

Interim Consolidated Financial Statements of



**(Unaudited)
June 30, 2010**

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PINETREE CAPITAL LTD.
Consolidated Balance Sheets
As at June 30, 2010 and December 31, 2009
(Unaudited - in thousands of dollars)

	<u>Notes</u>	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Assets			
Investments, at fair value	3(a,b), 4, 5, 6	\$ 317,944	\$ 366,724
Equity accounted investments	3(c)	1,392	1,911
Cash and cash equivalents		286	404
Due from brokers		15	24
Prepays and other receivables	7(f)	206	312
Advances to affiliated company	7(e)	285	-
Capital assets		473	517
Income taxes receivable		-	3,307
Future income tax assets	11	17,711	10,363
		<u>\$ 338,312</u>	<u>\$ 383,562</u>
Liabilities and Shareholders' Equity			
Due to brokers	5	\$ 33,170	\$ 33,673
Accounts payable and accrued liabilities		3,320	6,824
Advances from officer	7(b)	4,490	-
Class C preferred share liabilities, at fair value	8	317	373
		<u>41,297</u>	<u>40,870</u>
Lease commitments	10		
Shareholders' equity			
Share capital	9	275,149	274,725
Warrants and broker warrants	9(c)	67,139	67,139
Contributed surplus	9(d)	28,225	27,008
Deficit		(73,498)	(26,180)
		<u>297,015</u>	<u>342,692</u>
		<u>\$ 338,312</u>	<u>\$ 383,562</u>

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.**Consolidated Statements of Operations****Three And Six Months Ended June 30,****(Unaudited - in thousands of dollars, except for securities and per share amounts)**

	Notes	Three Months Ended		Six Months Ended	
		2010	2009	2010	2009
Net investment gains (losses)					
Gains (losses) on disposal of investments, net	7(d)	\$ 5,844	\$ (20,790)	\$ 11,046	\$ (26,682)
Unrealized gains (losses) on investments, net	3(c)	(78,274)	79,005	(61,416)	127,012
Gains (losses) from equity accounted investments	3(c)	(149)	305	(360)	(334)
		<u>(72,579)</u>	<u>58,520</u>	<u>(50,730)</u>	<u>99,996</u>
Other income					
Interest and dividend income		763	60	978	122
Other income	7(c)	147	147	293	3,093
		<u>(71,669)</u>	<u>58,727</u>	<u>(49,459)</u>	<u>103,211</u>
Expenses					
Operating, general and administrative	7(a), 8, 9(b)	567	1,855	4,177	4,581
Transaction costs		248	426	482	540
Foreign exchange loss		250	1,495	187	1,597
Amortization		34	33	67	65
Interest	5, 7(b)	158	664	257	1,393
		<u>1,257</u>	<u>4,473</u>	<u>5,170</u>	<u>8,176</u>
Income (loss) before income taxes		(72,926)	54,254	(54,629)	95,035
Provision for (recovery of) income taxes		(11,280)	9,601	(7,311)	21,783
Net income (loss) for the period	13(f)(iii)	\$ (61,646)	\$ 44,653	\$ (47,318)	\$ 73,252
Earnings (loss) per common share					
Basic		<u>\$ (0.45)</u>	<u>\$ 0.34</u>	<u>\$ (0.35)</u>	<u>\$ 0.56</u>
Diluted		<u>\$ (0.45)</u>	<u>\$ 0.34</u>	<u>\$ (0.35)</u>	<u>\$ 0.56</u>
Weighted average number of common shares outstanding					
Basic		135,550,312	131,454,636	135,485,896	131,396,495
Diluted		135,550,312	132,469,551	135,485,896	131,953,527

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Deficit
Six Months Ended June 30,
(Unaudited - in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Deficit, beginning of period	\$ (26,180)	\$ (183,573)
Net income (loss) for the period	<u>(47,318)</u>	73,252
Deficit, end of period	\$ (73,498)	\$ (110,321)

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Cash Flows
Six And Three Months Ended June 30,
(Unaudited - in thousands of dollars)

	Notes	Three Months Ended		Six Months Ended	
		2010	2009	2010	2009
Cash flows from (used in) operating activities					
Net income (loss) for the period		\$ (61,646)	\$ 44,653	\$ (47,318)	\$ 73,252
Items not affecting cash					
Losses (gains) on disposal of investments, net		(5,844)	20,790	(11,046)	26,682
Unrealized losses (gains) on investments, net		78,274	(79,005)	61,416	(127,012)
Losses (gains) from equity accounted investments		149	(305)	360	334
Amortization		34	33	67	65
Stock-based compensation	9(b)	724	483	1,373	2,379
Net future income tax assets		(11,317)	9,587	(7,348)	21,769
		<u>374</u>	<u>(3,764)</u>	<u>(2,496)</u>	<u>(2,531)</u>
Changes in non-cash working capital balances related to operations					
Due from brokers		7	29	9	26
Prepays and other receivables		305	(33)	106	(1,121)
Advances to affiliated company		(57)	-	(285)	-
Income taxes receivable		-	12,034	3,307	12,034
Accounts payable and accrued liabilities		(4,615)	198	(3,504)	141
		<u>(3,986)</u>	<u>8,464</u>	<u>(2,863)</u>	<u>8,549</u>
Cash flows from financing activities					
Proceeds from issue of share capital pursuant to exercise of stock options	9(a)	148	-	268	18
Advances from (repayments to) officer		4,490	(7,219)	4,490	(8,329)
Increase (decrease) in due to brokers		1,724	27,950	(503)	37,678
Repayments to affiliated company		-	-	-	(1,250)
Repayment of bank indebtedness		-	(841)	-	(953)
Unrealized gain on Class C preferred share liabilities	8	(2)	-	(56)	-
		<u>6,360</u>	<u>19,890</u>	<u>4,199</u>	<u>27,164</u>
Cash flows used in investing activities					
Purchase of capital assets, net		(3)	(1)	(23)	(4)
Purchase of investments		(44,715)	(75,818)	(76,734)	(92,860)
Proceeds on disposal of investments		42,559	48,318	75,303	57,988
Purchase of equity accounted investments		-	(721)	-	(721)
		<u>(2,159)</u>	<u>(28,222)</u>	<u>(1,454)</u>	<u>(35,597)</u>
Net increase (decrease) in cash and cash equivalents, during the period		215	132	(118)	116
Cash and cash equivalents, beginning of period		71	12	404	28
Cash and cash equivalents, end of period		\$ 286	\$ 144	\$ 286	\$ 144
Supplemental cash flow information					
Income taxes paid		\$ 37	\$ -	\$ 37	\$ -
Income taxes received		-	11,942	3,307	11,942
Dividends paid on Class C Shares	8	9	-	9	-
Interest paid		158	664	257	1,393

See accompanying notes to the consolidated financial statements.

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited – in thousands of dollars, except for securities and per share amounts)

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 and Coal, Oil & Gas, Precious Metals, Base Metals, and Potash, Lithium and Rare Earths. As well, Pinetree has investments in the Biotechnology, Energy Related Technology, and Technology sectors. Pinetree's investment approach is to develop a macro view of a sector, build a position consistent with the view by identifying micro-cap opportunities within that sector, and devise an exit strategy designed to maximize the Company's relative return in light of changing fundamentals and opportunities.

2. Significant accounting policies:

Management has prepared these unaudited consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial reporting. Accordingly, they do not include all of the information and notes required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. The following information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's audited consolidated financial statements for the year ended December 31, 2009. Accounting policies followed in the preparation of the annual consolidated financial statements are consistent with those used in the preparation of the June 30, 2010 unaudited interim consolidated financial statements.

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

3. Investments:

(a) Investments accounted for at fair value consist of the following as at June 30, 2010:

As at June 30, 2010:					% of Sector (FV)
Issuer	Note	Security Description	Cost	Fair Value	
Sector: Resources (Uranium and Coal)					
Cline Mining Corp.	(i, ii, iii)	16,500,000 common shares			
		1,500,000 warrants expire Feb 11, 2012	14,488	18,674	37.0
Mega Uranium Ltd.	(i, ii, iii, 7 (g))	12,595,000 common shares			
		150,000 warrants expire Feb 22, 2012			
		764,712 warrants expire Jun 6, 2012			
		1,500,000 warrants expire Oct 26, 2014	37,987	4,904	9.7

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited – in thousands of dollars, except for securities and per share amounts)

3. Investments (continued):

As at June 30, 2010:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium and Coal) (continued)					
Rockgate Capital Corp.	(i, ii, iii)	8,550,000 common shares 250,000 warrants expire Jul 28, 2011	8,331	4,703	9.3
SA Resources Inc.	(i)	2,833,333 common shares 416,666 warrants expire Dec 18, 2011	1,347	1,934	3.8
Dios Exploration Inc.	(i, ii, iii)	5,500,000 common shares	3,129	1,623	3.2
Tournigan Energy Ltd.	(iii)	10,000,000 common shares	2,913	1,100	2.2
Total of 52 other investments – Resources (Uranium and Coal) sector (iv)			64,862	17,537	34.8
			133,057	50,475	100.0
Sector: Resources (Oil & Gas)					
Brownstone Ventures Inc.	(i, ii, iii, 7(g))	10,385,220 common shares 500,000 warrants expire May 28, 2011 1,369,110 warrants expire Apr 13, 2012	8,303	4,217	13.9
Canadian Spirit Resources Inc.	(i, ii)	2,656,200 common shares	2,415	3,187	10.5
Primary Petroleum Corp.	(i, ii, iii)	9,273,839 common shares 1,250,000 warrants expire Jan 13, 2011 2,200,000 warrants expire Nov 14, 2011	2,498	2,988	9.8
Vulcan Minerals Inc.	(i, iii)	4,882,500 common shares 500,000 warrants expire Nov 3, 2011 100,000 warrants expire Nov 26, 2011	2,915	2,221	7.3
Anglo Canadian Oil Corp.	(i, iii)	7,000,000 common shares 500,000 warrants expire May 16, 2011	659	1,993	6.6
Talon Metals Corp.	(iii)	4,256,661 common shares	2,397	1,341	4.4
Epsilon Energy Limited	(iii)	29,469,549 common shares	2,831	1,262	4.2
Bontan Corporation Inc.	(ii, iii)	4,000,000 common shares 2,000,000 warrants expire Mar 31, 2014 2,500,000 warrants expire Jan 29, 2015 1,500,000 warrants expire Mar 29, 2015	835	1,015	3.3
Total of 37 other investments – Resources (Oil & Gas) sector (iv)			29,934	12,167	40.0
			52,787	30,391	100.0
Sector: Resources (Precious Metals)					
Queenston Mining Inc.	(i, ii, iii)	5,620,950 common shares 50,000 warrants expire Nov 26, 2011	15,009	21,488	16.6
Colossus Minerals Inc.	(i, ii)	2,675,900 common shares	3,471	19,431	15.0
Continental Gold Ltd. (formerly Cronus Resources Ltd.)	(i)	2,217,988 common shares 338,751 warrants expire Mar 30, 2011	4,440	7,674	5.9
Auryx Gold Corp. (formerly 0824239 B.C. Ltd.)	(i, ii)	8,600,000 common shares \$200,081.25 convertible debenture	4,242	4,633	3.6
Evolving Gold Corp.	(i, ii)	3,998,200 common shares 500,000 warrants expire Nov 24, 2011	1,981	3,120	2.4
Mega Precious Metals Inc. (formerly Mega Silver Inc.)	(ii, iii)	5,433,836 common shares 375,000 warrants expire Nov 2, 2010	3,066	2,989	2.3

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited – in thousands of dollars, except for securities and per share amounts)

3. Investments (continued):

As at June 30, 2010:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
African Gold Group Inc.	(ii, iii)	8,964,500 common shares 3,000,000 warrants expire Jan 23, 2011 282,500 warrants expire Jun 16, 2011	3,127	2,780	2.2
Temex Resources Corp.	(ii, iii)	10,500,000 common shares 440,000 warrants expire May 26, 2011	5,192	2,600	2.0
Caledonia Mining Corporation	(iii)	37,910,000 common shares	5,872	2,275	1.8
Unigold Inc.	(ii, iii)	10,821,500 common shares 1,500,000 warrants expire Dec 1, 2011	4,138	2,164	1.7
Nortec Ventures Corp.	(ii, iii)	16,080,000 common shares 1,500,000 warrants expire Jun 15, 2011	2,482	2,010	1.6
Niogold Mining Corp.	(ii, iii)	7,300,000 common shares 900,000 warrants expire Dec 22, 2010	2,636	2,008	1.6
Latin American Minerals Inc.	(ii, iii)	13,850,000 common shares 500,000 warrants expire Feb 18, 2011 1,000,000 warrants expire Oct 5, 2011	6,211	1,939	1.5
Bear Gold Lake Ltd. (formerly NFX Gold Inc.)	(ii, iii)	11,250,000 common shares 1,000,000 warrants expire Oct 23, 2010 750,000 warrants expire Jun 4, 2011	8,257	1,913	1.5
Gold Canyon Resources Inc.	(ii, iii)	7,780,500 common shares 1,000,000 warrants expire Sep 29, 2011 1,000,000 warrants expire Feb 8, 2012 531,252 warrants expire Jun 17, 2012	2,537	1,691	1.3
Commander Resources Ltd.	(iii)	5,000,000 common shares	1,934	1,650	1.3
Silver Quest Resources Ltd.	(iii)	2,500,000 common shares 1,250,000 warrants expire Sep 16, 2010 1,250,000 warrants expire Oct 6, 2010	516	1,619	1.3
Ginguro Exploration Inc.	(ii, iii)	3,388,000 common shares 1,250,000 warrants expire Jun 17, 2011	774	1,482	1.1
TNR Gold Corp.	(iii)	6,500,000 common shares	1,476	1,398	1.1
American Consolidated Materials Corp.	(iii)	3,500,500 common shares 750,000 warrants expire Apr 8, 2011 3,800,000 warrants expire Oct 1, 2011	204	1,224	0.9
Slam Exploration Ltd.	(ii, iii)	10,735,500 common shares 850,000 warrants expire Oct 28, 2010 1,000,000 warrants expire Mar 31, 2012	1,313	1,176	0.9
AM Gold Inc. (formerly Acero-Martin Exploration Inc.)	(ii, iii)	3,037,000 common shares 312,500 warrants expire Aug 21, 2010 500,000 warrants expire Jul 14, 2011 250,000 warrants expire Apr 30, 2012	1,534	1,159	0.9

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited – in thousands of dollars, except for securities and per share amounts)

3. Investments (continued):

As at June 30, 2010:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
UC Resources Ltd.	(iii)	12,551,500 common shares 500,000 warrants expire Feb 15, 2011 1,250,000 warrants expire Mar 9, 2011 500,000 warrants expire Aug 26, 2011	3,838	1,128	0.9
Total of 132 other investments – Resources (Precious Metals) sector (iv)			108,182	39,711	30.6
			192,432	129,262	100.0
Sector: Resources (Potash, Lithium and Rare Earths)					
Lithium Americas Corp.	(i)	2,892,000 common shares 125,000 warrants expire May 13, 2012	3,732	3,601	21.0
Ucore Uranium Inc.	(i, ii, iii)	10,000,000 common shares 1,250,000 warrants expire Jul 24, 2011	4,549	2,400	14.0
IC Potash Corp. (formerly Trigon Uranium Corp.)	(i, ii, iii)	5,457,000 common shares 937,500 warrants expire Dec 2, 2011	5,281	2,128	12.4
Stans Energy Corp.	(i, iii)	10,602,000 common shares 500,000 warrants expire Aug 2, 2011	1,958	2,120	12.4
49 North Resources Inc.	(i, ii, iii)	773,100 common shares 815,000 warrants expire Jun 18, 2011	2,126	1,532	8.9
New World Resource Corp.	(ii, iii)	6,236,852 common shares 925,926 warrants expire Sep 25, 2010 1,000,000 warrants expire Jun 26, 2011	3,074	1,060	6.2
Total of 18 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv)			8,686	4,294	25.1
			29,406	17,135	100.0
Sector: Resources (Base Metals)					
Macarthur Minerals Ltd.	(i, ii, iii)	5,751,300 common shares 500,000 warrants expire Jan 3, 2013	7,208	9,289	14.1
Solitario Exploration & Royalty Corp.	(i, iii)	2,522,753 common shares	5,144	5,222	7.9
Noront Resources Ltd.	(i, ii)	2,350,000 common shares	4,434	2,637	4.0
Coro Mining Corp.	(i, iii)	7,593,000 common shares	2,277	2,620	4.0
MacDonald Mines Exploration Ltd.	(i, ii, iii)	16,000,000 common shares 3,075,000 warrants expire Oct 29, 2011	7,268	2,400	3.6
MBMI Resources Inc.	(ii, iii)	10,826,574 common shares 1,000,000 warrants expire Dec 29, 2010 1,000,000 warrants expire May 28, 2011 2,500,000 warrants expire Apr 19, 2013	6,721	2,302	3.5
Bridgeport Ventures Inc.	(ii, iii)	1,602,600 common shares 500,000 warrants expire Dec 1, 2012	698	2,099	3.2
INV Metals Inc. (formerly International Nickel Ventures Corp.)	(iii)	3,000,000 common shares	3,818	1,860	2.8
Probe Mines Ltd.	(ii, iii)	5,092,500 common shares 500,000 warrants expire Feb 2, 2012	3,369	1,782	2.7

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited – in thousands of dollars, except for securities and per share amounts)

3. Investments (continued):

As at June 30, 2010:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Base Metals) (continued)					
Erdene Resource Development Corp.	(iii)	5,750,000 common shares	2,537	1,668	2.5
Infrastructure Materials Corp.	(ii, iii)	8,177,174 common shares	3,032	1,291	2.0
Energizer Resources Inc. (formerly Uranium Star Corp.)	(iii)	4,950,000 common shares 1,500,000 warrants expire Jun 16, 2011 2,000,000 warrants expire Feb 23, 2013	1,498	1,044	1.6
Happy Creek Minerals Ltd.	(ii, iii)	4,500,000 common shares	1,944	1,035	1.6
Total of 89 other investments – Resources (Base Metals) sector (iv)			103,184	30,739	46.5
			153,132	65,988	100.0
Sector: Biotechnology					
Total of 5 investments – Biotechnology sector (iv)			7,419	1,696	100.0
			7,419	1,696	100.0
Sector: Energy Related Technology					
Opel International Inc.	(i, iii)	6,350,000 common shares 750,000 warrants expire Dec 13, 2011	6,097	1,905	49.3
Total of 10 other investments – Energy Related Technology sector (iv)			9,959	1,961	50.7
			16,056	3,866	100.0
Sector: Technology and Other					
Enghouse Systems Ltd.	(i)	757,000 common shares	5,315	5,908	30.9
Titanium Corporation Inc.	(i)	1,500,000 common shares	907	2,235	11.7
Diagnos Inc.	(i, ii, iii)	5,742,000 common shares 1,500,000 warrants expire Nov 11, 2011	1,705	2,013	10.5
View22 Technology Inc.	(i)	1,138,000 common shares	1,225	1,457	7.6
Cyber Bay Corp.	(i)	110,000,000 common shares	1,338	1,412	7.4
Total of 24 other investments – Technology and Other sector (iv)			19,548	6,106	31.9
			30,038	19,131	100.0
Total investments (v)			\$ 614,327	\$ 317,944	

- (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 June 30, 2010.
- (ii) The Company has filed an “early warning report” pursuant to applicable Canadian securities legislation for these investments and these investments have a fair value greater than \$1,000 as at June 30, 2010.
- (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 June 30, 2010.
- (iv) Total other investments in each sector include all equity investments, warrants, promissory notes, and convertible debentures which are not individually listed in their respective sector, held by the Company as at June 30, 2010.

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited – in thousands of dollars, except for securities and per share amounts)

3. Investments (continued):

(v) As at June 30, 2010, included in total investments were securities of private companies with a fair value totaling \$29,892 (cost of \$41,047) determined in accordance with the Company's accounting policy for private company investments.

(b) Investments accounted for at fair value consist of the following as at December 31, 2009 by sector:

As at December 31, 2009:					% of
Issuer	Note	Security Description	Cost	Fair Value	Sector (FV)
Sector: Resources (Uranium and Coal)					
Mega Uranium Ltd.	(i, ii, iii, 7 (g))	13,400,000 common shares 914,712 warrants expire Feb 22, 2012 1,500,000 warrants expire Oct 26, 2014	\$ 39,747	\$ 10,356	21.1
Rockgate Capital Corp.	(i, ii, iii)	8,500,000 common shares 500,000 warrants expire Mar 27, 2010 250,000 warrants expire Jul 28, 2011	8,296	5,550	11.3
Cline Mining Corp.	(i, ii, iii)	13,500,000 common shares	10,409	4,725	9.6
Tournigan Energy Ltd.	(i, iii)	10,000,000 common shares	2,913	2,250	4.6
Continental Precious Minerals Inc.	(i, ii, iii)	2,000,000 common shares 1,000,000 warrants expire May 6, 2012	1,091	1,920	3.9
Sparton Resources Inc.	(ii, iii)	8,236,500 common shares 2,500,000 warrants expire Oct 5, 2010	2,323	1,542	3.1
Pele Mountain Resources Inc.	(ii, iii)	8,000,000 common shares 1,000,000 warrants expire Feb 22, 2010	2,823	1,520	3.1
Forum Uranium Corp.	(ii, iii)	10,496,500 common shares 3,000,000 warrants expire Apr 22, 2011	2,708	1,381	2.8
U308 Corp.	(ii, iii)	2,550,100 common shares	996	1,224	2.5
Energy Fuels Inc.	(iii)	4,500,000 common shares	3,456	1,125	2.3
Total of 50 other investments – Resources (Uranium and Coal) sector (iv)			58,050	17,473	35.7
			132,812	49,066	100.0
Sector: Resources (Oil & Gas)					
Brownstone Ventures Inc.	(i, ii, iii, 7 (g))	7,647,000 common shares 500,000 warrants expire May 28, 2011	6,797	6,143	17.9
Southern Pacific Resources Corp.	(i, ii)	5,488,500 common shares	4,724	5,300	15.4
Canadian Spirit Resources Inc.	(i, ii, iii)	2,121,300 common shares 500,000 warrants expire Feb 19, 2010	1,870	3,532	10.3
Vulcan Minerals Inc.	(i, iii)	3,782,500 common shares 100,000 warrants expire Nov 26, 2011	2,246	2,487	7.2
Red Maple Energy Inc.	(i)	5,400,000 common shares	750	1,557	4.5
Quetzal Energy Ltd.	(ii, iii)	9,110,000 common shares 5,000,000 warrants expire Oct 26, 2011 600,000 warrants expire Apr 21, 2012	4,085	1,508	4.4
Changfeng Energy Inc.	(iii)	3,346,500 common shares	1,329	1,088	3.2

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited – in thousands of dollars, except for securities and per share amounts)

3. Investments (continued):

As at December 31, 2009:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Oil & Gas) (continued)					
Talon Metals Corp.	(iii)	2,504,000 common shares	1,699	1,014	2.9
Total of 38 other investments – Resources (Oil & Gas) sector (iv)			29,168	11,775	34.2
			52,668	34,404	100.0
Sector: Resources (Precious Metals)					
Queenston Mining Inc.	(i, ii, iii)	5,248,200 common shares	14,035	28,970	18.3
Colossus Minerals Inc.	(i, ii)	3,000,000 common shares	3,583	17,160	10.9
Evolving Gold Corp.	(i, ii, iii)	9,500,000 common shares			
		500,000 warrants expire Nov 24, 2011	4,572	10,374	6.6
African Gold Group Inc.	(i, ii, iii)	9,079,500 common shares			
		3,000,000 warrants expire Jan 23, 2011			
		282,500 warrants expire Jun 16, 2011	3,167	6,888	4.4
Solitario Exploration & Royalty Corp	(i, iii)	2,508,053 common shares	5,107	6,019	3.8
Latin American Minerals Inc.	(ii, iii)	13,500,000 common shares			
		500,000 warrants expire Feb 19, 2010			
		1,000,000 warrants expire Oct 5, 2011	6,119	3,158	2.0
Mega Precious Metals Inc. (formerly Mega Silver Inc.)	(ii, iii)	4,980,836 common shares			
		375,000 warrants expire Nov 2, 2010	2,847	2,957	1.9
Unigold Inc.	(ii, iii)	10,516,000 common shares			
		1,500,000 warrants expire Dec 1, 2011	4,049	2,778	1.8
Valencia Ventures Inc.	(ii, iii)	14,884,000 common shares			
		4,700,000 warrants expire Nov 25, 2011	4,580	2,686	1.7
Bear Gold Lake Ltd. (formerly NFX Gold Inc.)	(ii, iii)	10,327,000 common shares			
		1,000,000 warrants expire Oct 23, 2010			
		750,000 warrants expire Jun 4, 2011	8,024	2,582	1.6
Niogold Mining Corp.	(ii, iii)	7,171,500 common shares			
		900,000 warrants expire Dec 22, 2010	2,588	2,242	1.4
Silver Quest Resources Ltd.	(ii, iii)	4,250,000 common shares			
		1,250,000 warrants expire Sep 16, 2010			
		1,250,000 warrants expire Oct 6, 2010	877	2,163	1.4
Caledonia Mining Corporation	(iii)	35,910,000 common shares	5,740	2,155	1.4
Temex Resources Corp.	(ii, iii)	8,977,000 common shares			
		440,000 warrants expire May 26, 2011	4,818	2,020	1.3
TNR Gold Corp.	(iii)	6,575,000 common shares			
		500,000 warrants expire Oct 17, 2009	1,493	1,874	1.2
Commander Resources Ltd.	(iii)	5,000,000 common shares	1,934	1,700	1.1
Redstar Gold Corp.	(ii, iii)	6,750,000 common shares	1,433	1,688	1.1
Nortec Ventures Corp.	(ii)	16,080,000 common shares			
		540,000 warrants expire Feb 14, 2010			
		1,500,000 warrants expire Jun 15, 2011	2,482	1,675	1.1

Pinetree Capital Ltd.

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3. Investments (continued):

As at December 31, 2009:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
Goldstone Resources Inc. (formerly Ontex Resources Limited)	(iii)	1,458,333 common shares 416,666 warrants expire Sept 5, 2010 833,333 warrants expire Nov 22, 2010 441,666 warrants expire Feb 24, 2011	1,404	1,240	0.8
AMI Resources Inc.	(ii, iii)	7,638,000 common shares 2,000,000 warrants expire May 4, 2010 1,500,000 warrants expire Apr 28, 2011	1,055	1,224	0.8
Shoreham Resources Ltd.	(ii, iii)	3,600,000 common shares 750,000 warrants expire May 14, 2010 250,000 warrants expire May 14, 2011	950	1,044	0.7
Gold Canyon Resources Inc.	(ii, iii)	5,550,000 common shares 1,000,000 warrants expire Sep 29, 2011	2,036	1,022	0.6
Treasury Metals Inc.	(iii)	2,186,055 common shares 500,000 warrants expire Nov 22, 2010	645	1,016	0.6
Pacific North West Capital Corp.	(ii, iii)	5,500,000 common shares 250,000 warrants expire Dec 30, 2010	2,498	1,008	0.6
Total of 120 other investments – Resources (Precious Metals) sector (iv)			91,636	52,384	32.9
			177,672	158,027	100.0
Sector: Resources (Potash, Lithium and Rare Earths)					
Ucore Uranium Inc.	(i, ii, iii)	10,000,000 common shares 1,250,000 warrants expire Jul 24, 2011	4,549	5,081	18.7
Stans Energy Corp.	(i, iii)	6,000,000 common shares 2,000,000 warrants expire Nov 30, 2010	934	2,767	10.2
Orocobre Ltd.	(i)	2,500,000 common shares	2,573	2,689	9.9
Rare Earth Metals Inc.	(i, iii)	4,000,000 common shares 2,000,000 warrants expire Dec 16, 2011	1,000	2,019	7.4
Lithium Americas Corp.	(i)	1,250,000 common shares	700	1,875	6.9
IC Potash Corp. (formerly Trigon Uranium Corp.)	(iii)	4,285,500 common shares 937,500 warrants expire Dec 2, 2011	4,701	1,564	5.8
49 North Resources Inc.	(ii, iii)	815,000 common shares 815,000 warrants expire Jun 18, 2011	2,241	1,557	5.7
Fieldex Exploration Inc.	(ii, iii)	6,879,278 common shares 1,388,889 warrants expire Oct 29, 2011	1,146	1,450	5.3
New World Resource Corp.	(ii, iii)	6,236,852 common shares 925,926 warrants expire Sep 25, 2010 1,000,000 warrants expire Jun 26, 2011	3,074	1,363	5.0
Total of 19 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv)			9,318	6,738	25.1
			30,236	27,103	100.0

Pinetree Capital Ltd.

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3. Investments (continued):

As at December 31, 2009:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Base Metals)					
Noront Resources Ltd.	(i, ii)	3,600,000 common shares	6,965	7,452	10.4
Macarthur Minerals Ltd.	(i, ii, iii)	4,465,200 common shares			
		500,000 warrants expire Jan 3, 2010	5,372	3,751	5.2
Bridgeport Ventures Inc.	(i, ii, iii)	1,602,600 common shares			
		500,000 warrants expire Dec 1, 2012	698	3,158	4.4
Coro Mining Corp.	(i, iii)	5,000,000 common shares	900	2,800	3.9
International Nickel Ventures Corp.	(i, ii)	2,800,000 common shares	3,615	2,464	3.4
Probe Mines Ltd.	(ii, iii)	4,500,000 common shares	3,080	2,430	3.4
MacDonald Mines Exploration Ltd.	(ii, iii)	14,916,000 common shares			
		3,075,000 warrants expire Oct 29, 2011	7,012	2,163	3.0
Creston Moly Corp.	(iii)	10,409,900 common shares			
		2,500,000 warrants expire May 9, 2010	8,370	2,147	3.0
MBMI Resources Inc.	(ii, iii)	7,617,074 common shares			
		1,000,000 warrants expire Dec 29, 2010			
		1,000,000 warrants expire May 28, 2011	6,266	1,809	2.5
Uranium Star Corp.	(iii)	3,000,000 common shares			
		1,500,000 warrants expire Jun 16, 2011	786	1,533	2.1
Infrastructure Materials Corporation	(ii, iii)	7,525,000 common shares	2,877	1,529	2.1
Tribute Minerals Inc.	(iii)	9,450,000 common shares			
		1,000,000 warrants expire Jun 24, 2011			
		2,500,000 warrants expire Dec 21, 2011	1,612	1,317	1.8
Bolero Resources Corp.	(ii, iii)	1,665,500 common shares			
		1,000,000 warrants expire Oct 28, 2011	3,637	1,050	1.5
Copper Mesa Mining Corporation	(ii, iii)	20,787,270 common shares	3,601	1,039	1.4
Total of 91 other investments – Resources (Base Metals) sector (iv)			100,785	37,069	51.9
			155,576	71,711	100.0
Sector: Biotechnology					
Antisense Therapeutics Limited	(i, iii)	37,500,000 common shares	2,055	1,938	43.3
GeneNews Ltd.	(i)	3,181,500 common shares	2,012	1,223	27.3
Total of 6 other investments – Biotechnology sector (iv)			6,005	1,317	29.4
			10,072	4,478	100.0
Sector: Energy Related Technology					
Opel International Inc.	(i, ii, iii)	6,150,000 common shares			
		1,000,000 warrants expire May 11, 2010			
		750,000 warrants expire Dec 13, 2011	6,037	1,476	28.4
Sustainable Energy Technology Ltd.	(i)	1,726,667 common shares			
		\$200,000 convertible debenture			
		440,000 warrants expire May 7, 2013	690	1,058	20.4
Total of 10 other investments – Energy Related Technology sector (iv)			10,511	2,656	51.2
			17,238	5,190	100.0

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
June 30, 2010
(Unaudited – in thousands of dollars, except for securities and per share amounts)

3. Investments (continued):

As at December 31, 2009:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Technology and Other					
Enghouse Systems Ltd.	(i)	750,000 common shares	5,217	6,450	38.5
Diagnos Inc.	(i, ii, iii)	5,767,500 common shares			
		1,500,000 warrants expire Nov 11, 2011	1,683	2,730	16.3
View22 Technology Inc.	(i)	1,138,000 common shares			
		\$525,000 convertible debenture			
		150,000 warrants expire Jul 8, 2010			
		500,000 warrants expire Aug 2, 2010	1,225	1,487	8.9
Cyber Bay Corp.	(i)	100,000,000 common shares	1,165	1,266	7.6
Total of 22 other investments – Technology and Other sector (iv)			16,018	4,812	28.7
			25,308	16,745	100.0
Total investments (v)			\$ 601,582	\$ 366,724	

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

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

June 30, 2010

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3. Investments (continued):

(c) Equity accounted investments consist of the following as at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Equity accounted investments - carrying value, beginning of period	\$ 1,911	\$ 3,567
Purchases of equity accounted investments	-	740
Proceeds on disposal of equity accounted investment	-	(2,650)
Gain on disposal of equity accounted investment	-	370
Transfer of equity accounted investment to investments	(300)	-
Unrealized gains on transfer of equity accounted investment to investments	141	-
Losses from equity accounted investments	(360)	(116)
Equity accounted investments - carrying value, end of period	\$ 1,392	\$ 1,911
Equity accounted investments - cost	\$ 2,313	\$ 2,714
Number of equity accounted investments	3	4

During the six months ended June 30, 2010, one of the Company's equity accounted investments, Vesta Capital Corp. ("Vesta") completed its acquisition of United Hydrocarbon Corporation ("UHC"), which constituted a reverse takeover of Vesta by UHC. Under the terms of the acquisition, Vesta issued a total of 113,999,772 Vesta shares to existing shareholders of UHC resulting in the dilution of Pinetree's percentage holding in Vesta from 31.7% to approximately 5.0%. Accordingly, the Company ceased accounting for its investment in Vesta using the equity method as of April 23, 2010. The Company now classifies its investment in Vesta as held for trading, and the dilution gain resulting from the change in accounting method from the equity method to the fair value method was \$141, which is included in unrealized gains on investments.

4. Financial instruments hierarchy:

The following table presents the Company's financial instruments, measured at fair value on the consolidated balance sheet as at June 30, 2010 and categorized into levels of the fair value hierarchy:

	Level 1 Quoted market price	Level 2 Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs	Total
Assets				
Investments, at fair value	\$ 262,520	\$ 25,532	\$ 29,892	\$ 317,944
	262,520	25,532	29,892	317,944
Liabilities				
Class C preferred share liabilities, at fair value	-	\$ 317	-	\$ 317
	-	317	-	317

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June 30, 2010

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4. Financial instruments hierarchy (continued):

There were no significant transfers from Level 1 to 2 or Level 2 to 1 during the six months ended June 30, 2010.

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

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

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

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the six months ended June 30, 2010. These financial instruments are measured at fair value utilizing non-observable market inputs. The realized losses and net unrealized losses are recognized in the consolidated statements of operations.

	Opening balance, December 31, 2009	Net purchases	Realized losses	Net unrealized losses	Net transfer out of Level 3	Ending balance, June 30, 2010
Investments, at fair value	\$ 32,731	\$ 10,397	\$ (2,920)	\$ (2,540)	\$ (7,776)	\$ 29,892

The net transfer out of Level 3 consists of investments in private companies as at December 31, 2009, which became publicly-traded investments as at June 30, 2010.

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Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited – in thousands of dollars, except for securities and per share amounts)

4. Financial instruments hierarchy (continued):

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

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

5. 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.

6. Bank indebtedness:

The Company has an operating line of credit with the Royal Bank of Canada ("RBC") for \$1,000 collateralized by the Company's assets. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand. As at June 30, 2010 and December 31, 2009, the Company had nil outstanding on the line of credit.

7. 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 six months ended June 30:

Type of service	Nature of relationship	2010	2009
Consulting fees (a)	Officers	\$ 250	\$ 414
Director fees	Directors	81	67
Interest expense (b)	Director, shareholder, and officer	90	1,307
Other income (c)	Affiliated companies	293	3,093
Realized gains (losses) on disposal of investments (d)	Affiliated companies	-	406

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7. Related party transactions (continued):

- (a) Consulting agreements are with the Company's Vice President - Legal & Corporate Affairs, Vice President – Business Development, Vice President – Research, and Vice President – Trading, Head Trader. The costs relating to these agreements are included in operating, general and administrative expenses. In the prior year, the Company also had a consulting agreement with the Company's Chairman and Chief Executive Officer ("CEO"). Effective January 1, 2010, the CEO's consulting agreement was terminated and replaced with an employment agreement between the CEO and the Company.
- (b) From time to time, the CEO advances funds to Pinetree. On December 15, 2008, the Company entered into a \$25,000 credit facility (the "Credit Facility") with the CEO. The Credit Facility is secured under a General Security Agreement (the "GSA"). The GSA covers all present and future tangible and intangible property of the Company subject to any security interests ranking in priority thereto, including the security interest for the Company's bank line of credit (note 6) and in favour of the Company's brokers in respect of its margin borrowings (note 5). The Credit Facility, which was due to mature on June 30, 2010 and was extended to December 31, 2010, bears interest at a rate of 1% per month on the outstanding principal amount and has a standby fee of 0.25% per annum on the undrawn portion of the Credit Facility calculated daily and payable monthly in arrears. During the six months ended June 30, 2010, a maximum balance of \$4,490 (six months ended June 30, 2009 - \$24,549) was outstanding under the Credit Facility. Included in the consolidated statements of operations is \$90 (six months ended June 30, 2009 - \$1,307) of interest and standby fee expense relating to the Credit Facility. As at June 30, 2010, there was \$4,490 outstanding under the Credit Facility.
- (c) Other income relates to sublease, and services agreements of approximately \$293 (six months ended June 30, 2009 - \$3,093) from companies in which Pinetree has a common director and common officers. The Company has a cost sharing arrangement with certain of its affiliated companies covering specific operating, general and administrative expenses, including lease commitments and salaries.
- (d) During the six months ended June 30, 2009, the Company sold certain of its investments at market prices to Mega Uranium Ltd. ("Mega"). The Company has an investment in Mega, which is a company with a common director and common officers of the Company and is a reporting issuer trading on the TSX under the symbol "MGA". Total proceeds on the sales were \$1,348 and the Company recognized an aggregate realized gain on the sales of \$406. The Company's sales to Mega were done in the normal course of the Company's divestment decisions.
- (e) On March 10, 2010, the Company entered into an agreement (the "Fund Agreement") with AlphaNorth 2010 Flow-Through Limited Partnership (the "Fund"), a limited partnership established under the laws of Ontario, pursuant to which the Company agreed to provide funds to the Fund from time to time, of up to \$500 principal amount in the form of a revolving term loan. Funds provided by Pinetree under the loan bear interest at

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Notes to Consolidated Financial Statements

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7. Related party transactions (continued):

a rate equal to prime plus 2% and are secured by a general security agreement over the Fund's assets. As at June 30, 2010, the Company had advanced \$285 to the Fund under the Fund Agreement including interest receivable of \$3. The Company owns a 20% interest in and has a common director with the Fund's general partner, AlphaNorth General Partner Inc., a company established under the laws of Ontario, Canada.

- (f) As at December 31, 2009, the Company had a loan receivable from an officer of the Company totaling \$75 which was repaid in full on January 29, 2010. The loan bore interest at RBC's prime rate plus 1% per annum, compounded monthly. The loan was used by the officer to purchase investments and was collateralized by those investments.
- (g) The Company has investments in related parties which are listed issuers with a common director and common officers of the Company. See notes 3(a,b).
- (h) During the six months ended June 30, 2010, the Company granted 1,415,000 options to officers and directors of the Company, of which 250,000 options were exercisable at \$1.83 per share expiring March 31, 2015 and 1,165,000 options were exercisable at \$1.46 per share expiring on May 31, 2015.

8. Class C preferred share liabilities:

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

During the six months ended June 30, 2010, 200 Class C Shares were cancelled by PCIC following their retraction by the holders at a price of \$10.00 per share plus accrued and unpaid dividends. As at June 30, 2010, 31,700 Class C Shares were issued and outstanding. The Class C Shares are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter. During the six months ended June 30, 2010, PCIC paid total dividends of \$9 to Class C shareholders which were expensed as an operating, general and administrative expense in the consolidated statements of operations.

The Class C Shares' redemption and retraction prices are linked to the market price of the Company's common shares, subject to a minimum redemption price (at any time) and minimum retraction price (until the first anniversary of issue) of \$10 per share. As at June 30, 2010, both the redemption price and the retraction price in effect was \$10.00 per share (December 31, 2009 - \$11.69 per share). Accordingly, during the six months ended June 30, 2010, the

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

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8. Class C preferred share liabilities (continued):

Company reversed an increase in the fair value change of the Class C Shares of \$54 which was expensed as an operating, general and administrative expense in the consolidated statements of operations as at December 31, 2009. As at June 30, 2010, the Company had Class C preferred share liabilities of \$317 (December 31, 2009 - \$373).

9. Share capital:

Authorized: Unlimited number of common shares, no par value

Issued and outstanding common shares:

	# of Shares	Amount
Balance, December 31, 2008	131,313,988	\$ 267,848
Issued pursuant to exercise of stock options	40,868	35
Issued pursuant to an investment in 49 North Resource Fund Inc.	914,796	2,241
Issued pursuant to the acquisition of Caymus Capital Corp.	2,000,001	2,980
Issued pursuant to an investment in U308 Corp.	600,000	996
Issued pursuant to an investment in Resinco Capital Partners Inc. (formerly Longview Capital Partners Inc.)	360,000	625
Balance, December 31, 2009	135,229,653	\$ 274,725
Issued pursuant to exercise of stock options (a)	480,000	424
Balance, June 30, 2010	135,709,653	\$ 275,149

(a) During the six months ended June 30, 2010, 200,000 options were exercised at \$0.60 per share and 280,000 options were exercised at \$0.53 per share for total proceeds of \$268. Pursuant to the exercise of stock options, amounts of \$156 in contributed surplus were reallocated to share capital.

(b) Stock options:

The Company has established a fixed schedule of option grant dates, such that options may be granted on a quarterly basis, on four designated dates during the year. In accordance with CICA Handbook Section 3870, options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense and credits contributed surplus for all options granted. During the six months ended June 30, 2010, the Company granted 1,517,500 stock options as follows:

Date Granted	Options Granted	Exercise Price	Expiry
April 1, 2010	265,000	\$ 1.83	March 31, 2015
June 1, 2010	1,252,500	1.46	May 31, 2015
Total granted	1,517,500		

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****June 30, 2010****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

9. Share capital (continued):

The fair value of the options granted during the six months ended June 30, 2010 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	102.6% - 103.1%
Expected dividend yield	0.0%
Risk-free interest rate	2.25%
Expected option life in years	3.5
Fair value per stock option granted on April 1, 2010	\$ 1.24
Fair value per stock option granted on June 1, 2010	\$ 0.99

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

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

For the six months ended June 30, 2010, included in operating, general and administrative expenses is stock-based compensation of \$1,373 (six months ended June 30, 2009 - \$2,379) relating to stock options granted to directors, officers, employees and consultants of the Company.

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9. Share capital (continued):

A summary of the status of the Company's stock options as at June 30, 2010 and December 31, 2009 and changes during the periods then ended are presented below:

	Six months ended June 30, 2010		Twelve months ended December 31, 2009	
	# of Options	Weighted Average Exercise Price	# of Options	Weighted Average Exercise Price
Stock Options				
Outstanding, at beginning of period	10,312,740	\$ 3.79	6,182,208	\$ 5.38
Granted	1,517,500	1.52	4,221,400	1.42
Exercised	(480,000)	0.56	(40,868)	0.59
Cancelled/terminated	(115,200)	1.77	(50,000)	2.82
Outstanding, at end of period	11,235,040	\$ 3.64	10,312,740	\$ 3.79
Exercisable, at end of period	7,917,456	\$ 4.55	7,038,852	\$ 4.89

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2010:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
170,000	170,000	\$ 1.10	November 16, 2010
100,000	100,000	1.62	December 5, 2010
200,000	200,000	1.75	January 2, 2011
34,340	34,340	3.99	June 20, 2011
50,000	50,000	5.25	October 15, 2011
100,000	100,000	9.74	February 4, 2012
912,500	912,500	13.02	April 26, 2012
50,000	50,000	9.50	July 2, 2012
25,000	25,000	4.08	September 3, 2012
2,522,000	2,522,000	5.45	September 16, 2012
1,432,500	1,432,500	3.14	April 10, 2013
1,508,200	1,014,360	1.29	March 31, 2014
50,000	33,200	1.73	June 29, 2014
2,478,000	1,245,436	1.46	August 31, 2014
85,000	28,120	2.07	November 30, 2014
265,000	-	1.83	March 31, 2015
1,252,500	-	1.46	May 31, 2015
11,235,040	7,917,456		

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

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9. Share capital (continued):

(c) Warrants and broker warrants:

A summary of the status of the Company's warrants and broker warrants as at June 30, 2010 and December 31, 2009 and the changes during the periods then ended are presented below:

	Six months ended June 30, 2010		Twelve months ended December 31, 2009	
	# of Warrants and Broker Warrants	Weighted Average Exercise Price	# of Warrants and Broker Warrants	Weighted Average Exercise Price
Warrants and Broker Warrants				
Outstanding, at beginning of period	21,236,421	\$ 7.15	22,542,671	\$ 7.21
Expired	-	-	(1,306,250)	8.18
Outstanding, at end of period	21,236,421	\$ 7.15	21,236,421	\$ 7.15

The following table summarizes the warrants and broker warrants outstanding as at June 30, 2010:

Number of Warrants and Broker Warrants	Exercise Price	Expiry Date	Warrants/ Broker Warrants Value
5,000,000	\$ 15.00	April 16, 2012	\$ 37,100
6,875,000	6.50	October 23, 2012	19,662
722,771	2.72	July 11, 2010	615
8,638,650	3.50	July 11, 2013	9,762
21,236,421			\$ 67,139

(d) Contributed surplus transactions for the respective periods are as follows:

	Amount
Balance, December 31, 2008	\$ 17,667
Stock-based compensation	4,223
Exercise of stock options	(11)
Reallocation of expired broker warrants	5,129
Balance, December 31, 2009	27,008
Stock-based compensation (note 9(b))	1,373
Exercise of stock options (note 9(a))	(156)
Balance, June 30, 2010	\$ 28,225

Contributed surplus comprises the fair value of stock-based compensation of \$23,096 and the fair value of expired broker warrants of \$5,129. On April 16, 2009, 550,000 broker warrants exercisable at \$12.13 per share expired unexercised and on October 23, 2009, 756,250 broker warrants exercisable at \$5.30 per share expired unexercised. Pursuant to the expiry of the broker warrants, amounts of \$5,129 were reallocated to contributed surplus.

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****June 30, 2010****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

10. Lease commitments:

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

2011	\$	669
2012		689
2013		683
2014		341
	\$	2,382

11. Income taxes:

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

	June 30, 2010	December 31, 2009
Future income tax assets		
Non-capital losses	\$ 7,169	\$ 10,874
Corporate minimum tax credit	4,103	4,103
Ontario transitional tax credits	2,684	2,619
Share issuance costs	1,350	1,867
Investments – differences in carrying value and tax cost	2,200	(9,319)
Capital assets – differences in amortized and unamortized cost	205	219
Total future income tax assets	17,711	10,363
Less: valuation allowance (a)	-	-
Net future income tax assets	\$ 17,711	\$ 10,363

- (a) The future income tax assets ("FTA") relate primarily to the tax benefit that would arise from the application of the Company's non-capital loss carryforwards against future taxable income. A valuation allowance against the FTA is recorded to the extent that the Company considers it more likely than not that all or a portion of the FTA will not be realized. Based upon the Company's historical level of taxable income and expectations for future taxable income the Company believes that it will more likely than not realize the tax benefits and as such, the Company has recorded no valuation allowance.
- (b) As at June 30, 2010, included in the FTA are approximately \$40,822 (December 31, 2009 - \$49,000) of Canadian non-capital losses available to reduce future years' income for tax purposes, the tax effect of which has been recorded in the accounts. The non-capital losses will expire on December 31, 2028.

Pinetree Capital Ltd.

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June 30, 2010

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12. Management of capital:

The Company includes the following in its capital:

	June 30, 2010	December 31, 2009
Due to brokers	\$ 33,170	\$ 33,673
Advances from officer	4,490	-
Class C preferred share liabilities, at fair value	317	373
Shareholders' equity comprised of		
Share capital	275,149	274,725
Warrants and broker warrants	67,139	67,139
Contributed surplus	28,225	27,008
Deficit	(73,498)	(26,180)
	<u>\$ 334,992</u>	<u>\$ 376,738</u>

The Company's objectives when managing capital are:

- to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
- to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
- to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. There were no changes to the Company's objectives in managing and maintaining capital since March 31, 2010. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

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

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

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Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited – in thousands of dollars, except for securities and per share amounts)

12. Management of capital (continued):

The payment of cash dividends does not form part of Pinetree's current capital management program and, to date, the Company has not declared any cash dividends on its common shares. However, the holders of the Class C Shares issued by PCIC are entitled to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter with the first dividend payable on June 30, 2010. During the six months ended June 30, 2010, PCIC paid total dividends of \$9 to Class C shareholders. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at June 30, 2010.

13. Financial instruments:

Financial instrument risks:

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

(a) Liquidity risk:

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

Overall, the Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions, such that absent overall market disruptions or extreme circumstances, liquidity risk can be minimized.

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

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****June 30, 2010****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

13. Financial instruments (continued):

market moves against the Company's positions and the Company's investments decline in value, the Company may be required to provide additional funds to its brokers, which could be substantial. Given the nature of the Company's business, the Company may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments prematurely and/or at a loss, in order to generate funds needed to satisfy the Company's obligations.

Furthermore, if the Company is unable to provide the necessary funds within the time required, the Company's marginable investments may be involuntarily liquidated at a loss by its brokers to meet the obligations (and the Company may still be required to make up any additional shortfall in funds thereafter).

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

The Company manages liquidity risk by reviewing the amount of margin available on a daily basis, and managing its cash flow given its daily margin availability. The Company holds investments which can be converted into cash when required.

As at June 30, 2010, the Company had used margin of \$33,170 and had additional margin available of \$386. The following table shows the estimated sensitivity of the Company's available margin (call) from a change in the closing bid price of the Company's investments with all other variables held constant as at June 30, 2010:

Percentage of change in closing bid prices	Margin available with a % increase in closing bid price	Margin call with a % decrease in closing bid price
2%	\$ 1,148	\$ 245
4%	1,782	877
6%	2,417	1,589
8%	3,051	2,220
10%	3,685	2,872

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****June 30, 2010****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

13. Financial instruments (continued):

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

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

As at June 30, 2010, the Company also had Class C preferred share liabilities of \$317 (December 31, 2009 - \$373) related to the potential redemption and/or retraction of Class C Shares. The prices at which redemption/retraction rights may be exercised are based on the volume weighted average trading ("VWAT") price per share of the Company's common shares on the TSX for the applicable 20-day trading period (note 8), subject to a minimum redemption price of \$10 per Class C Share during the first year after issue. The redemption/retraction price in effect as at June 30, 2010 was \$10.00 per share (December 31, 2009 - \$11.69 per share).

The following table shows the estimated sensitivity of the Company's Class C preferred share liability amounts based on different 20-day VWAT prices of the Company's common shares as at June 30, 2010:

Pinetree's 20-day VWAT trading price	Redemption/retraction value per Class C Share	Total Class C preferred share liabilities related to the redemption/retraction of Class C Shares	Increase in Class C preferred share liabilities
\$ 1.87	\$ 10.00	\$ 317	\$ -
2.00	10.71	340	23
2.25	12.05	382	65
2.50	13.39	424	107
2.75	14.73	467	150
3.00	16.06	509	192
3.25	17.40	552	235
3.50	18.74	594	277
3.75	20.08	637	320
4.00	21.42	679	362

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

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13. Financial instruments (continued):

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

Pinetree's 20-day VWAT trading price	Redemption/retraction value per Class C Share	Total Class C preferred share liabilities related to the redemption/retraction of Class C Shares	Increase in Class C preferred share liabilities
\$ 1.87	\$ 10.00	\$ 319	\$ 0
2.00	10.71	342	23
2.25	12.05	384	65
2.50	13.39	427	108
2.75	14.73	470	151
3.00	16.06	512	193
3.25	17.40	555	236
3.50	18.74	598	279
3.75	20.08	641	322
4.00	21.42	683	364

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2010:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 year	4 – 5 years	After 5 years
Due to brokers	\$ 33,170	\$ 33,170	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	3,320	3,320	-	-	-
Advances from officer	4,490	4,490	-	-	-
Class C preferred share liabilities	317	317	-	-	-
	\$ 41,297	\$ 41,297	\$ -	\$ -	\$ -

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

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

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****June 30, 2010****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

13. Financial instruments (continued):

(b) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, in accordance with CICA Handbook Section 3855, Pinetree is required to mark to market its held-for-trading investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Pinetree's financial position.

The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers, although Pinetree's investment activities are currently concentrated primarily across several sectors in the natural resource industry: uranium and coal, oil & gas, precious metals, potash, lithium and rare earths, and base metals. The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required. During periods of significant broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the six months ended June 30, 2010 from a change in the closing bid price of the Company's investments with all other variables held constant as at June 30, 2010:

Percentage of change in closing bid prices	Change in net after-tax income (loss) from % increase in closing bid price	Change in net after-tax income (loss) from % decrease in closing bid price
2%	\$ 5,453	\$ (5,453)
4%	10,905	(10,905)
6%	16,358	(16,358)
8%	21,811	(21,811)
10%	27,264	(27,264)

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13. Financial instruments (continued):

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the six months ended June 30, 2009 from a change in the closing bid price of the Company's investments with all other variables held constant as at June 30, 2009:

Percentage of Change in Closing Bid Prices	Change in Net After-tax Income (Loss) From % Increase in Closing Bid Price	Change in Net After-tax Income (Loss) From % Decrease in Closing Bid Price
2%	\$ 3,773	\$ (3,773)
4%	7,545	(7,545)
6%	11,318	(11,318)
8%	15,091	(15,091)
10%	18,863	(18,863)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's income and liabilities. As at June 30, 2010, the Company had due to brokers (margin) which bears interest at rates fluctuating with the prime rate or overnight lending rate. The Company's obligations under the Credit Facility bear interest at a fixed rate.

All of the interest risk liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. Pinetree does not hedge against any interest rate risk.

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the six months ended June 30, 2010 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at June 30, 2010:

Change in interest rate	Change in net after-tax income (loss) from an increase in interest rate	Change in net after-tax income (loss) from a decrease in interest rate
0.25%	\$ (29)	\$ 29
0.50%	(57)	57
0.75%	(86)	86
1.00%	(114)	114

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June 30, 2010

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13. Financial instruments (continued):

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the six months ended June 30, 2009 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at June 30, 2009:

Change in interest rate	Change in Net After-Tax Income (Loss) From an Increase in Interest Rate	Change in Net After-Tax Income (Loss) From a Decrease in Interest Rate
0.25%	\$ (34)	\$ 34
0.50%	(67)	67
0.75%	(101)	101
1.00%	(135)	135

(d) Currency risk:

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

The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency exposure, although Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments.

The following assets and liabilities were denominated in foreign currencies:

	June 30, 2010	December 31, 2009
Denominated in U.S. dollars:		
Investments	\$ 10,705	\$ 11,885
Cash and cash equivalents	11	11
Due from brokers	15	24
Prepays and other receivables	140	129
Due to brokers	(1,761)	(139)
Accounts payable and accrued liabilities	(11)	(22)
Net assets denominated in U.S. dollars	9,099	11,888

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June 30, 2010

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13. Financial instruments (continued):

	June 30, 2010	December 31, 2009
Denominated in Australian dollars:		
Investments	5,375	11,335
Due to brokers	(187)	(443)
Net assets denominated in Australian dollars	5,188	10,892
Denominated in British pounds:		
Investments	127	86
Due to brokers	(69)	-
Net assets denominated in British pounds	58	86

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the six months ended June 30, 2010 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at June 30, 2010:

Percentage change in U.S. dollar	Change in net after-tax income (loss) from an increase in % in the U.S. dollar exchange rate	Change in net after-tax income (loss) from a decrease in % in the U.S. dollar exchange rate
2%	\$ 126	\$ (126)
4%	251	(251)
6%	377	(377)
8%	502	(502)
10%	628	(628)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the six months ended June 30, 2010 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at June 30, 2010:

Percentage change in Australian dollar	Change in net after-tax income (loss) from an increase in % in the Australian dollar exchange rate	Change in net after-tax income (loss) from a decrease in % in the Australian dollar exchange rate
2%	\$ 72	\$ (72)
4%	143	(143)
6%	215	(215)
8%	286	(286)
10%	358	(358)

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****June 30, 2010****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

13. Financial instruments (continued):

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the six months ended June 30, 2009 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at June 30, 2009:

Percentage change in U.S. dollar	Change in Net After-Tax Income (Loss) From an Increase in % in the U.S dollar exchange rate	Change in Net After - Tax Income (Loss) From a Decrease in % in the U.S dollar exchange rate
2%	\$ 129	\$ (129)
4%	258	(258)
6%	386	(386)
8%	515	(515)
10%	644	(644)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the six months ended June 30, 2009 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at June 30, 2009:

Percentage change in Australian dollar	Change in Net After-Tax Income (Loss) From an Increase in % in the Australian dollar exchange rate	Change in Net After - Tax Income (Loss) From a Decrease in % in the Australian dollar exchange rate
2%	\$ 189	\$ (189)
4%	378	(378)
6%	567	(567)
8%	756	(756)
10%	945	(945)

(e) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities (in connection with convertible or debt securities, for example) will not perform their underlying obligations.

The Company's investments in convertible debentures and convertible notes are carried as though converted to common shares. As at June 30, 2010, the total fair value of these investments was \$1,777 (December 31, 2009 - \$1,498). The Company believes it is not significantly exposed to credit risk as these investments comprise 0.6% (December 31, 2009 – 0.4%) of the Company's total investments.

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

June 30, 2010

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13. Financial instruments (continued):

(f) Fair value of financial instruments:

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

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

The total amount of the change in fair value of the Company's financial instruments and the total amount of unrecognized gains and losses on its financial instruments are reflected in the accompanying consolidated statements of operations.

14. Segmented information:

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

15. Subsequent events:

- (a) Subsequent to June 30, 2010, 722,771 broker warrants exercisable at \$2.72 per share expired unexercised. Pursuant to the expiry of the broker warrants, amounts of \$615 will be reallocated to contributed surplus.
- (b) Subsequent to June 30, 2010, the Company's board of directors approved a normal course issuer bid (the "NCIB") to commence on September 1, 2010. Pursuant to the terms of the NCIB, and in accordance with the policies of the TSX, during the period commencing September 1, 2010 and ending August 31, 2011, the Company may purchase up to 5,000,000 common shares, representing approximately 3.7% of the common shares outstanding as at August 5, 2010. Purchases will be made in open market transactions through the facilities of the TSX and on other published markets at market prices prevailing at the time of acquisition. All common shares purchased under the NCIB will be cancelled.
- (c) Subsequent to June 30, 2010, the Company repaid \$1,500 of the Credit Facility from the CEO (note 7(b)).