounted investment	5,548	12,932
	<u>(91,983)</u>	<u>291,335</u>
<b>Other revenue</b>		
Interest and dividend income (note 11(d))	2,262	121
Other income (note 11(e))	594	3,225
	<u>(89,127)</u>	<u>294,681</u>
<b>Expenses</b>		
Operating, general and administrative (note 11)	27,259	14,219
Transaction costs	5,374	1,419
Stock-based compensation (note 12(i))	6,141	5,355
Foreign exchange loss (gain)	(776)	813
Amortization	95	7
Interest (notes 10 and 11(c))	6,753	3,718
	<u>44,846</u>	<u>25,531</u>
<b>Income (loss) before income taxes</b>	(133,973)	269,150
<b>Provision for (recovery of) income taxes (note 14)</b>	(42,368)	86,023
<b>Net income (loss) for the year</b>	<u>\$ (91,605)</u>	<u>\$ 183,127</u>
<b>Earnings (loss) per common share (note 12(a))</b>		
Basic	\$ (0.94)	\$ 2.31
Diluted	<u>\$ (0.94)</u>	<u>\$ 2.18</u>
<b>Weighted average number of common shares outstanding (note 12(a))</b>		
Basic	97,663,188	79,164,890
Diluted	97,663,188	83,997,378

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See accompanying notes to the consolidated financial statements.

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

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	<u>2007</u>	<u>2006</u>
Retained earnings, beginning of year	\$ 264,080	\$ 83,444
Transitional adjustment	-	(2,491)
<b>Retained earnings, beginning of year, as restated</b>	<b>264,080</b>	<b>80,953</b>
<b>Net income (loss) for the year</b>	<b>(91,605)</b>	<b>183,127</b>
<b>Retained earnings, end of year</b>	<b>\$ 172,475</b>	<b>\$ 264,080</b>

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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)**

	2007	2006
<b>Cash flows from (used in) operating activities</b>		
Net income (loss) for the year	\$ (91,605)	\$ 183,127
Items not affecting cash		
Gains on disposal of investments, net	(190,838)	(94,251)
Unrealized losses (gains) on investments, net	288,369	(184,152)
Income from equity accounted investment	(5,548)	(12,932)
Dividend received from equity accounted investment	-	128
Amortization	95	7
Stock-based compensation	6,141	5,355
Future income taxes	(50,076)	70,712
	<b>(43,462)</b>	<b>(32,006)</b>
Changes in non-cash working capital balances related to operations		
Prepays and other receivables	510	(734)
Accounts payable and accrued liabilities	3,316	5,747
Income taxes receivable	(7,442)	-
Deferred revenue	-	(996)
Income taxes payable	(13,358)	13,977
Interest payable on promissory note	-	146
	<b>(60,436)</b>	<b>(13,866)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issue of share capital pursuant to private placements, net	182,546	64,025
Proceeds from issue of share capital pursuant to exercise of stock options	8,059	4,298
Proceeds from issue of share capital pursuant to exercise of warrants and broker warrants	345	2,730
Loan from officer	-	(1,976)
Due to brokers	29,030	20,333
Promissory note	(19,271)	-
Advances from affiliated company	10,550	(937)
Bank indebtedness	674	-
	<b>211,933</b>	<b>88,473</b>
<b>Cash flows from (used in) investing activities</b>		
Purchase of capital assets, net	(406)	(353)
Short-term loan payable	-	(2,600)
Purchase of investments	(891,395)	(272,381)
Proceeds on disposal of investments	740,195	203,220
	<b>(151,606)</b>	<b>(72,114)</b>
<b>Net increase (decrease) in cash and cash equivalents, during the year</b>	<b>(109)</b>	<b>2,493</b>
<b>Cash and cash equivalents (bank indebtedness), beginning of year</b>	<b>175</b>	<b>(2,318)</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 66</b>	<b>\$ 175</b>
<b>Supplemental cash flow information</b>		
Income taxes paid	\$ 28,503	\$ 1,332
Interest paid	6,753	3,572
Non-cash financing activities		
Promissory note	-	19,125

See accompanying notes to the consolidated financial statements.

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# **PINETREE CAPITAL LTD.**

## **Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

**(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, 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, Molybdenum, Precious Metals, Potash and Rare Earths, 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 within that sector, and work with those companies to build them to commercial production and create an exit.

The Company effected a two-for-one stock split by way of a stock dividend of one common share for every common share outstanding at the close of business on July 19, 2006. The Company effected another two-for-one stock split by way of a stock dividend of one common share for every common share outstanding at the close of business on April 5, 2007. All current and comparative figures herein have been adjusted to reflect both stock splits, retroactively, other than those figures contained in note 12(f).

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

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

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

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 (which are held-for-trading) 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.

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## **PINETREE CAPITAL LTD.**

### **Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

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

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#### **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 to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction.
3. For 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, or zero.

#### **(ii) Private company investments:**

All privately-held investments 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 techniques described below.

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 techniques 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.

The following circumstances are used to determine if the fair value of a privately-held investment should be adjusted upward or downward at each reporting period. Absent the occurrence of any of these events, the fair value of the investment is left unchanged.

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 fair 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.

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## **PINETREE CAPITAL LTD.**

### **Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

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

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

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 greatly expands their resource prospects; and
- v. important, positive management changes by the investee company that we believe will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

In the circumstances described above under (i) through (v), 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 fair 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.

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## **PINETREE CAPITAL LTD.**

### **Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

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

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

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;
- 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."

In the circumstances described above under (i) through (iv), 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.

Options and warrants of private companies are carried at nil.

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

Investments in which the Company has 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 and losses of such investments are included in the consolidated statements of operations.

#### **(iv) 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.

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## **PINETREE CAPITAL LTD.**

### **Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

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

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

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.

##### **(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:

	<b>Rate</b>	<b>Basis</b>
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 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 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. 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. Gains or losses resulting from translation are included in the determination of net income (loss) for the year. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction.

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****(In thousands of dollars, except for securities and per share amounts)**

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**2. Significant accounting policies (continued):****(g) 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").

**(h) 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.

**(i) Stock-based compensation plans:**

The Company has stock-based compensation plans which are described in note 12(h). 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.

**(j) Earnings (loss) per common share:**

Basic earnings (loss) per common share has been determined by dividing net income (loss) 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 (loss) 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.

**(k) 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

December 31, 2007 and 2006

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

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

(l) Cost of private placement financings:

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

### 3. Change in accounting policy:

Effective January 1, 2007, the Company adopted CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation. Section 3861 establishes standards for disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. As there are no other comprehensive income items, comprehensive income is equal to net income.

### 4. Investments:

(a) Investments consist of the following as at December 31, 2007 by sector:

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium)</b>					
Mega Uranium Ltd.	(i, ii, iii)	8,791,169 common shares 51,100 warrants expire Feb 13, 2012 150,000 warrants expire Feb 22, 2012 648,831 warrants expire Jun 6, 2012	\$ 36,792	\$ 30,533	25.8
Dejour Enterprises Ltd.	(i, ii, iii)	4,732,400 common shares US\$197,846 convertible debenture 250,000 warrants expire May 25, 2009	9,228	7,395	6.2
Bayswater Uranium Corp.	(i, iii)	7,000,000 common shares 1,217,500 warrants expire Sep 8, 2008	7,100	5,740	4.8
Cue Resources Ltd. (formerly Cue Capital Corp.)	(i, ii, iii)	3,112,500 common shares	3,741	4,980	4.2
Alberta Star Development Corp.	(i, iii)	5,025,350 common shares 162,500 warrants expire Apr 18, 2008	7,381	2,864	2.4
Ucore Uranium Inc.	(iii)	4,000,000 common shares 275,000 warrants expire Jun 15, 2008 750,000 warrants expire Mar 23, 2009	4,569	2,760	2.3
Ditem Explorations Inc.	(ii, iii)	3,514,100 common shares 1,773,000 warrants expire Jan 26, 2009	2,604	2,495	2.1
Magnum Uranium Corp.	(ii, iii)	2,814,285 common shares 357,142 warrants expire Mar 2, 2008	2,673	2,392	2.0
Dynamite Resources Ltd.	(ii, iii)	5,500,000 common shares	3,500	2,173	1.8
Cline Mining Corp.	(ii, iii)	8,760,600 common shares	4,345	1,971	1.7
Dios Exploration Inc.	(ii, iii)	4,643,500 common shares 666,500 warrants expire Mar 30, 2008 800,000 warrants expire May 2, 2008 264,000 warrants expire Mar 15, 2009	2,917	1,881	1.6

**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

**4. Investments (continued):****As at December 31, 2007:**

<b>Issuer</b>	<b>Note</b>	<b>Security Description</b>	<b>Cost</b>	<b>Fair Value</b>	<b>% of Sector (FV)</b>
<b>Sector: Resources (Uranium) (continued)</b>					
Neutron Energy, Inc.	(iii)	2,750,000 common shares 500,000 warrants expire Aug 31, 2008	<b>2,086</b>	<b>1,848</b>	<b>1.6</b>
Uracan Resources Ltd.	(iii)	2,468,000 common shares 250,000 warrants expire Jun 20, 2009 400,000 warrants expire Dec 21, 2009	<b>2,222</b>	<b>1,771</b>	<b>1.5</b>
Southampton Ventures Inc.	(ii, iii)	2,315,000 common shares 500,000 warrants expire Mar 22, 2009 250,000 warrants expire Jul 26, 2009	<b>2,747</b>	<b>1,667</b>	<b>1.4</b>
Silver Spruce Resources Inc.	(ii, iii)	2,445,000 common shares 387,500 warrants expire May 14, 2009 372,500 warrants expire Jul 5, 2009	<b>2,983</b>	<b>1,630</b>	<b>1.4</b>
Universal Uranium Ltd.	(ii, iii)	3,200,000 common shares	<b>3,291</b>	<b>1,504</b>	<b>1.3</b>
Uranium City Resources Inc.	(ii, iii)	5,500,000 common shares 2,000,000 warrants expire May 25, 0008	<b>2,518</b>	<b>1,403</b>	<b>1.2</b>
Forum Uranium Corp.	(iii)	3,004,000 common shares 827,000 warrants expire Nov 29, 2008	<b>2,047</b>	<b>1,247</b>	<b>1.1</b>
West High Yield Resources Ltd.	(ii, iii)	3,200,000 common shares 1,500,000 warrants expire May 9, 2009	<b>2,072</b>	<b>1,184</b>	<b>1.0</b>
Delta Exploration Inc.	(ii, iii)	3,225,300 common shares 800,000 warrants expire Jul 10, 2008 500,000 warrants expire May 1, 2009	<b>4,260</b>	<b>1,177</b>	<b>1.0</b>
Sparton Resources Inc.	(iii)	4,186,500 common shares	<b>1,780</b>	<b>1,172</b>	<b>1.0</b>
Calypso Uranium Corp. (formerly Calypso Acquisition Corp.)	(ii, iii)	2,407,000 common shares 1,000,000 warrants expire Mar 9, 2009	<b>2,073</b>	<b>1,083</b>	<b>0.9</b>
Trigon Uranium Corp.	(ii, iii)	5,377,500 common shares 250,000 warrants expire Apr 27, 2008 312,500 warrants expire Dec 12, 2008 500,000 warrants expire Aug 8, 2009	<b>3,145</b>	<b>1,076</b>	<b>0.9</b>
Total of 64 other investments – Resources (Uranium) sector (iv)			<b>50,588</b>	<b>36,438</b>	<b>30.8</b>
			<b>166,662</b>	<b>118,384</b>	<b>100.0</b>

**Sector: Resources (Oil & Gas)**

MegaWest Energy Corp.	(i, iii)	4,150,000 common shares 325,000 warrants expire Jul 5, 2008  1,125,000 warrants expire Aug 28, 2008	<b>3,196</b>	<b>5,383</b>	<b>11.8</b>
Brownstone Ventures Inc.	(i, ii, iii)	2,201,159 common shares 975,000 warrants expire Jul 19, 2008	<b>2,503</b>	<b>3,192</b>	<b>7.0</b>
Red Maple Energy Inc.	(i)	5,400,000 common shares	<b>750</b>	<b>2,700</b>	<b>5.9</b>
GeoGlobal Resources Inc.	(i)	630,400 common shares 112,500 warrants expire Jun 20, 2009	<b>2,412</b>	<b>2,429</b>	<b>5.3</b>

**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

**4. Investments (continued):****As at December 31, 2007:**

<b>Issuer</b>	<b>Note</b>	<b>Security Description</b>	<b>Cost</b>	<b>Fair Value</b>	<b>% of Sector (FV)</b>
<b>Sector: Resources (Oil &amp; Gas) (continued)</b>					
Gastem Inc.	(i, iii)	3,021,000 common shares 307,500 warrants expire Sep 16, 2008	<b>2,188</b>	<b>1,994</b>	<b>4.4</b>
Lynden Ventures Corp. (formerly Lynden Ventures Ltd.)	(iii)	2,500,000 common shares 1,250,000 warrants expire Jul 9, 2009	<b>2,004</b>	<b>1,875</b>	<b>4.1</b>
Changfeng Energy Inc.	(iii)	3,400,000 common shares	<b>1,350</b>	<b>1,700</b>	<b>3.7</b>
Primary Petroleum Corp.	(ii, iii)	2,400,000 common shares 1,525,000 warrants expire Sep 17, 2009	<b>1,750</b>	<b>1,406</b>	<b>3.1</b>
Rochester Energy Corp.	(ii, iii)	3,260,000 common shares 1,510,000 warrants expire Mar 2, 2009 750,000 warrants expire Jul 17, 2009	<b>2,111</b>	<b>1,369</b>	<b>3.0</b>
Vulcan Minerals Inc.	(iii)	2,750,000 common shares	<b>1,533</b>	<b>1,210</b>	<b>2.7</b>
Total of 46 other investments – Resources (Oil & Gas) sector (iv)			<b>30,518</b>	<b>22,285</b>	<b>49.0</b>
			<b>50,315</b>	<b>45,543</b>	<b>100.0</b>
<b>Sector: Resources (Molybdenum)</b>					
Mega Moly Inc. (formerly Westview Commercial Inc.)	(i, ii, iii)	10,000,000 common shares 10,000,000 warrants expire Nov 30, 2008	<b>1,100</b>	<b>19,148</b>	<b>37.9</b>
Bolero Resources Corp. (formerly United Bolero Development Corp.)	(i, iii)	6,793,500 common shares 1,000,000 warrants expire Nov 23, 2008	<b>3,559</b>	<b>4,076</b>	<b>8.1</b>
Erdene Gold Inc.	(i, iii)	3,500,000 common shares	<b>4,916</b>	<b>3,850</b>	<b>7.6</b>
Creston Moly Corp. (formerly Georgia Ventures Inc.)	(i, iii)	7,000,000 common shares	<b>5,180</b>	<b>3,220</b>	<b>6.4</b>
Galway Resources Ltd.	(i, iii)	2,800,000 common shares 100,000 warrants expire Feb 1, 2009	<b>3,987</b>	<b>2,800</b>	<b>5.5</b>
Virgin Metals Inc.	(ii, iii)	5,150,500 common shares 1,750,000 warrants expire Apr 19, 2009	<b>2,732</b>	<b>2,421</b>	<b>4.8</b>
Sultan Minerals Inc.	(iii)	7,002,800 common shares 1,136,400 warrants expire Nov 10, 2008	<b>2,384</b>	<b>1,751</b>	<b>3.4</b>
Pacific Comox Resources Ltd.	(ii, iii)	16,820,610 common shares 1,909,091 warrants expire Nov 30, 2008 3,571,428 warrants expire Jun 12, 2008	<b>2,000</b>	<b>1,654</b>	<b>3.3</b>
Tenajon Resources Corp.	(iii)	3,250,000 common shares	<b>2,864</b>	<b>1,495</b>	<b>3.0</b>
Western Troy Capital Resources Inc.	(ii, iii)	3,711,333 common shares 1,666,667 warrants expire Apr 19, 2009	<b>2,340</b>	<b>1,410</b>	<b>2.8</b>
Happy Creek Minerals Ltd.	(ii, iii)	3,298,500 common shares 1,250,000 warrants expire May 15, 2009	<b>1,565</b>	<b>1,253</b>	<b>2.5</b>
Total of 11 other investments – Resources (Molybdenum) sector (iv)			<b>8,025</b>	<b>7,428</b>	<b>14.7</b>
			<b>40,652</b>	<b>50,506</b>	<b>100.0</b>

**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

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**4. Investments (continued):****As at December 31, 2007:**

<b>Issuer</b>	<b>Note</b>	<b>Security Description</b>	<b>Cost</b>	<b>Fair Value</b>	<b>% of Sector (FV)</b>
<b>Sector: Resources (Precious Metals)</b>					
Noront Resources Ltd.	(i, ii, iii)	10,067,300 common shares	<b>29,200</b>	<b>40,169</b>	<b>16.7</b>
Gold Eagle Mines Ltd.	(i)	1,500,000 common shares	<b>9,581</b>	<b>12,375</b>	<b>5.1</b>
Queenston Mining Inc.	(i, iii)	3,457,300 common shares			
		150,000 warrants expire May 17, 2008	<b>7,635</b>	<b>10,593</b>	<b>4.4</b>
Solitario Resources Corp.	(i, iii)	1,625,000 common shares	<b>3,360</b>	<b>8,613</b>	<b>3.6</b>
High River Gold Mines Inc.	(i)	3,000,000 common shares			
		70,000 warrants expire Jan 27, 2008			
		224,000 warrants expire Nov 8, 2010	<b>8,714</b>	<b>8,540</b>	<b>3.6</b>
Evolving Gold Corp.	(ii, iii)	4,905,500 common shares			
		2,500,000 warrants expire Apr 26, 2009			
		1,250,000 warrants expire Jul 5, 2009	<b>1,594</b>	<b>7,463</b>	<b>3.1</b>
Mega Silver Inc. (formerly Treat Systems Inc.)	(ii, iii)	3,940,536 common shares			
		375,000 warrants expire Nov 6, 2009	<b>1,903</b>	<b>4,158</b>	<b>1.7</b>
Valencia Ventures Inc.	(ii, iii)	7,349,000 common shares			
		1,500,000 warrants expire Mar 15, 2008	<b>3,299</b>	<b>4,110</b>	<b>1.7</b>
Caledonia Mining Corporation	(iii)	36,640,637 common shares	<b>7,075</b>	<b>4,030</b>	<b>1.7</b>
Unigold Inc.	(ii, iii)	6,361,000 common shares	<b>3,304</b>	<b>3,944</b>	<b>1.6</b>
Latin American Minerals Inc.	(ii, iii)	3,499,500 common shares			
		1,000,000 warrants expire May 31, 2008	<b>3,258</b>	<b>3,849</b>	<b>1.6</b>
MacArthur Minerals Ltd.	(ii, iii)	2,120,400 common shares			
		500,000 warrants expire Dec 11, 2008	<b>1,944</b>	<b>3,817</b>	<b>1.6</b>
Nortec Ventures Corp.	(ii, iii)	13,500,000 common shares	<b>2,025</b>	<b>3,578</b>	<b>1.5</b>
Aranka Gold Inc.	(iii)	1,551,488 common shares	<b>2,306</b>	<b>3,274</b>	<b>1.4</b>
Diamondex Resources Ltd.	(iii)	9,096,500 common shares			
		500,000 warrants expire May 4, 2008			
		625,000 warrants expire Dec 21, 2008	<b>3,090</b>	<b>2,675</b>	<b>1.1</b>
MacMillian Gold Corp.	(ii, iii)	3,682,500 common shares			
		2,000,000 warrants expire Sep 27, 2008	<b>1,389</b>	<b>2,466</b>	<b>1.0</b>
Castillian Resources Corp.	(iii)	5,346,856 common shares			
		500,000 warrants expire Jun 22, 2008			
		1,142,500 warrants expire Apr 9, 2009	<b>3,583</b>	<b>2,406</b>	<b>1.0</b>
Cypress Development Corp.	(ii, iii)	8,210,500 common shares	<b>4,299</b>	<b>2,258</b>	<b>0.9</b>
Fury Explorations Ltd.	(ii, iii)	2,750,000 common shares			
		250,000 warrants expire Sep 20, 2008	<b>2,422</b>	<b>2,090</b>	<b>0.9</b>
Silver Reserve Corp.	(iii)	5,198,043 common shares			
		1,750,000 warrants expire Oct 8, 2008	<b>1,312</b>	<b>2,074</b>	<b>0.9</b>
Sinchao Metals Corp.	(iii)	2,850,000 common shares			
		675,000 warrants expire Nov 21, 2009	<b>1,723</b>	<b>1,994</b>	<b>0.8</b>
Andean American Mining Corp.	(iii)	2,712,000 common shares			
		1,000,000 warrants expire May 29, 2009	<b>1,776</b>	<b>1,953</b>	<b>0.8</b>
Colossus Minerals Inc.	(iii)	1,900,000 common shares			
		200,000 warrants expire May 18, 2008			

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**4. Investments (continued):**

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
		250,000 warrants expire Jun 26, 2009			
		1,000,000 warrants expire Dec 6, 2011	<b>800</b>	<b>1,900</b>	<b>0.8</b>
Golden Goose Resources Inc.	(ii, iii)	3,667,000 common shares			
		250,000 warrants expire Mar 26, 2008	<b>2,851</b>	<b>1,834</b>	<b>0.8</b>
ValGold Resources Ltd.	(ii, iii)	7,006,000 common shares			
		2,500,000 warrants expire May 4, 2008			
		750,000 warrants expire Nov 30, 2009	<b>2,549</b>	<b>1,827</b>	<b>0.8</b>
UC Resources Ltd.	(iii)	5,780,000 common shares	<b>2,339</b>	<b>1,699</b>	<b>0.7</b>
Maximus Ventures Ltd.	(iii)	3,774,500 common shares			
		1,000,000 warrants expire Apr 24, 2009	<b>2,292</b>	<b>1,666</b>	<b>0.7</b>
Tri Origin Exploration Ltd.	(ii, iii)	2,640,400 common shares	<b>953</b>	<b>1,584</b>	<b>0.7</b>
WSR Gold Inc.	(iii)	4,186,500 common shares	<b>2,119</b>	<b>1,507</b>	<b>0.6</b>
Ontex Resources Ltd.	(iii)	3,048,000 common shares			
		2,500,000 warrants expire Nov 22, 2008	<b>1,028</b>	<b>1,425</b>	<b>0.6</b>
Northern Lion Gold Corp.	(iii)	3,223,500 common shares	<b>1,530</b>	<b>1,354</b>	<b>0.6</b>
Pacific North West Capital Corp.	(ii, iii)	3,754,500 common shares			
		1,650,000 warrants expire Dec 1, 2008	<b>1,878</b>	<b>1,352</b>	<b>0.6</b>
Goldrush Resources Ltd.	(ii, iii)	4,717,500 common shares			
		2,500,000 warrants expire Sep 20, 2008	<b>1,404</b>	<b>1,321</b>	<b>0.5</b>
Spider Resources Inc.	(iii)	11,111,110 common shares			
		11,111,110 warrants expire Oct 11, 2009	<b>1,000</b>	<b>1,286</b>	<b>0.5</b>
Niogold Mining Corp.	(ii, iii)	5,101,500 common shares			
		985,000 warrants expire Oct 24, 2008	<b>2,077</b>	<b>1,275</b>	<b>0.5</b>
ATW Ventures Corp.	(iii)	1,160,000 common shares			
		580,000 warrants expire Dec 17, 2009	<b>696</b>	<b>1,151</b>	<b>0.5</b>
New World Resources Corp.	(ii, iii)	2,835,000 common shares			
		1,000,000 warrants expire Nov 15, 2008	<b>2,409</b>	<b>1,081</b>	<b>0.4</b>
Skyharbour Resources Ltd.	(ii, iii)	9,000,000 common shares			
		1,000,000 warrants expire Jul 24, 2008			
		3,000,000 warrants expire Jul 31, 2008	<b>1,700</b>	<b>1,080</b>	<b>0.4</b>
Arctic Star Diamond Corp.	(ii, iii)	8,564,091 common shares			
		2,500,000 warrants expire Oct 27, 2008			
		1,009,091 warrants expire Feb 21, 2009	<b>2,575</b>	<b>1,071</b>	<b>0.4</b>
Atlas Minerals Inc. (formerly Atlas Moly Inc.)	(ii, iii)	2,600,000 common shares			
		2,600,000 warrants expire Dec 31, 2009	<b>894</b>	<b>1,030</b>	<b>0.4</b>
Portal Resources Ltd.	(ii, iii)	3,000,000 common shares			
		500,000 warrants expire Jul 18, 2008	<b>1,984</b>	<b>1,020</b>	<b>0.4</b>
Australian Mineral Fields Inc.	(iii)	2,000,000 common shares			
		1,000,000 warrants expire Sep 21, 2008	<b>1,000</b>	<b>1,000</b>	<b>0.4</b>
Total of 154 other investments – Resources (Precious Metals) sector (iv)			<b>97,402</b>	<b>76,587</b>	<b>32.0</b>
			<b>236,272</b>	<b>240,479</b>	<b>100.0</b>

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**4. Investments (continued):****As at December 31, 2007:**

<b>Issuer</b>	<b>Note</b>	<b>Security Description</b>	<b>Cost</b>	<b>Fair Value</b>	<b>% of Sector (FV)</b>
<b>Sector: Resources (Potash and Rare Earths)</b>					
Potash One Inc.	(i, ii, iii)	3,100,500 common shares	<b>3,204</b>	<b>13,162</b>	<b>77.2</b>
Western Potash Corp.	(i, iii)	7,000,000 common shares			
		3,000,000 warrants expire Oct 15, 2009	<b>2,350</b>	<b>3,500</b>	<b>20.5</b>
Total of 2 other investments – Resources (Potash and Rare Earths) sector (iv)			<b>400</b>	<b>390</b>	<b>2.3</b>
			<b>5,954</b>	<b>17,052</b>	<b>100.0</b>
<b>Sector: Resources (Base Metals)</b>					
MacDonald Mines Exploration Ltd.	(i, ii, iii)	9,988,500 common shares	<b>5,643</b>	<b>6,322</b>	<b>8.7</b>
		3,075,000 warrants expire Oct 29, 2009			
Waratah Coal Inc. (formerly Eaglestar Ventures Inc.)	(i, iii)	1,932,600 common shares	<b>2,772</b>	<b>4,348</b>	<b>6.0</b>
		156,500 warrants expire Feb 9, 2009			
Temex Resources Corp.	(i, ii, iii)	5,818,000 common shares	<b>4,002</b>	<b>3,794</b>	<b>5.2</b>
		1,500,000 warrants expire Nov 1, 2009			
Royal Nickel Corporation	(i)	1,400,000 common shares	<b>1,460</b>	<b>3,500</b>	<b>4.8</b>
Mantis Mineral Corp.	(i, ii, iii)	6,052,500 common shares	<b>2,076</b>	<b>3,465</b>	<b>4.8</b>
		1,500,000 warrants expire Oct 19, 2009			
International Nickel Ventures Corp.	(ii, iii)	3,800,000 common shares			
		188,000 warrants expire Nov 18, 2008	<b>5,321</b>	<b>3,425</b>	<b>4.7</b>
Probe Mines Ltd.	(ii, iii)	3,985,000 common shares			
		1,000,000 warrants expire Nov 6, 2009	<b>3,256</b>	<b>2,596</b>	<b>3.6</b>
Stingray Copper Inc. (formerly Stingray Resources Inc.)	(iii)	2,495,000 common shares			
		782,500 warrants expire Apr 24, 2009	<b>2,724</b>	<b>1,923</b>	<b>2.6</b>
Oriental Minerals Inc.	(iii)	2,381,700 common shares			
		125,000 warrants expire Jul 2, 2008			
		1,250,000 warrants expire Jan 17, 2009	<b>4,650</b>	<b>1,810</b>	<b>2.5</b>
Independent Nickel Corp.	(ii, iii)	4,250,000 common shares			
		500,000 warrants expire Nov 7, 2008	<b>1,687</b>	<b>1,758</b>	<b>2.4</b>
Ascendant Copper Corporation	(ii, iii)	7,615,000 common shares			
		3,500,000 warrants expire Jun 22, 2009	<b>3,357</b>	<b>1,687</b>	<b>2.3</b>
Canadian Arrow Mines Ltd.	(iii)	3,913,500 common shares			
		362,500 warrants expire Oct 17, 2008	<b>2,135</b>	<b>1,526</b>	<b>2.1</b>
Landrill International Inc.	(ii, iii)	4,694,000 common shares			
		250,000 warrants expire Mar 14, 2008			
		150,000 warrants expire Apr 7, 2008			
		500,000 warrants expire Oct 12, 2008	<b>1,302</b>	<b>1,408</b>	<b>1.9</b>
El Nino Ventures Inc.	(ii, iii)	1,000,000 common shares			
		1,000,000 warrants expire Jan 9, 2009	<b>500</b>	<b>1,200</b>	<b>1.6</b>

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**4. Investments (continued):**

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Base Metals) (continued)</b>					
Slam Exploration Ltd.	(ii, iii)	7,000,000 common shares 1,364,000 warrants expire May 23, 2008 4,062,000 warrants expire Mar 14, 2009 300,000 warrants expire Oct 23, 2009	<b>1,145</b>	<b>1,116</b>	<b>1.5</b>
Cross Lake Minerals Ltd.	(iii)	2,757,000 common shares 250,000 warrants expire Jun 14, 2008 542,500 warrants expire Nov 9, 2008 300,000 warrants expire Feb 14, 2009	<b>1,626</b>	<b>1,089</b>	<b>1.5</b>
War Eagle Mining Co. Inc.	(ii, iii)	2,869,000 common shares 1,500,000 warrants expire Mar 7, 2008 250,000 warrants expire May 14, 2009	<b>1,609</b>	<b>1,079</b>	<b>1.5</b>
Halo Resources Ltd.	(iii)	2,500,000 common shares 150,000 warrants expire Apr 12, 2008 675,000 warrants expire Jul 3, 2009 350,000 warrants expire Dec 14, 2009	<b>1,184</b>	<b>1,021</b>	<b>1.4</b>
Northern Abitibi Mining Corp.	(ii, iii)	3,995,666 common shares 2,083,333 warrants expire May 2, 2009	<b>498</b>	<b>1,004</b>	<b>1.4</b>
Black Bull Resources Inc.	(ii, iii)	10,000,000 common shares	<b>1,500</b>	<b>1,000</b>	<b>1.4</b>
Total of 47 other investments – Resources (Base Metals) sector (iv)			<b>36,476</b>	<b>27,803</b>	<b>38.1</b>
			<b>84,923</b>	<b>72,874</b>	<b>100.0</b>
<b>Sector: Biotechnology</b>					
GeneNews Limited (formerly ChondroGene Limited)	(i, iii)	3,166,500 common shares	<b>3,188</b>	<b>3,388</b>	<b>29.7</b>
Stem Cell Therapeutics Corp.	(i, iii)	6,241,000 common shares 1,250,000 warrants expire Mar 27, 2008 500,000 warrants expire Feb 1, 2009 1,250,000 warrants expire May 9, 2010	<b>2,740</b>	<b>1,965</b>	<b>17.2</b>
Haemacure Corp.	(i, ii, iii)	13,392,500 common shares 2,500,000 A warrants expire Jan 5, 2012 2,500,000 B warrants expire Jan 5, 2012	<b>2,521</b>	<b>1,808</b>	<b>15.9</b>
SQI Diagnostics Inc.	(i, iii)	1,000,000 common shares 500,000 warrants expire Jun 29, 2009	<b>1,600</b>	<b>1,450</b>	<b>12.7</b>
Total of 7 other investments – Biotechnology sector (iv)			<b>3,789</b>	<b>2,789</b>	<b>24.5</b>
			<b>13,838</b>	<b>11,400</b>	<b>100.0</b>

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**4. Investments (continued):**

As at December 31, 2007:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Energy Related Technology</b>					
Opel International Inc. (formerly Tandem Resources Inc.)	(i, iii)	2,701,700 common shares 750,000 warrants expire Dec 13, 2009 1,000,000 warrants expire May 11, 2010	3,206	5,315	44.3
Global Green Solutions Inc.	(i, iii)	2,227,743 common shares 700,000 warrants expire May 5, 2008 250,000 warrants expire Aug 19, 2008	1,051	1,519	12.7
Solomon Technologies, Inc.	(i, iii)	5,971,522 common shares US\$150,000 12% promissory note due Sep 7, 2008	1,789	1,504	12.5
Fiber Optics Systems Technology Inc.	(i, iii)	3,536,612 common shares	2,948	1,043	8.7
Total of 5 other investments – Energy Related Technology sector (iv)			2,649	2,615	21.8
			11,643	11,996	100.0
<b>Sector: Technology and Other</b>					
Kyoto Capital Partners Inc.	(i)	15,000,000 common shares	3,000	3,000	12.6
Valcent Products Inc.	(i, iii)	2,814,666 common shares 416,666 warrants expire May 15, 2008 500,000 warrants expire Dec 11, 2008 833,333 warrants expire Apr 24, 2009 300,000 warrants expire Oct 10, 2009	1,824	2,470	10.4
View22 Technology Inc.	(i, iii)	1,300,000 common shares 500,000 warrants expire Aug 2, 2008 150,000 warrants expire Nov 8, 2008	1,225	2,275	9.6
Chalk Media Corp.	(i, iii)	8,500,000 common shares	2,215	1,913	8.0
Ziplocal Inc. (formerly Redcity Search Company)	(i, ii, iii)	9,083,000 common shares	2,526	1,635	6.9
Fluid Media Networks, Inc. (Formerly Fluid Audio Networks, Inc.)	(iii)	300,000 series A preferred shares 267,357 series B preferred shares 104,000 series C preferred shares 150,000 series E preferred shares US\$300,000 12% convertible debenture due May 31, 2008	1,889	1,590	6.7
Sofame Technologies Inc.	(ii, iii)	5,500,000 common shares 2,500,000 warrants expire May 16, 2009 499,998 warrants expire Dec 21, 2009	813	1,362	5.7
VIQ Solutions Inc.	(ii, iii)	7,279,500 common shares	1,301	1,201	5.0
RAJ Gaming (2109453 Ontario Ltd.)	(iii)	500,000 common shares	1,000	1,000	4.2
Total of 26 other investments – Technology and Other sector (iv)			13,908	7,359	30.9
			29,701	23,805	100.0
<b>Total investments (v, vi)</b>			<b>\$ 639,960</b>	<b>\$ 592,039</b>	

# PINETREE CAPITAL LTD.

## Notes to Consolidated Financial Statements

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### 4. Investments (continued):

- (i) These investments are in the top five of their respective sector, by fair value, and these investments have a fair value greater than \$1,000 as at December 31, 2007.
- (ii) The Company has issued a Section 101 report under the *Securities Act* (Ontario) for these investments and these investments have a fair value greater than \$1,000 as at December 31, 2007.
- (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 \$1,000 as at December 31, 2007.
- (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, 2007.
- (v) As at December 31, 2007, included in total investments were securities of private companies fair valued totaling \$52,450 (cost of \$43,589) in accordance with the Company's accounting policy for private company investments (note 2(b)(ii)).

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

As at December 31, 2006:					% of
Issuer	Note	Security Description	Cost	Fair Value	Sector (FV)
<b>Sector: Resources (Uranium)</b>					
Mega Uranium Ltd.	(i, ii)	5,449,307 common shares	\$ 22,403	\$ 38,640	20.6
Tournigan Gold Corp.	(i)	3,052,100 common shares			
		750,000 warrants expire Mar 31, 2007	2,696	12,096	6.4
Khan Resources Inc.	(i, iii)	3,215,300 common shares	2,523	11,834	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	8,626	4.6
Omegacorp Ltd.	(i)	7,000,306 common shares	3,367	7,235	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	7,019	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	6,635	3.5
Twenty-Seven Capital Corp.	(iii)	1,467,600 common shares	2,342	3,977	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	3,651	1.9
Cline Mining Corp.	(ii, iii)	7,007,600 common shares	3,840	3,399	1.8
Pele Mountain Resources Inc.	(ii, iii)	3,382,000 common shares			
		250,000 warrants expire Mar 24, 2008	1,097	3,303	1.8

**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

**4. Investments (continued):**

As at December 31, 2006:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium) (continued)</b>					
Mawson Resources Ltd.	(iii)	1,100,000 common shares 200,000 warrants expire Dec 27, 2008 152,500 warrants expire Apr 28, 2008	1,261	2,705	1.4
Cue Capital Corp.	(iii)	1,250,000 subscription receipts	625	2,653	1.4
Strategic Metals Ltd.	(iii)	3,000,000 common shares	1,402	2,370	1.3
Kilgore Minerals Ltd.	(ii, iii)	1,875,000 common shares 350,000 warrants expire Sep 7, 2007	1,206	2,295	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	551	2,235	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	2,065	1.1
Uranium City Resources Inc.	(ii, iii)	2,750,000 common shares 1,000,000 warrants expire Oct 20, 2007	1,072	1,913	1.0
Uranium Star Corp.	(iii)	1,000,000 common shares 1,000,000 warrants expire Dec 15, 2008	577	1,769	0.9
Uranium North Resources Corp.	(iii)	1,167,000 common shares 583,500 warrants expire Dec 6, 2007	875	1,651	0.9
Bluerock Resources Ltd.	(ii)	1,111,100 common shares 1,111,100 warrants expire Oct 27, 2008	500	1,062	0.6
Neutron Energy, Inc.	(iii)	US\$165,000 series A convertible debenture US\$680,000 series B convertible debenture	952	952	0.5
Global Uranium Corporation	(ii, iii)	1,800,000 common shares 1,800,000 warrants expire Mar 29, 2008	450	666	0.4
Total of 36 other investments – Resources (Uranium) sector (iv)			21,122	59,130	31.5
			82,163	187,881	100.0
<b>Sector: Resources (Oil &amp; Gas)</b>					
Connacher Oil & Gas Ltd.	(i)	4,625,000 common shares	17,231	16,095	20.7
Oilsands Quest Inc. (formerly CanWest Petroleum Corp.)	(i)	2,257,754 common shares 250,000 warrants expire Dec 12, 2007	3,095	13,333	17.1
Brownstone Ventures Inc.	(i, ii, iii)	5,803,159 common shares 975,000 warrants expire Jul 19, 2008	5,456	12,691	16.3
Petrolifera Petroleum Limited	(i, ii)	500,000 common shares	3,299	8,810	11.3
Canoro Resources Ltd.	(i)	2,529,800 common shares 292,400 warrants expire Jul 25, 2007	2,602	4,844	6.2
Bontan Corporation Inc.	(ii, iii)	3,112,000 common shares 2,000,000 warrants expire Mar 27, 2008	977	896	1.2

**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

**(In thousands of dollars, except for securities and per share amounts)****4. Investments (continued):**

As at December 31, 2006:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Oil &amp; Gas) (continued)</b>					
West Africa Energy Inc.	(ii, iii)	1,963,260 common shares	549	883	1.1
Primary Petroleum Corporation	(iii)	1,000,000 common shares			
		666,667 warrants expire Mar 16, 2007			
		\$250,000 5% convertible debenture	750	750	1.0
Total of 29 other investments – Resources (Oil & Gas) sector (iv)			18,077	19,546	25.1
			52,036	77,848	100.0
<b>Sector: Resources (Precious Metals)</b>					
Aurelian Resources Inc.	(i)	535,000 common shares	1,953	16,398	9.2
Guyana Goldfields Inc.	(i)	1,000,000 common shares	3,852	11,900	6.7
Aquiline Resources Inc.	(i)	1,266,800 common shares			
		125,000 warrants expire Oct 11, 2007	2,941	9,868	5.5
Afriore Ltd.	(i)	900,000 common shares	1,315	7,812	4.4
iShares Silver Trust	(i)	50,348 common shares	6,891	7,527	4.2
Solitario Resources Corp.	(i)	1,535,200 common shares	2,730	7,292	4.1
Aranka Gold Inc.	(iii)	1,135,294 common shares			
		235,294 warrants expire Dec 22, 2007	1,258	4,891	2.7
Tri Origin Exploration Ltd.	(ii, iii)	3,950,000 common shares	1,079	3,792	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	2,896	1.6
Unigold Inc.	(ii, iii)	5,050,000 common shares			
		1,000,000 warrants expire Jul 11, 2007	1,977	2,677	1.5
Aura Gold Inc.	(ii, iii)	4,469,500 common shares			
		668,250 warrants expire Nov 30, 2007	1,770	2,594	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	1,325	2,194	1.2
MacArthur Minerals Ltd.	(iii)	1,000,000 common shares	300	2,160	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	1,423	1,324	0.7
Silver Reserve Corp.	(iii)	1,700,000 common shares			
		US\$875,000 2% convertible debenture	1,312	1,312	0.7
Sienna Gold Inc.	(iii)	2,300,000 common shares			
		750,000 warrants expire Nov 1, 2007	1,737	1,288	0.7
Intrepid Nustar Exchange Corp.	(iii)	1,750,000 common shares			
		110,000 warrants expire Feb 9, 2007	1,338	1,103	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	826	1,100	0.6

**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

**4. Investments (continued):**

As at December 31, 2006:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
New World Resources Corp.	(iii)	1,425,000 common shares	1,671	1,055	0.6
AMI Resources Inc.	(ii, iii)	2,000,000 common shares 2,000,000 warrants expire Dec 21, 2008	400	1,036	0.6
Valencia Ventures Inc.	(ii, iii)	2,500,000 common shares 1,500,000 warrants expire Mar 15, 2008	465	1,025	0.6
FieldEx Exploration Inc.	(ii, iii)	2,000,000 common shares 2,000,000 warrants expire Nov 29, 2007	300	980	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	807	951	0.5
Lateegra Gold Corp.	(iii)	702,000 common shares 457,000 warrants expire Oct 13, 2008 200,000 warrants expire Nov 30, 2008	601	878	0.5
Silver Quest Resources Ltd.	(iii)	1,000,000 common shares	367	630	0.4
Sable Resources Ltd.	(iii)	600,000 common shares 250,000 warrants expire May 17, 2007	251	588	0.3
Total of 102 other investments – Resources (Precious Metals) sector (iv)			54,028	83,805	46.8
			94,392	179,076	100.0
<b>Sector: Resources (Base Metals)</b>					
International Nickel Ventures Corp.	(i, iii)	2,500,000 common shares	3,130	5,500	15.8
Liberty Mines Inc.	(i)	1,750,000 common shares	726	4,778	13.7
Scandinavian Minerals Ltd.	(i)	650,000 common shares	2,641	3,118	8.9
BcMetals Corporation	(i, iii)	2,148,067 common shares 100,000 warrants expire Apr 16, 2007	1,992	2,341	6.7
Independent Nickel Corp.	(i, ii, iii)	3,750,000 common shares	1,001	2,138	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	1,327	3.8
Geologix Explorations Inc.	(ii, iii)	2,150,000 common shares 500,000 warrants expire May 4, 2008	1,597	1,185	3.4
Newport Exploration Ltd.	(ii, iii)	2,865,000 common shares 2,400,000 warrants expire Dec 12, 2008	392	815	2.3
United Bolero Development Corp.	(iii)	3,000,000 common shares 1,000,000 warrants expire Mar 23, 2008	1,123	770	2.2
Atlas Minerals Inc. (formerly Atlas Moly Inc.)	(iii)	1,600,000 common shares 1,600,000 warrants expire Dec 31, 2007	543	543	1.6
Landrill 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	706	533	1.5
Pacific Comox Resources Ltd.	(iii)	5,571,428 common shares 3,571,428 warrants expire Jun 12, 2008	417	529	1.5

**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

**(In thousands of dollars, except for securities and per share amounts)****4. Investments (continued):**

As at December 31, 2006:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Base Metals) (continued)</b>					
Nearctic Nickel Mines Inc. (formerly Ungava Minerals Corp.)	(ii, iii)	1,000,000 common shares 1,000,000 warrants expire Jul 4, 2008	500	500	1.4
Total of 20 other investments – Resources (Base Metals) sector (iv)			7,852	10,817	31.1
			23,804	34,894	100.0
<b>Sector: Biotechnology</b>					
GeneNews Limited (formerly ChondroGene Limited)	(i, iii)	3,050,000 common shares	3,103	3,172	28.9
Transition Therapeutics Inc. Vyteris Holdings Inc.	(i) (i, iii)	1,500,000 common shares 1,246,666 common shares 500,000 warrants expire Nov 8, 2008	1,590 494	2,295 1,570	20.9 14.3
Orthosoft Inc. Haemacure Corp.	(i) (i, ii, iii)	1,250,000 common shares 4,231,000 common shares 1,000,000 warrants expire Mar 19, 2007	687 1,446	925 508	8.4 4.6
Total of 6 other investments - Biotechnology sector (iv)			3,780	2,488	22.9
			11,100	10,958	100.0
<b>Sector: Energy Related Technology</b>					
Solomon Technologies, Inc.	(i, iii)	5,421,522 common shares US\$150,000 12% promissory note due Jan 15, 2007	1,501	12,616	62.2
Fiber Optics Systems Technology Inc. Global Green Solutions Inc.	(i, ii, iii) (i, iii)	2,667,768 common shares 1,727,743 common shares 350,000 class A warrants expire May 5, 2008 350,000 class B warrants expire May 5, 2008	1,985 465	3,194 2,454	15.7 12.1
Alternative Energy Sources Inc.	(i)	1,000,000 common shares 1,000,000 warrants expire Jun 19, 2011	1,114	1,270	6.3
Pantano Energy Services (formerly Enercoil Resources Incorporated)	(i)	1,333,333 common shares 1,166,666 warrants expire Dec 2, 2007	750 623	750 —	3.7 —
Total of 1 other investment – Energy Related Technology sector (iv)			6,438	20,284	100.0
<b>Sector: Technology and Other</b>					
Certicom Corp. Enghouse Systems Limited Fluid Audio Networks, Inc.	(i) (i) (i, iii)	500,000 common shares 295,000 common shares 300,000 series A preferred shares 267,357 series B preferred shares 104,000 series C preferred shares 150,000 series E preferred shares	2,396 357	2,515 2,334	12.9 12.0
Clearly Canadian Beverage Corporation GoFish Corporation	(i) (i)	432,934 common shares 333,334 warrants expire Sep 1, 2008 225,000 common shares 112,500 warrants expire Oct 27, 2011	1,501 1,373 381	1,487 1,186 1,151	7.6 6.1 5.9

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

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**4. Investments (continued):**

As at December 31, 2006:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Technology and Other (continued)</b>					
Fortress Paper Ltd.	(i)	500,000 common shares	1,000	1,000	5.1
VIQ Solutions Inc.	(i, ii, iii)	6,500,000 common shares	1,173	878	4.5
ShifTV Inc.	(iii)	1,500,000 common shares			
		750,000 warrants expire Nov 30, 2009	750	750	3.8
Cell-loc Location Technologies Inc.	(iii)	2,749,500 common shares			
		1,250,000 warrants expire Nov 14, 2007			
		2,000,000 warrants expire Sep 7, 2008	550	705	3.6
View22 Technology Inc.	(iii)	1,000,000 common shares			
		500,000 warrants expire Aug 2, 2008	700	700	3.6
Total of 15 other investments – Technology and Other sector (iv)			9,955	6,798	34.9
			20,136	19,504	100.0
<b>Total investments (v, vi)</b>			\$ 290,069	\$ 530,445	

- (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 as at December 31, 2006.
- (ii) The Company has issued a Section 101 report under the *Securities Act* (Ontario) for these investments and these investments have a fair value greater than \$500 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 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.
- (v) As at December 31, 2006, included in Investments were securities of private companies fair valued totaling \$17,080 (cost of \$17,858) in accordance with the Company's accounting policy for private company investments (note 2(b)(ii)).

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

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**4. Investments (continued):**

(c) Equity accounted investment consists of the following as at December 31:

	2007	2006
Equity accounted investment - carrying value, beginning of year	\$ 21,932	\$ 9,128
Income on equity investment	5,548	12,932
Dividend received from equity accounted investment	(7,925)	(128)
Equity accounted investment - carrying value, end of year	\$ 19,555	\$ 21,932
Equity accounted investment - cost	\$ -	\$ -

**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 Genevest's revenue recognition methodology on the disposal of certain investments. As at December 31, 2007, Genevest had a potential amount owing of approximately \$190 relating to this reassessment.

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 its 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:

	2007			2006		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 65	\$ 16	\$ 49	\$ 19	\$ 8	\$ 11
Leasehold improvements, net	270	38	232	252	—	252
Furniture and equipment	440	51	389	98	2	96
	\$ 775	\$ 105	\$ 670	\$ 369	\$ 10	\$ 359

**7. 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 tiered rate which fluctuates between the broker's overnight rate plus a percentage ranging from 0.15% to 1.25%, depending on the amount of margin used. Pinetree does not hedge against any interest rate risks.

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## PINETREE CAPITAL LTD.

### Notes to Consolidated Financial Statements

December 31, 2007 and 2006

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

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#### 8. Bank indebtedness:

During fiscal 2007, the Company had an operating line of credit with Royal Bank of Canada ("RBC") for \$1,000 collateralized by the Company's assets, and on December 27, 2007, the operating line of credit was increased to \$6,000. The additional \$5,000 is collateralized by a cash guarantee from the Company's Chairman and Chief Executive Officer ("CEO"). As at December 31, 2007, the Company had utilized \$674 of the line of credit. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand.

#### 9. Advances from affiliated company:

As at December 31, 2007, the Company had advances from an affiliated company, PowerOne Capital Markets Limited ("PowerOne") of \$10,628. The Company has a 50% interest in PowerOne, an Ontario limited market dealer. These unsecured advances bear no interest and are due on demand.

#### 10. Promissory note:

As at December 31, 2006, the Company had a promissory note of \$19,271 outstanding and held by Brownstone Ventures Inc. ("Brownstone"). The Company has an investment in Brownstone which is 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 promissory note was for the purchase of 5,000,000 shares of Mega Uranium Ltd. ("Mega") at a total cost of \$21,250. The Company paid \$2,125 in cash and issued to Brownstone a promissory note for \$19,125, bearing interest at a rate of 9% per annum. During the year ended December 31, 2007, the Company repaid the promissory note in full. The Company also had advances totaling \$23,518 from Brownstone during the year ended December 31, 2007, which were also repaid during the current year. The advances were secured and bore interest at a rate of 7% per annum. Included in the consolidated statements of operations is \$464 of interest expense charged by Brownstone relating to the promissory note and advances during the current year.

#### 11. 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	2007	2006
Consulting fees (a)	Director, shareholders, and officers	\$ 803	\$ 456
Consulting bonuses (b)	Director, shareholders, and officers	22,271	11,338
Director fees	Directors	32	38
Interest expense (c, note 10)	Affiliated companies and CEO	1,140	643
Dividend income (d)	Affiliated company	7,925	128
Other income (e)	Affiliated companies	594	2,207

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## **PINETREE CAPITAL LTD.**

### **Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

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

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#### **11. Related party transactions (continued):**

- (a) Consulting agreements are with the Company's CEO, Chief Financial Officer, Vice President Investments, and Vice President Legal & Corporate Affairs. The costs relating to these agreements are included in operating, general and administrative expenses.
- (b) Pursuant to the CEO's consulting agreement with the Company, he is entitled to receive 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 (including GST) is \$21,306 (2006 - \$11,301) relating to this bonus. During the year ended December 31, 2007, the Company also paid bonuses of \$965 (2006 - \$37) to officers of the Company.
- (c) During the year ended December 31, 2007, the Company had a loan payable, by way of a promissory note of \$76,938 to the CEO. The promissory note was secured, due on demand and bore interest at a rate of 7%. The promissory note was repaid during the year and included in interest expense is \$430 related to this promissory note.

During the year ended December 31, 2007, the Company had a loan payable to PowerOne of \$5,100 evidenced by way of a promissory note bearing interest at a rate of 9% per annum. The promissory note was repaid during the year and included in the consolidated statements of operations is \$76 of interest expense (note 9).

From July 3, 2007 to July 24, 2007, the Company received advances totaling \$32,674 from Mega which were repaid in full on August 8, 2007. The Company has an investment in Mega which is a company with a common director and common officers of the Company and a reporting issuer trading on the TSX under the symbol "MGA". The advances were secured and bore interest at a rate of 7% per annum. Included in the consolidated statements of operations is \$170 of interest expense charged by Mega relating to these advances during the year.

During the year, the Company repaid promissory notes and advances to Brownstone (note 10).

- (d) During the year ended December 31, 2007, the Company received dividend income of \$7,925 (2006 - \$128) from PowerOne.
- (e) Other income relates to consulting, sublease, and services agreements of approximately \$594 (2006 - \$2,207) 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.
- (f) Included in prepaids and other receivables as at December 31, 2007 is \$40 (2006 - \$238) owing from related parties.
- (g) Included in accounts payable and accrued liabilities as at December 31, 2007 is \$10,007 (2006 - \$6,609) owing to related parties of which \$9,991 (2006 - \$6,588) relates to the annual bonus to the Chairman and CEO.

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

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

- (h) During the year ended December 31, 2007, the Company granted 3,575,000 options to officers and directors of the Company, exercisable at prices of between \$5.45 and \$13.02 per share and expiring between February 4, 2012 and September 16, 2012 (note 12(e)).

**12. Share capital:**

Authorized: Unlimited number of common shares, no par value

Issued and outstanding common shares (a):

	<b># of Shares</b>	<b>Amount</b>
<b>Balance, December 31, 2005</b>	59,403,400	\$ 25,433
Issued pursuant to exercise of stock options	3,169,992	6,644
Issued pursuant to exercise of broker warrants	907,920	2,730
Issued pursuant to private placement financing, net	14,222,400	31,336
Issued pursuant to private placement financing, net	9,200,000	32,689
<b>Balance, December 31, 2006</b>	86,903,712	98,832
Issued pursuant to exercise of stock options (b)	<b>4,135,268</b>	<b>12,683</b>
Issued pursuant to exercise of broker warrants (c)	<b>152,080</b>	<b>345</b>
Issued pursuant to private placement financing, net (d)	<b>10,000,000</b>	<b>76,112</b>
Issued pursuant to private placement financing, net (e)	<b>13,750,000</b>	<b>48,154</b>
Cancellation of dissenting shares from Pinetree/Genevest merger in fiscal year 2004 (f)	<b>(1,309,028)</b>	—
<b>Balance, December 31, 2007</b>	<b>113,632,032</b>	<b>\$ 236,126</b>

- (a) The Company effected a two-for-one stock split by way of a stock dividend of one common share for every common share outstanding at the close of business on July 19, 2006. The Company effected another two-for-one stock split by way of a stock dividend of one common share for every common share outstanding at the close of business on April 5, 2007. All current and comparative figures reflect both stock splits, retroactively, other than those figures contained in note (f).
- (b) During the year ended December 31, 2007, 4,135,268 stock options were exercised at prices of between \$0.30 and \$3.81 per share for total proceeds of \$8,059. Pursuant to the exercise of stock options, amounts totalling \$4,624 in contributed surplus were reallocated to share capital.
- (c) During the year ended December 31, 2007, 152,080 broker warrants were exercised at prices between \$2.25 and \$7.50 per share for total proceeds of \$345.
- (d) On April 16, 2007, the Company completed a brokered private placement of 10,000,000 units of the Company at a price of \$12.13 per unit, resulting in aggregate gross proceeds to the Company of \$121,300. Each unit was comprised of one common share of Pinetree and one-half of one common share purchase warrant. Each whole warrant entitles the holder to

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## **PINETREE CAPITAL LTD.**

### **Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

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

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#### **12. Share capital (continued):**

acquire one common share at a price of \$15.00 per share until expiry on April 16, 2012. A cash commission of \$6,671 was paid and 550,000 broker warrants were issued to agents as consideration for their services rendered in connection with the financing. Each broker warrant entitles the holder to acquire one common share of Pinetree at a price of \$12.13 per share until expiry on April 16, 2009. The Company also paid other expenses of \$262 related to the private placement. The share issuance expenses were tax effected at a rate of 33% resulting in a reduction of the expenses of \$2,288.

The warrants and broker warrants were valued using the Black-Scholes option pricing model with the following assumptions: expected volatility of 71%; dividend yield of 0%; risk-free interest rate of 4.50%; and an expected life of 3.5 years for the warrants and 1.75 years for the broker warrants. The values assigned to the warrants and broker warrants were \$37,100 and \$3,443, respectively.

- (e) On October 23, 2007, the Company completed a brokered private placement of 13,750,000 units of the Company at a price of \$5.25 per unit, resulting in aggregate gross proceeds to the Company of \$72,187. Each unit was comprised of one common share of Pinetree and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$6.50 per share until expiry on October 23, 2012. A cash commission of \$3,806 was paid and 756,250 broker warrants were issued to agents as consideration for their services rendered in connection with the financing. Each broker warrant entitles the holder to acquire one common share of Pinetree at a price of \$5.30 per share until expiry on October 23, 2009. The Company also paid other expenses of \$202 related to the private placement. The share issuance expenses were tax effected at a rate of 33% resulting in a reduction of the expenses of \$1,323.

The warrants and broker warrants were valued using the Black-Scholes option pricing model with the following assumptions: expected volatility of 92%; dividend yield of 0%; risk-free interest rate of 4.75%; and an expected life of 3.5 years for the warrants and 1.75 years for the broker warrants. The values assigned to the warrants and broker warrants were \$19,662 and \$1,686, respectively.

- (f) Cancellation of dissenting shares from Pinetree/Genevest merger in fiscal year 2004:

In 2004, Pinetree acquired the remaining issued and outstanding shares of Genevest for a deemed aggregate consideration of \$15,201,410 by issuing 16,826,860 pre-consolidation common shares of Pinetree. The transaction was accounted for as a reverse takeover of Pinetree by Genevest in accordance with the accounting requirements of Emerging Issues Committee Abstract #10 of the CICA Handbook. Two Genevest shareholders holding a total of 260,319 common shares of Genevest exercised their statutory rights of dissent in respect of the acquisition. In 2007, the Company cancelled 1,309,028 common shares relating to the dissenting shareholders after giving effect to: (i) the exchange of the 260,319 Genevest common shares for common shares of Pinetree on the basis of 2.2 pre-consolidation common shares of Pinetree for every one common share of Genevest on June 1, 2004; (ii) the 1.75

## PINETREE CAPITAL LTD.

### Notes to Consolidated Financial Statements

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

#### 12. Share capital (continued):

common share consolidation on June 2, 2004; and (iii) the stock split on July 19, 2006 and the stock split on April 5, 2007 (a).

##### (g) Warrants and broker warrants:

A summary of the status of the Company's warrants and broker warrants as at December 31, 2007 and 2006 and changes during the years are presented below:

Warrants and broker warrants	2007		2006	
	# of Shares	Weighted average exercise price	# of warrants and broker warrants	Weighted average exercise price
Outstanding, at beginning of year	152,080	\$ 2.27	—	\$ —
Issued	13,181,250	9.89	1,060,000	2.90
Exercised	(152,080)	(2.27)	(907,920)	(3.01)
Outstanding, at end of year	13,181,250	\$ 9.89	152,080	\$ 2.27

The following table summarizes the warrants and broker warrants outstanding as at December 31, 2007:

Number of warrants and broker warrants	Exercise price	Expiry date	Warrant/broker warrant value
550,000	\$ 12.13	April 16, 2009	\$ 3,443
5,000,000	15.00	April 16, 2012	37,100
756,250	5.30	October 23, 2009	1,686
6,875,000	6.50	October 23, 2012	19,662
<b>13,181,250</b>			<b>\$ 61,891</b>

##### (h) 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.

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****(In thousands of dollars, except for securities and per share amounts)**

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

In accordance with the rules of the TSX, the 2007 Plan must be approved by shareholders every three years following their initial approval in 2007. All unallocated entitlements to common shares under the 2007 Plan are also subject to renewal approval by shareholders every three years.

(i) Stock options granted:

The following are details of the stock options granted during the year ended December 31, 2007:

<b>Date granted</b>	<b>Options granted</b>	<b>Exercise price</b>	<b>Expiry</b>
February 5, 2007	190,000	\$ 9.74	February 4, 2012
April 27, 2007	1,017,500	13.02	April 26, 2012
July 3, 2007	50,000	9.50	July 2, 2012
September 4, 2007	25,000	4.08	September 3, 2012
September 17, 2007	2,582,000	5.45	September 16, 2012
Total granted	3,864,500		

Stock options granted during the year ended December 31, 2007 vest at the rate of 1/6th of the grant at the end of each three-month period over an 18-month period. 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 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, 2007 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>71.0% - 91.5%</b>
Expected dividend yield	<b>n/a</b>
Risk-free interest rate	<b>4.50% - 4.75%</b>
Expected option life in years	<b>3.5</b>
Fair value per stock option granted on February 5, 2007	<b>\$ 5.28</b>
Fair value per stock option granted on April 27, 2007	<b>\$ 6.93</b>
Fair value per stock option granted on July 3, 2007	<b>\$ 5.20</b>
Fair value per stock option granted on September 4, 2007	<b>\$ 2.61</b>
Fair value per stock option granted on September 17, 2007	<b>\$ 3.48</b>

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

For the year ended December 31, 2007, included in stock-based compensation is \$5,622 (2006 - \$4,883) relating to stock options granted during the year and \$519 (2006 - \$472) relating to stock options granted in the prior years to directors, officers, employees and consultants of the Company.

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

	<b>Amount</b>
<b>Balance, December 31, 2005</b>	\$ 1,908
Stock-based compensation	5,355
Exercise of stock options	(2,345)
<b>Balance, December 31, 2006</b>	4,918
Stock-based compensation	<b>6,141</b>
Exercise of stock options (note 12(b))	<b>(4,624)</b>
<b>Balance, December 31, 2007</b>	<b>\$ 6,435</b>

(k) A summary of the status of the Company's stock options as at December 31, 2007 and 2006 and changes during the years ended on those dates is presented below:

	2007		2006	
	# of Shares	Weighted average exercise price	# of Shares	Weighted average exercise price
<b>Stock Options</b>				
Outstanding, at beginning of year	5,635,132	\$ 3.50	5,490,548	\$ 1.70
Granted	3,864,500	7.70	3,406,000	5.58
Exercised	(4,135,268)	(1.92)	(3,261,416)	(2.66)
Outstanding, at end of year	5,364,364	\$ 5.88	5,635,132	\$ 3.50
Exercisable, at end of year	2,379,774	\$ 4.07	4,436,452	\$ 2.35

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2007:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
187,856	187,856	\$ 0.44	June 10, 2008
4,928	4,928	0.59	January 20, 2009
25,140	25,140	0.62	January 20, 2009
10,800	10,800	0.52	November 16, 2009
200,000	200,000	0.60	January 2, 2010
380,000	380,000	0.53	June 15, 2010
170,000	170,000	1.10	November 16, 2010
100,000	100,000	1.62	December 5, 2010

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise price</b>	<b>Expiry date</b>
316,800	316,800	\$ 1.75	January 2, 2011
54,340	54,340	3.99	June 20, 2011
50,000	33,320	5.25	October 15, 2011
190,000	114,700	9.74	February 4, 2012
1,017,500	339,152	13.02	April 26, 2012
50,000	8,300	9.50	July 2, 2012
25,000	4,160	4.08	September 3, 2012
2,582,000	430,278	5.45	September 16, 2012
<b>5,364,364</b>	<b>2,379,774</b>		

**13. Normal course issuer bid:**

During the year ended December 31, 2007, Pinetree renewed its normal course issuer bid. Pursuant to the terms of the bid, and in accordance with the rules of the TSX, during the period commencing September 26, 2007 and ending September 25, 2008, Pinetree may purchase up to 4,500,000 common shares, representing approximately 4.5% of the common shares outstanding as at September 19, 2007. Purchases will be made in open market transactions through the facilities of the TSX at market prices prevailing at the time of acquisition. Daily purchases may not exceed 201,477 common shares, except pursuant to a particular exemption under the TSX rules. All common shares purchased under the bid will be cancelled.

Pinetree did not purchase any common shares of the Company during the 12-month period prior to commencement of the bid or during the 2007 fiscal year.

**14. Income taxes:**

- (a) Income tax expense (recovery) attributable to income before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 36.12% (2006 – 36.12%) of pre-tax income (loss) as a result of the following:

	<b>2007</b>	<b>2006</b>
Income (loss) before income taxes	\$ (133,973)	\$ 269,150
Computed expected income tax expense (recovery)	(48,391)	97,217
Corporate minimum tax not previously recognized	-	(484)
Non-taxable portion of dividend income	(3,606)	(46)
Non-taxable portion of capital gains	(319)	(477)
Non-taxable portion of unrealized losses (gains)	4,406	(3,567)
Non-taxable stock-based compensation expense	2,218	1,934
Tax rate differential	(5,063)	(131)
Foreign tax rate differential	6,481	(9,239)
Permanent and other differences	1,906	816
Provision for (recovery of) income taxes	\$ (42,368)	\$ 86,023

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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

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**14. Income taxes (continued):**

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

	2007	2006
Current tax expense	\$ 7,708	\$ 15,311
Future income tax expense (recovery) relating to origination and reversal of temporary differences	(50,076)	70,712
Provision for (recovery of) income taxes	\$ (42,368)	\$ 86,023

- (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:

	2007	2006
<b>Future tax assets</b>		
Share issuance costs	\$ 3,475	\$ 966
Corporate minimum tax credit	3,611	-
Net future tax assets	7,086	966
<b>Future tax liabilities</b>		
Investments – differences in carrying value and tax cost	(40,521)	(88,088)
Net future tax liabilities	(40,521)	(88,088)
Total future tax assets and liabilities	(33,435)	(87,122)
Less: valuation allowance	—	—
<b>Net future tax liabilities</b>	\$ (33,435)	\$ (87,122)

**15. Lease commitments:**

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

2008	\$ 649
2009	649
2010	649
2011	681
2012	681
2013	681
	\$ 3,990

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## **PINETREE CAPITAL LTD.**

### **Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

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#### **16. Financial instruments:**

(a) Risk management:

Dependence on key personnel - Pinetree is dependent upon the personal efforts and commitment of its existing and new management, who are responsible for risk management and the future development of Pinetree's business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Pinetree could result, and other persons would be required to manage and operate Pinetree.

Market risks - Unfavourable economic conditions may negatively impact the Company's ability to generate new investment opportunities. The Company manages market risk by having a diversified portfolio which is not singularly exposed to any one or class of issuers. The Company's investment activities are currently concentrated primarily in the natural resource industry which is focused among several sectors: uranium, oil and gas, molybdenum, base metals and precious metals sectors. To minimize over exposure, Pinetree has set thresholds on purchases of private placements which require the approval of the board of directors.

Cash flow/revenue – 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 the market conditions generally or to matters specific to the Company, or if the value of the Company's investments decline resulting in capital 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. 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. The Company also has a line of credit with its bank and the use of margin accounts with its brokers.

Interest and credit risk – Certain of the Company's investments are exposed to the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. The Company believes it is not significantly exposed to interest or credit risk as these investments comprise less than 1% of the Company's total investments.

Foreign exchange/currency of operations - Pinetree'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. Pinetree may have margin borrowings or monetary assets denominated in U.S. dollars, Australian dollars, South African rands, Hong Kong dollars, and Great Britain pounds. A change in the foreign exchange rate of the Canadian dollar versus the foreign exchange currency may increase the Company's obligations due to brokers or decrease the value of the monetary assets. The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency borrowings. 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 Consolidated Financial Statements****December 31, 2007 and 2006****(In thousands of dollars, except for securities and per share amounts)**

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

The following assets and liabilities were denominated in foreign currencies as at December 31, 2007 and 2006:

	2007	2006
Denominated in U.S. dollars:		
Investments	\$ 39,827	\$ 71,326
Cash and cash equivalents	31	38
Due from brokers	2,737	7,453
Accounts payable and accrued liabilities	31	77
Income taxes payable	60	10
Denominated in Australian dollars:		
Investments	13,140	26,777
Due to brokers	506	12,162
Denominated in Great Britain pounds:		
Investments	410	725
Due to brokers	—	1,319
Denominated in South African rands:		
Investments	234	—
Denominated in Hong Kong dollars:		
Investments	10	—

**(b) 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, advances from affiliated company, 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 policies set out in note 2(b) and 2(d), respectively.
- (iii) Revenue is recognized in accordance with the Company's accounting policy set out in note 2(e).

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****(In thousands of dollars, except for securities and per share amounts)**

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**17. Future accounting changes:****(a) Capital disclosures:**

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. This new standard will be effective on January 1, 2008 for the Company. The Company is currently evaluating the effects of adopting this standard.

**(b) Financial instruments:**

The CICA issued two new accounting standards, Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation, which apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company intends to adopt these new standards effective January 1, 2008. The Company is currently evaluating the effect of adopting these standards.

Section 3862 requires disclosure of information related to the significance of financial instruments to a company's financial position and performance. A company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed.

Section 3863 establishes standards for presentation of financial instruments. It deals with the presentation of financial instruments and the circumstances in which financial assets and financial liabilities are offset.

**18. Segmented information:**

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

**19. 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, 2007 consolidated financial statements.

**20. Subsequent events:**

- (a) Subsequent to December 31, 2007, 200,000 stock options were exercised at prices between \$0.53 and \$1.75 per share for total proceeds of \$228.
- (b) Subsequent to December 31, 2007, the Company had a promissory note of \$37,000 owing to the CEO. The promissory note is secured, due on demand and bore interest at a rate of RBC prime rate plus 1%.

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**PINETREE CAPITAL LTD.****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****(In thousands of dollars, except for securities and per share amounts)**

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**20. Subsequent events (continued):**

- (c) On March 1, 2008, the Company's operating line of credit with RBC was reduced to \$1,000 (note 8).
- (d) Subsequent to December 31, 2007, PowerOne distributed a cash dividend of \$10,628 to the Company.
- (e) Subsequent to December 31, 2007, the Company repaid in full the advances from an affiliated company, PowerOne, of \$10,628 as at December 31, 2007 (note 9).