

Interim Consolidated Financial Statements of



(Unaudited)
September 30, 2010

Contents

Consolidated Financial Statements

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

| | <u>Notes</u> | <u>September 30, 2010</u> | <u>December 31, 2009</u> |
|--|-----------------|-------------------------------|------------------------------|
| Assets | | | |
| Investments, at fair value | 3(a,b), 4, 5, 6 | \$ 467,367 | \$ 366,724 |
| Equity accounted investments | 3(c) | 1,179 | 1,911 |
| Cash and cash equivalents | | 94 | 404 |
| Due from brokers | | 15 | 24 |
| Prepays and other receivables | 7(g) | 306 | 312 |
| Advances to affiliated company | 7(f) | 288 | - |
| Capital assets | | 716 | 517 |
| Income taxes receivable | | - | 3,307 |
| Future income tax assets | 11 | - | 10,363 |
| | | <u>\$ 469,965</u> | <u>\$ 383,562</u> |
| Liabilities and Shareholders' Equity | | | |
| Due to brokers | 5 | \$ 49,461 | \$ 33,673 |
| Accounts payable and accrued liabilities | | 8,059 | 6,824 |
| Class C preferred share liabilities, at fair value | 8 | 310 | 373 |
| | | <u>57,830</u> | <u>40,870</u> |
| Future income tax liabilities | 11 | 57 | - |
| | | <u>57,887</u> | <u>40,870</u> |
| Lease commitments | 10 | | |
| Shareholders' equity | | | |
| Share capital | 9 | 275,149 | 274,725 |
| Warrants and broker warrants | 9(c) | 66,524 | 67,139 |
| Contributed surplus | 9(d) | 29,722 | 27,008 |
| Retained earnings (deficit) | | 40,683 | (26,180) |
| | | <u>412,078</u> | <u>342,692</u> |
| | | <u>\$ 469,965</u> | <u>\$ 383,562</u> |

See accompanying notes to the consolidated financial statements.

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

| | Notes | Three Months Ended | | Nine Months Ended | |
|---|---------------|--------------------|------------------|-------------------|-------------------|
| | | 2010 | 2009 | 2010 | 2009 |
| Net investment gains | | | | | |
| Gains (losses) on disposal of investments, net | 7(d) | \$ 5,157 | \$ (5,405) | \$ 16,203 | \$ (32,087) |
| Unrealized gains on investments, net | 3(c) | 136,949 | 74,210 | 75,533 | 201,222 |
| Gain on disposal of equity accounted investment | 7(e) | - | 370 | - | 370 |
| Gains (losses) from equity accounted investments | 3(c) | (213) | 295 | (573) | (39) |
| | | <u>141,893</u> | <u>69,470</u> | <u>91,163</u> | <u>169,466</u> |
| Other income | | | | | |
| Interest and dividend income | | 31 | 28 | 1,009 | 150 |
| Other income | 7(c) | 146 | 148 | 439 | 3,241 |
| | | <u>142,070</u> | <u>69,646</u> | <u>92,611</u> | <u>172,857</u> |
| Expenses | | | | | |
| Operating, general and administrative | 7(a), 8, 9(b) | 9,578 | 1,956 | 13,755 | 6,537 |
| Transaction costs | | 329 | 337 | 811 | 877 |
| Foreign exchange loss (gain) | | (4) | (216) | 183 | 1,381 |
| Amortization | | 33 | 33 | 100 | 98 |
| Interest | 5, 7(b) | 185 | 298 | 442 | 1,691 |
| | | <u>10,121</u> | <u>2,408</u> | <u>15,291</u> | <u>10,584</u> |
| Income before income taxes | | 131,949 | 67,238 | 77,320 | 162,273 |
| Provision for income taxes | | 17,768 | 3,391 | 10,457 | 25,174 |
| Net income for the period | 13(f)(iii) | \$ 114,181 | \$ 63,847 | \$ 66,863 | \$ 137,099 |
| Earnings per common share | | | | | |
| Basic | | <u>\$ 0.84</u> | <u>\$ 0.48</u> | <u>\$ 0.49</u> | <u>\$ 1.04</u> |
| Diluted | | <u>\$ 0.84</u> | <u>\$ 0.48</u> | <u>\$ 0.49</u> | <u>\$ 1.04</u> |
| Weighted average number of common shares outstanding | | | | | |
| Basic | | 135,709,653 | 132,258,852 | 135,561,301 | 131,687,106 |
| Diluted | | 135,942,755 | 133,042,710 | 136,409,553 | 132,324,065 |

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Retained Earnings (Deficit)
Nine Months Ended September 30,
(Unaudited - in thousands of dollars)

| | <u>2010</u> | <u>2009</u> |
|--|---------------|----------------|
| Deficit, beginning of period | \$ (26,180) | \$ (183,573) |
| Net income for the period | <u>66,863</u> | <u>137,099</u> |
| Retained earnings (deficit), end of period | \$ 40,683 | \$ (46,474) |

See accompanying notes to the consolidated financial statements.

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

| | Notes | Three Months Ended | | Nine Months Ended | |
|--|-------|--------------------|-----------------|-------------------|-----------------|
| | | 2010 | 2009 | 2010 | 2009 |
| Cash flows from (used in) operating activities | | | | | |
| Net income for the period | | \$ 114,181 | \$ 63,847 | \$ 66,863 | \$ 137,099 |
| Items not affecting cash | | | | | |
| Losses (gains) on disposal of investments, net | | (5,157) | 5,405 | (16,203) | 32,087 |
| Unrealized gains on investments, net | | (136,949) | (74,210) | (75,533) | (201,222) |
| Gain on disposal of equity accounted investment | | - | (370) | - | (370) |
| Losses (gains) from equity accounted investments | | 213 | (295) | 573 | 39 |
| Amortization | | 33 | 33 | 100 | 98 |
| Stock-based compensation | 9(b) | 882 | 688 | 2,255 | 3,067 |
| Net future income tax | | 17,768 | 3,391 | 10,420 | 25,160 |
| | | <u>(9,029)</u> | <u>(1,511)</u> | <u>(11,525)</u> | <u>(4,042)</u> |
| Changes in non-cash working capital balances related to operations | | | | | |
| Due from brokers | | - | 2 | 9 | 28 |
| Prepays and other receivables | | (100) | 65 | 6 | (1,056) |
| Advances to affiliated company | | (3) | - | (288) | - |
| Income taxes receivable | | - | 3,896 | 3,307 | 15,930 |
| Accounts payable and accrued liabilities | | 4,463 | (91) | 959 | 50 |
| | | <u>(4,669)</u> | <u>2,361</u> | <u>(7,532)</u> | <u>10,910</u> |
| Cash flows from (used in) financing activities | | | | | |
| Proceeds pursuant to exercise of stock options | 9(a) | - | - | 268 | 18 |
| Repayments of advances from officer | | (4,490) | (15,905) | - | (24,234) |
| Increase (decrease) in due to brokers | | 16,291 | (28,083) | 15,788 | 9,595 |
| Repayments to affiliated company | | - | - | - | (1,250) |
| Repayment of bank indebtedness | | - | - | - | (953) |
| Unrealized gain on Class C preferred share liabilities | 8 | (7) | - | (63) | - |
| | | <u>11,794</u> | <u>(43,988)</u> | <u>15,993</u> | <u>(16,824)</u> |
| Cash flows from (used in) investing activities | | | | | |
| Purchase of capital assets, net | | - | - | (23) | (4) |
| Purchase of investments | | (37,568) | (33,786) | (114,302) | (126,646) |
| Proceeds on disposal of investments | | 30,251 | 72,750 | 105,554 | 130,738 |
| Purchase of equity accounted investments | | - | (19) | - | (740) |
| Proceeds on disposal of equity accounted investment | | - | 2,650 | - | 2,650 |
| | | <u>(7,317)</u> | <u>41,595</u> | <u>(8,771)</u> | <u>5,998</u> |
| Net increase (decrease) in cash and cash equivalents, during the period | | (192) | (32) | (310) | 84 |
| Cash and cash equivalents, beginning of period | | 286 | 144 | 404 | 28 |
| Cash and cash equivalents, end of period | | \$ 94 | \$ 112 | \$ 94 | \$ 112 |
| Supplemental cash flow information | | | | | |
| Income taxes paid | | \$ - | \$ - | \$ 37 | \$ - |
| Income taxes received | | - | 4,014 | 3,307 | 15,956 |
| Dividends paid on Class C Shares | 8 | - | - | 9 | - |
| Interest paid | | 185 | 298 | 442 | 1,691 |

See accompanying notes to the consolidated financial statements.

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

September 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 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. 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 interim 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 September 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 September 30, 2010:

| As at September 30, 2010: | | | | | |
|--|--------------|---|--------|------------|------------------|
| Issuer | Note | Security Description | Cost | Fair Value | % of Sector (FV) |
| Sector: Resources (Precious Metals) | | | | | |
| Queenston Mining Inc. | (i, ii, iii) | 5,624,550 common shares 50,000 warrants expire Nov 26, 2011 | 15,024 | 26,325 | 12.9 |
| Continental Gold Ltd. (formerly Cronus Resources Ltd.) | (i) | 2,161,249 common shares 338,751 warrants expire Mar 30, 2011 | 4,377 | 16,488 | 8.1 |
| Colossus Minerals Inc. | (i, ii) | 2,000,000 common shares | 2,594 | 16,020 | 7.9 |
| Aurix Gold Corp. | (i, ii, iii) | 10,250,000 common shares | 4,894 | 13,209 | 6.5 |

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

3. Investments (continued):

As at September 30, 2010:

| Issuer | Note | Security Description | Cost | Fair Value | % of Sector (FV) |
|--|-----------------|--|--------------|-------------------|-------------------------|
| Sector: Resources (Precious Metals) (continued) | | | | | |
| Gold Canyon Resources Inc. | (i, ii, iii) | 9,268,748 common shares 1,000,000 warrants expire Sep 29, 2011 1,000,000 warrants expire Feb 8, 2012 531,252 warrants expire Jun 17, 2012 350,000 warrants expire Sep 23, 2012 | 3,604 | 8,446 | 4.1 |
| African Gold Group Inc. | (ii, iii) | 9,000,000 common shares 3,000,000 warrants expire Jan 23, 2011 282,500 warrants expire Jun 16, 2011 | 3,136 | 7,110 | 3.5 |
| Temex Resources Corp. | (ii, iii) | 11,260,000 common shares 440,000 warrants expire May 26, 2011 | 5,445 | 4,832 | 2.4 |
| Creso Exploration Inc. | (iii) | 4,000,000 common shares 2,000,000 warrants expire Jun 1, 2012 | 2,033 | 3,721 | 1.8 |
| Bear Gold Lake Ltd. (formerly NFX Gold Inc.) | (ii, iii) | 12,500,000 common shares 1,000,000 warrants expire Oct 23, 2010 750,000 warrants expire Jun 4, 2011 | 8,526 | 3,500 | 1.7 |
| Slam Exploration Ltd. | (ii, iii) | 19,085,500 common shares 5,000,000 warrants expire Sep 22, 2011 1,000,000 warrants expire Mar 31, 2012 2,500,000 warrants expire Aug 18, 2012 | 2,010 | 3,475 | 1.7 |
| Mega Precious Metals Inc. (formerly Mega Silver Inc.) | (ii, iii, 7(h)) | 5,883,836 common shares 375,000 warrants expire Nov 2, 2010 | 3,299 | 3,354 | 1.6 |
| Valley High Ventures Ltd. | (iii) | 3,703,000 common shares 250,000 warrants expire Jun 21, 2011 | 2,412 | 3,000 | 1.5 |
| Silver Quest Resources Ltd. | (iii) | 3,335,615 common shares 1,250,000 warrants expire Oct 6, 2010 415,307 warrants expire Aug 26, 2012 | 1,370 | 2,742 | 1.3 |
| Latin American Minerals Inc. | (ii, iii, 7(h)) | 15,850,000 common shares 500,000 warrants expire Feb 18, 2011 1,000,000 warrants expire Oct 5, 2011 1,000,000 warrants expire Sep 10, 2012 | 6,511 | 2,666 | 1.3 |
| Niogold Mining Corp. | (ii, iii) | 7,250,000 common shares 900,000 warrants expire Dec 22, 2010 | 2,606 | 2,501 | 1.2 |
| Caledonia Mining Corporation | (iii) | 38,410,000 common shares | 5,907 | 2,497 | 1.2 |
| Goldstone Resources Inc. | (iii) | 4,100,000 common shares 833,333 warrants expire Nov 22, 2010 441,667 warrants expire Feb 24, 2011 | 2,947 | 2,337 | 1.2 |
| Goldeye Explorations Limited | (ii, iii) | 22,250,000 common shares 1,000,000 warrants expire Dec 16, 2011 2,000,000 warrants expire May 19, 2012 | 2,535 | 2,284 | 1.1 |
| Nortec Ventures Corp. | (ii, iii) | 16,080,000 common shares 1,500,000 warrants expire Jun 15, 2011 | 2,482 | 1,930 | 1.0 |

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

3. Investments (continued):

As at September 30, 2010:

| Issuer | Note | Security Description | Cost | Fair Value | % of Sector (FV) |
|--|-----------------|---|--------------|-------------------|-------------------------|
| Sector: Resources (Precious Metals) (continued) | | | | | |
| Unigold Inc. | (ii, iii) | 10,821,500 common shares 1,500,000 warrants expire Dec 1, 2011 | 4,138 | 1,894 | 0.9 |
| Rolling Rock Resources Corp. | (ii, iii) | 9,076,500 common shares 1,500,000 warrants expire Feb 25, 2012 | 1,845 | 1,725 | 0.9 |
| Evolving Gold Corp. | (ii) | 2,000,000 common shares 500,000 warrants expire Nov 24, 2011 | 991 | 1,680 | 0.8 |
| AM Gold Inc. (formerly Acero-Martin Exploration Inc.) | (iii) | 2,750,000 common shares 500,000 warrants expire Jul 14, 2011 250,000 warrants expire Apr 30, 2012 | 1,289 | 1,669 | 0.8 |
| Ginguro Exploration Inc. | (ii, iii, 7(h)) | 4,888,000 common shares 1,250,000 warrants expire Jun 17, 2011 625,000 warrants expire Dec 11, 2011 | 1,349 | 1,528 | 0.8 |
| UC Resources Ltd. | (iii) | 14,500,000 common shares 500,000 warrants expire Feb 15, 2011 1,250,000 warrants expire Mar 9, 2011 500,000 warrants expire Aug 26, 2011 750,000 warrants expire Sep 27, 2012 | 4,051 | 1,516 | 0.7 |
| Pele Mountain Resources Inc. | (ii, iii) | 8,000,000 common shares 1,000,000 warrants expire Sep 30, 2012 | 2,823 | 1,480 | 0.7 |
| AMI Resources Inc. | (ii, iii) | 9,888,000 common shares 1,500,000 warrants expire Apr 28, 2011 | 1,300 | 1,384 | 0.7 |
| Treasury Metals Inc. | (iii) | 2,204,555 common shares | 653 | 1,301 | 0.6 |
| Golden Goose Resources Inc. | (ii, iii) | 3,280,000 common shares | 1,962 | 1,263 | 0.6 |
| TNR Gold Corp. | (iii) | 6,500,000 common shares | 1,476 | 1,203 | 0.6 |
| Visible Gold Mines Inc. | (ii, iii) | 2,500,000 common shares | 726 | 1,200 | 0.6 |
| Soltoro Ltd. | (ii, iii) | 3,023,000 common shares 250,000 warrants expire Dec 24, 2010 250,000 warrants expire Aug 12, 2011 | 1,481 | 1,169 | 0.6 |
| Redstar Gold Corp. | (ii, iii) | 6,834,500 common shares | 1,445 | 1,162 | 0.6 |
| Apogee Minerals Ltd. | (iii) | 8,200,000 common shares 1,175,000 warrants expire Apr 30, 2011 500,000 warrants expire Dec 18, 2011 625,000 warrants expire May 12, 2012 | 1,048 | 1,148 | 0.6 |
| Castillian Resources Corp. | (iii) | 13,568,265 common shares 1,666,667 warrants expire Jul 16, 2012 | 4,683 | 1,075 | 0.5 |
| Valencia Ventures Inc. | (ii, iii) | 14,884,000 common shares 4,700,000 warrants expire Nov 25, 2011 | 4,580 | 1,042 | 0.5 |

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

3. Investments (continued):

| As at September 30, 2010: | | | | | |
|--|--------------------|--|----------------|-------------------|-------------------------|
| Issuer | Note | Security Description | Cost | Fair Value | % of Sector (FV) |
| Sector: Resources (Precious Metals) (continued) | | | | | |
| Atlanta Gold Inc. | (iii) | 5,500,000 common shares 500,000 warrants expire Feb 6, 2011 1,000,000 warrants expire Apr 19, 2012 500,000 warrants expire Aug 26, 2012 1,500,000 warrants expire Sep 17, 2012 | 895 | 1,031 | 0.5 |
| Total of 122 other investments – Resources (Precious Metals) sector (iv) | | | 88,080 | 52,956 | 26.0 |
| | | | 206,527 | 203,863 | 100.0 |
| Sector: Resources (Uranium and Coal) | | | | | |
| Cline Mining Corporation | (i, ii, iii) | 16,500,000 common shares 1,500,000 warrants expire Feb 11, 2012 | 14,488 | 36,840 | 43.7 |
| Mega Uranium Ltd. | (i, ii, iii, 7(h)) | 13,800,000 common shares 165,000 warrants expire Feb 22, 2012 764,712 warrants expire Jun 6, 2012 1,500,000 warrants expire Oct 26, 2014 | 38,636 | 8,779 | 10.4 |
| Rockgate Capital Corp. | (i, ii, iii, 7(h)) | 9,427,500 common shares 250,000 warrants expire Jul 28, 2011 322,500 warrants expire Sep 16, 2011 | 8,935 | 7,077 | 8.4 |
| Mawson Resources Ltd. | (i, iii) | 3,220,500 common shares 750,000 warrants expire May 6, 2011 | 1,825 | 2,222 | 2.6 |
| Tournigan Energy Ltd. | (i, iii) | 13,000,000 common shares 500,000 warrants expire Jul 14, 2012 | 3,356 | 2,204 | 2.6 |
| Energy Fuels Inc. | (iii) | 5,000,000 common shares | 3,606 | 1,750 | 2.1 |
| Dios Exploration Inc. | (ii, iii) | 5,500,000 common shares | 3,129 | 1,485 | 1.8 |
| U308 Corp. | (ii, iii, 7(h)) | 4,167,771 common shares | 1,725 | 1,459 | 1.7 |
| Energy Ventures Limited | (iii) | 16,005,756 common shares | 2,226 | 1,240 | 1.5 |
| Calypso Uranium Corp. | (ii, iii) | 5,719,500 common shares | 2,594 | 1,172 | 1.4 |
| Sparton Resources Inc. | (ii, iii) | 8,236,500 common shares 2,500,000 warrants expire Oct 5, 2010 | 2,323 | 1,112 | 1.3 |
| RPT Resources Ltd. | (iii) | 6,000,000 common shares | 1,808 | 1,110 | 1.3 |
| Forum Uranium Corp. | (ii, iii) | 10,500,500 common shares 3,000,000 warrants expire Apr 22, 2011 | 2,627 | 1,050 | 1.2 |
| Expedition Mining Inc. | (iii) | 6,000,000 common shares | 3,944 | 1,020 | 1.2 |
| Total of 41 other investments – Resources (Uranium and Coal) sector (iv) | | | 44,615 | 15,793 | 18.8 |
| | | | 135,837 | 84,313 | 100.0 |

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

3. Investments (continued):

As at September 30, 2010:

| Issuer | Note | Security Description | Cost | Fair Value | % of Sector (FV) |
|---|--------------------|--|----------------|-------------------|-------------------------|
| Sector: Resources (Base Metals) | | | | | |
| Macarthur Minerals Ltd. | (i, ii, iii) | 6,086,900 common shares 500,000 warrants expire Jan 3, 2013 | 7,711 | 10,348 | 12.6 |
| Solitario Exploration & Royalty Corp | (i, iii) | 2,522,753 common shares | 5,144 | 5,701 | 6.9 |
| Coro Mining Corp. | (i, iii) | 9,301,500 common shares | 3,022 | 4,837 | 5.9 |
| INV Metals Inc. | (i, iii) | 3,000,000 common shares | 3,818 | 4,020 | 4.9 |
| Erdene Resource Development Corp. | (i, iii) | 6,000,000 common shares | 2,659 | 2,820 | 3.4 |
| Creston Moly Corp. | (iii) | 12,000,900 common shares | 8,808 | 2,760 | 3.4 |
| Probe Mines Ltd. | (ii, iii) | 4,500,000 common shares 500,000 warrants expire Feb 2, 2012 | 2,977 | 2,745 | 3.3 |
| MacDonald Mines Exploration Ltd. | (ii, iii) | 16,000,000 common shares 3,075,000 warrants expire Oct 29, 2011 | 7,268 | 2,560 | 3.1 |
| Advanced Explorations Inc. | (iii) | 4,350,000 common shares 2,000,000 warrants expire May 18, 2011 1,500,000 warrants expire Sep 22, 2011 | 900 | 2,257 | 2.7 |
| 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 | 1,917 | 2.3 |
| Happy Creek Minerals Ltd. | (ii, iii) | 5,000,000 common shares | 2,103 | 1,775 | 2.2 |
| Bridgeport Ventures Inc. | (ii, iii) | 1,631,000 common shares 500,000 warrants expire Dec 1, 2012 | 738 | 1,713 | 2.1 |
| Castle Resources Inc. | (ii, iii) | 3,535,500 common shares 500,000 warrants expire Apr 15, 2011 | 924 | 1,595 | 1.9 |
| Infrastructure Materials Corp. | (ii, iii) | 8,177,174 common shares | 3,032 | 1,507 | 1.8 |
| Woulfe Mining Corp. | (iii) | 11,254,000 common shares 2,500,000 warrants expire Dec 17, 2011 | 6,016 | 1,182 | 1.4 |
| African Metals Corporation | (ii, iii) | 4,575,000 common shares 1,250,000 warrants expire Oct 22, 2011 1,000,000 warrants expire Aug 27, 2012 | 1,020 | 1,175 | 1.4 |
| Silvermet Inc. | (iii) | 6,327,000 common shares 500,000 warrants expire Feb 25, 2011 | 1,306 | 1,107 | 1.3 |
| Total of 80 other investments – Resources (Base Metals) sector (iv) | | | 86,889 | 32,253 | 39.4 |
| | | | 151,056 | 82,272 | 100.0 |
| Sector: Resources (Oil & Gas) | | | | | |
| Canadian Spirit Resources Inc. | (i, ii) | 2,815,400 common shares | 2,711 | 6,222 | 13.5 |
| Primary Petroleum Corp. | (i, ii, iii) | 14,802,839 common shares | 3,814 | 6,144 | 13.3 |
| Brownstone Ventures Inc. | (i, ii, iii, 7(h)) | 10,697,720 common shares 500,000 warrants expire May 28, 2011 1,369,110 warrants expire Apr 13, 2012 | 8,462 | 5,563 | 12.1 |
| Azimuth Resources Limited (formerly Epsilon Energy Ltd.) | (i, iii) | 31,000,000 common shares 4,000,000 warrants expire Dec 31, 2012 | 2,875 | 4,706 | 10.2 |

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

3. Investments (continued):

| As at September 30, 2010: | | | | | |
|---|--------------|--|---------------|-------------------|-------------------------|
| Issuer | Note | Security Description | Cost | Fair Value | % of Sector (FV) |
| Sector: Resources (Oil & Gas) (continued) | | | | | |
| Talon Metals Corp. | (i, iii) | 4,500,000 common shares | 2,496 | 3,420 | 7.4 |
| Anglo Canadian Oil Corp. | (iii) | 6,000,000 common shares | | | |
| | | 500,000 warrants expire May 16, 2011 | 595 | 2,248 | 4.9 |
| Vulcan Minerals Inc. | (iii) | 4,882,500 common shares | | | |
| | | 500,000 warrants expire Nov 3, 2011 | | | |
| | | 100,000 warrants expire Nov 26, 2011 | 2,915 | 2,051 | 4.5 |
| Centric Energy Corp. | (ii, iii) | 5,750,000 common shares | 1,380 | 1,179 | 2.6 |
| Donnybrook Energy Inc. (formerly Coastport Capital Inc.) | (iii) | 5,250,000 common shares | | | |
| | | 1,250,000 warrants expire Feb 13, 2011 | | | |
| | | 500,000 warrants expire Feb 25, 2011 | 1,239 | 1,019 | 2.2 |
| Total of 34 other investments – Resources (Oil & Gas) sector (iv) | | | 28,254 | 13,526 | 29.3 |
| | | | 54,741 | 46,078 | 100.0 |
| Sector: Resources (Potash, Lithium and Rare Earths) | | | | | |
| Ucore Uranium Inc. | (i, ii, iii) | 10,500,000 common shares | | | |
| | | 1,250,000 warrants expire Jul 24, 2011 | 4,871 | 6,793 | 22.3 |
| Stans Energy Corp. | (i, iii) | 11,850,000 common shares | | | |
| | | 500,000 warrants expire Aug 2, 2011 | 2,490 | 5,703 | 18.7 |
| Lithium Americas Corp. | (i) | 3,528,700 common shares | | | |
| | | 125,000 warrants expire May 13, 2012 | 4,565 | 5,646 | 18.6 |
| IC Potash Corp. (formerly Trigon Uranium Corp.) | (i, ii, iii) | 7,321,500 common shares | | | |
| | | 937,500 warrants expire Dec 2, 2011 | | | |
| | | 500,000 warrants expire Sep 15, 2013 | 6,107 | 3,363 | 11.1 |
| Rare Earth Metals Inc. | (i, ii, iii) | 5,750,000 common shares | | | |
| | | 2,000,000 warrants expire Dec 16, 2011 | 1,614 | 2,400 | 7.9 |
| New World Resource Corp. | (ii, iii) | 6,236,852 common shares | | | |
| | | 1,000,000 warrants expire Jun 26, 2011 | 3,074 | 1,310 | 4.3 |
| Matamec Explorations Inc. | (iii) | 4,370,000 common shares | | | |
| | | 1,388,889 warrants expire Oct 16, 2010 | 903 | 1,121 | 3.7 |
| Fieldex Exploration Inc. | (ii, iii) | 6,629,278 common shares | | | |
| | | 1,388,889 warrants expire Oct 29, 2011 | 1,104 | 1,028 | 3.4 |
| Total of 16 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv) | | | 5,846 | 3,057 | 10.0 |
| | | | 30,574 | 30,421 | 100.0 |
| Sector: Technology and Other | | | | | |
| Opel International Inc. | (i, ii, iii) | 8,300,000 common shares | | | |
| | | 750,000 warrants expire Dec 13, 2011 | | | |
| | | 500,000 warrants expire Jul 21, 2012 | 6,754 | 3,055 | 15.0 |
| Titanium Corporation Inc. | (i) | 1,250,000 common shares | 756 | 2,250 | 11.0 |
| Diagnos Inc. | (i, ii, iii) | 5,250,500 common shares | | | |
| | | 1,500,000 warrants expire Nov 11, 2011 | 1,559 | 1,980 | 9.7 |
| Landrill International Inc. | (i, ii, iii) | 8,000,000 common shares | 2,284 | 1,760 | 8.6 |

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3. Investments (continued):

| As at September 30, 2010: | | | | | |
|--|--------------|---|-------------------|-------------------|------------------|
| Issuer | Note | Security Description | Cost | Fair Value | % of Sector (FV) |
| Sector: Technology and Other (continued) | | | | | |
| BacTech Mining Corporation | (i, ii, iii) | 11,787,500 common shares 2,000,000 warrants expire May 10, 2011 1,000,000 warrants expire Aug 6, 2013 1,537,500 warrants expire Jun 17, 2015 | 1,287 | 1,043 | 5.1 |
| Total of 37 other investments – Resources (Technology and Other) sector (iv) | | | 35,505 | 10,332 | 50.6 |
| | | | 48,145 | 20,420 | 100.0 |
| Total investments (v) | | | \$ 626,880 | \$ 467,367 | |

- (i) These investments are in the top five of their respective sector, by fair value, publicly traded and these investments have a fair value greater than \$1,000 as at September 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 September 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 September 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 September 30, 2010.
- (v) As at September 30, 2010, included in total investments were securities of private companies with a fair value totaling \$30,029 (cost of \$35,116) determined in accordance with the Company’s accounting policy for private company investments.
- (b) Investments accounted for at fair value consist of the following as at December 31, 2009 by sector:

| As at December 31, 2009: | | | | | |
|--|--------------|---|--------|------------|------------------|
| Issuer | Note | Security Description | Cost | Fair Value | % of Sector (FV) |
| 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 |

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
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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) | | | | | |
| Solitario Exploration & Royalty Corp | (i, iii) | 2,508,053 common shares | 5,107 | 6,019 | 3.8 |
| Latin American Minerals Inc. | (ii, iii, 7(h)) | 13,500,000 common shares 500,000 warrants expire Feb 19, 2010 1,000,000 warrants expire Oct 5, 2011 | 6,119 | 3,158 | 2.0 |
| Mega Precious Metals Inc. (formerly Mega Silver Inc.) | (ii, iii, 7(h)) | 4,980,836 common shares 375,000 warrants expire Nov 2, 2010 | 2,847 | 2,957 | 1.9 |
| Unigold Inc. | (ii, iii) | 10,516,000 common shares 1,500,000 warrants expire Dec 1, 2011 | 4,049 | 2,778 | 1.8 |
| Valencia Ventures Inc. | (ii, iii) | 14,884,000 common shares 4,700,000 warrants expire Nov 25, 2011 | 4,580 | 2,686 | 1.7 |
| Bear Gold Lake Ltd. (formerly NFX Gold Inc.) | (ii, iii) | 10,327,000 common shares 1,000,000 warrants expire Oct 23, 2010 750,000 warrants expire Jun 4, 2011 | 8,024 | 2,582 | 1.6 |
| Niogold Mining Corp. | (ii, iii) | 7,171,500 common shares 900,000 warrants expire Dec 22, 2010 | 2,588 | 2,242 | 1.4 |
| Silver Quest Resources Ltd. | (ii, iii) | 4,250,000 common shares 1,250,000 warrants expire Sep 16, 2010 1,250,000 warrants expire Oct 6, 2010 | 877 | 2,163 | 1.4 |
| Caledonia Mining Corporation | (iii) | 35,910,000 common shares | 5,740 | 2,155 | 1.4 |
| 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 |
| 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 |

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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) | | | | | |
| 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 (Uranium and Coal) | | | | | |
| Mega Uranium Ltd. | (i, ii, iii, 7(h)) | 13,400,000 common shares 914,712 warrants expire Feb 22, 2012 1,500,000 warrants expire Oct 26, 2014 | \$ 39,747 | \$ 10,356 | 21.1 |
| Rockgate Capital Corp. | (i, ii, iii, 7(h)) | 8,500,000 common shares 500,000 warrants expire Mar 27, 2010 250,000 warrants expire Jul 28, 2011 | 8,296 | 5,550 | 11.3 |
| Cline Mining Corp. | (i, ii, iii) | 13,500,000 common shares | 10,409 | 4,725 | 9.6 |
| Tournigan Energy Ltd. | (i, iii) | 10,000,000 common shares | 2,913 | 2,250 | 4.6 |
| Continental Precious Minerals Inc. | (i, ii, iii) | 2,000,000 common shares 1,000,000 warrants expire May 6, 2012 | 1,091 | 1,920 | 3.9 |
| Sparton Resources Inc. | (ii, iii) | 8,236,500 common shares 2,500,000 warrants expire Oct 5, 2010 | 2,323 | 1,542 | 3.1 |
| Pele Mountain Resources Inc. | (ii, iii) | 8,000,000 common shares 1,000,000 warrants expire Feb 22, 2010 | 2,823 | 1,520 | 3.1 |
| 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, 7(h)) | 2,550,100 common shares | 996 | 1,224 | 2.5 |
| Energy Fuels Inc. | (iii) | 4,500,000 common shares | 3,456 | 1,125 | 2.3 |
| Total of 50 other investments – Resources (Uranium and Coal) sector (iv) | | | 58,050 | 17,473 | 35.7 |
| | | | 132,812 | 49,066 | 100.0 |
| 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 |

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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) (continued) | | | | | |
| 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: Resources (Oil & Gas) | | | | | |
| Brownstone Ventures Inc. | (i, ii, iii, 7(h)) | 7,647,000 common shares | | | |
| | | 500,000 warrants expire May 28, 2011 | 6,797 | 6,143 | 17.9 |
| Southern Pacific Resources Corp. | (i, ii) | 5,488,500 common shares | 4,724 | 5,300 | 15.4 |
| Canadian Spirit Resources Inc. | (i, ii, iii) | 2,121,300 common shares | | | |
| | | 500,000 warrants expire Feb 19, 2010 | 1,870 | 3,532 | 10.3 |
| Vulcan Minerals Inc. | (i, iii) | 3,782,500 common shares | | | |
| | | 100,000 warrants expire Nov 26, 2011 | 2,246 | 2,487 | 7.2 |
| Red Maple Energy Inc. | (i) | 5,400,000 common shares | 750 | 1,557 | 4.5 |
| Quetzal Energy Ltd. | (ii, iii, 7h)) | 9,110,000 common shares | | | |
| | | 5,000,000 warrants expire Oct 26, 2011 | | | |
| | | 600,000 warrants expire Apr 21, 2012 | 4,085 | 1,508 | 4.4 |
| Changfeng Energy Inc. | (iii) | 3,346,500 common shares | 1,329 | 1,088 | 3.2 |
| Talon Metals Corp. | (iii) | 2,504,000 common shares | 1,699 | 1,014 | 2.9 |
| Total of 38 other investments – Resources (Oil & Gas) sector (iv) | | | 29,168 | 11,775 | 34.2 |
| | | | 52,668 | 34,404 | 100.0 |
| 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 |

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3. Investments (continued):

| As at December 31, 2009: | | | | | |
|---|--------------|---|-------------------|-------------------|-------------------------|
| Issuer | Note | Security Description | Cost | Fair Value | % of Sector (FV) |
| Sector: Resources (Potash, Lithium and Rare Earths) (continued) | | | | | |
| 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 |
| Sector: Technology and Other | | | | | |
| Enghouse Systems Ltd. | (i) | 750,000 common shares | 5,217 | 6,450 | 24.4 |
| Diagnos Inc. | (i, ii, iii) | 5,767,500 common shares 1,500,000 warrants expire Nov 11, 2011 | 1,683 | 2,730 | 10.3 |
| Antisense Therapeutics Limited | (i, iii) | 37,500,000 common shares | 2,055 | 1,938 | 7.3 |
| Opel International Inc. | (i, ii, iii) | 6,150,000 common shares 1,000,000 warrants expire May 11, 2010 750,000 warrants expire Dec 13, 2011 | 6,037 | 1,476 | 5.6 |
| Total of 42 other investments – Technology and Other sector (iv) | | | 37,626 | 13,819 | 52.4 |
| | | | 52,618 | 26,413 | 100.0 |
| Total investments (v) | | | \$ 601,582 | \$ 366,724 | |

- (i) These investments are in the top five of their respective sector, by fair value, publicly traded and these investments have a fair value greater than \$1,000 as at December 31, 2009.
- (ii) The Company has filed an “early warning report” pursuant to applicable Canadian securities legislation for these investments and these investments have a fair value greater than \$1,000 as at December 31, 2009.
- (iii) The Company owns, on a partially diluted basis, at least a 5% interest in the 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.

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3. Investments (continued):

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

| | September 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 (i) | (159) | - |
| Losses from equity accounted investments | (573) | (116) |
| Equity accounted investments - carrying value, end of period | \$ 1,179 | \$ 1,911 |
| Equity accounted investments - cost | \$ 2,313 | \$ 2,714 |
| Number of equity accounted investments | 3 | 4 |

- (i) During the nine months ended September 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 at April 23, 2010. The Company now classifies its investment in Vesta as investments, at fair value. The fair value of the Company's investment in Vesta at the time of the change in accounting method from the equity method to the fair value method was \$300 and the dilution gain resulting from the change in accounting method was \$141, which is included in unrealized gains on investments.

4. Financial instruments hierarchy:

The following table presents the Company's financial instruments, measured at fair value on the consolidated balance sheet as at September 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 | \$ 408,671 | \$ 28,667 | \$ 30,029 | \$ 467,367 |
| | 408,671 | 28,667 | 30,029 | 467,367 |
| Liabilities | | | | |
| Class C preferred share liabilities, at fair value | - | \$ 310 | - | \$ 310 |
| | - | 310 | - | 310 |

Pinetree Capital Ltd.

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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 nine months ended September 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 | Level 2 | Level 3 | Total |
|---|------------------------|--|--|------------|
| | Quoted market price | Valuation technique – observable market inputs | Valuation technique – non-observable market inputs | |
| 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 nine months ended September 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 gains | Net transfer out of Level 3 | Ending balance, September 30, 2010 |
|----------------------------|---|------------------|--------------------|----------------------------|--------------------------------------|---|
| Investments, at fair value | \$ 32,731 | \$ 11,371 | \$ (2,920) | \$ 3,528 | \$ (14,681) | \$ 30,029 |

The net transfer out of Level 3 consists of investments in private companies as at December 31, 2009 and companies which were purchased during the nine months ended September 30, 2010 which became publicly-traded investments during the nine months ended September 30, 2010.

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4. Financial instruments hierarchy (continued):

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

| | 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 |

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

5. Due to brokers:

Due to brokers consists of margin borrowings collateralized by the Company's investments held at the brokers. In the normal course of business, the Company utilizes the margin borrowings to finance its investment activities. Interest is charged on the daily outstanding balance at a tiered rate 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 \$250 (December 31, 2009 - \$1,000) collateralized by the Company's assets. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand. As at September 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.

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7. Related party transactions (continued):

Related party transactions were as follows during the nine months ended September 30:

| Type of service | Nature of relationship | 2010 | 2009 |
|--|------------------------------------|--------|--------|
| Consulting fees (a) | Officers | \$ 368 | \$ 668 |
| Director fees | Directors | 122 | 102 |
| Interest expense (b) | Director, shareholder, and officer | 183 | 1,514 |
| Other income (c) | Affiliated companies | 439 | 3,239 |
| Realized gains (losses) on disposal of investments (d) | Affiliated companies | - | 406 |
| Realized gains on disposal of equity accounted investments (e) | Director, shareholder, officer | - | 370 |

- (a) Consulting agreements are with the Company's Vice President - Legal & Corporate Affairs, Vice President – Business Development, Vice President – Research, Vice President – Trading, Head Trader, and Vice President, Corporate Development and Chief Financial Officer. The costs relating to these agreements are included in operating, general and administrative expenses. For the nine months ended September 30, 2010, included in consulting fees is \$50 in bonus payments to officers of the Company. In the prior year, the Company also had a consulting agreement with the Company's Chairman and Chief Executive Officer ("CEO"). Effective January 1, 2010, the CEO's consulting agreement was terminated and replaced with an employment agreement between the CEO and the Company.
- (b) From time to time, the CEO advances funds to Pinetree. On December 15, 2008, the Company entered into a \$25,000 credit facility (the "Credit Facility") with the CEO. The Credit Facility is secured under a General Security Agreement (the "GSA"). The GSA covers all present and future tangible and intangible property of the Company subject to any security interests ranking in priority thereto, including the security interest for the Company's bank line of credit (note 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 nine months ended September 30, 2010, a maximum balance of \$4,490 (nine months ended September 30, 2009 - \$24,549) was outstanding under the Credit Facility. Included in the consolidated statements of operations is \$183 (nine months ended September 30, 2009 - \$1,514) of interest and standby fee expense relating to the Credit Facility. As at September 30, 2010 and December 31, 2009, there was nil outstanding under the Credit Facility.
- (c) Other income relates to sublease and services agreements of approximately \$439 (nine months ended September 30, 2009 - \$3,239) from companies in which Pinetree has a common director and common officers. The Company has a cost sharing arrangement with certain of its affiliated companies covering specific operating, general and administrative expenses, including lease commitments and salaries.

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7. Related party transactions (continued):

- (d) During the nine months ended September 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) During the nine months ended September 30, 2009, the Company sold an equity accounted investment, its 50% interest in PowerOne Capital Markets Limited with a carrying value of \$2,280, to the Company's CEO for total proceeds of \$2,650. The Company recognized a gain on the disposal of the equity accounted investment of \$370.
- (f) On March 10, 2010, the Company entered into an agreement (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 a rate equal to prime plus 2% and are secured by a general security agreement over the Fund's assets. As at September 30, 2010, the Company had advanced \$288 to the Fund under the Fund Agreement, including accrued interest receivable of \$6. 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.
- (g) As at December 31, 2009, the Company had a loan receivable from an officer of the Company totaling \$75 which was repaid in full on January 29, 2010. The loan bore interest at RBC's prime rate plus 1% per annum, compounded monthly. The loan was used by the officer to purchase investments and was collateralized by those investments.
- (h) The Company has investments in listed issuers which are related parties with a common director and common officers of the Company or related parties with a director who is an officer of the Company. See notes 3(a, b).
- (i) During the nine months ended September 30, 2010, the Company granted to directors and officers the following options:

| Date Granted | Options Granted | Exercise Price | Expiry |
|----------------------|------------------------|-----------------------|-----------------|
| April 1, 2010 | 250,000 | \$ 1.83 | March 31, 2015 |
| June 1, 2010 | 1,165,000 | 1.46 | May 31, 2015 |
| September 1, 2010 | 250,000 | 1.41 | August 31, 2015 |
| Total granted | 1,665,000 | | |

Pinetree Capital Ltd.

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8. Class C preferred share liabilities:

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

During the nine months ended September 30, 2010, 900 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 September 30, 2010, 31,000 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 nine months ended September 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 September 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 nine months ended September 30, 2010, the 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 September 30, 2010, the Company had Class C preferred share liabilities of \$310 (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, September 30, 2010 | 135,709,653 | \$ 275,149 |

Pinetree Capital Ltd.

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

9. Share capital (continued):

(a) During the nine months ended September 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 nine months ended September 30, 2010, the Company granted the following options:

| 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 |
| September 1, 2010 | 250,000 | 1.41 | August 31, 2015 |
| Total granted | 1,767,500 | | |

The fair value of the options granted during the nine months ended September 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% - 103.3% |
| Expected dividend yield | 0.0% |
| Risk-free interest rate | 2.25% - 3.0% |
| 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 |
| Fair value per stock option granted on September 1, 2010 | \$ 0.96 |

Pinetree Capital Ltd.
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9. Share capital (continued):

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

| | |
|--|---------|
| Black-Scholes assumptions used | |
| Expected volatility | 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 nine months ended September 30, 2010, included in operating, general and administrative expenses is stock-based compensation of \$2,255 (nine months ended September 30, 2009 - \$3,067) relating to stock options granted to directors, officers, employees and consultants of the Company.

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

| Stock Options | Nine months ended September 30, 2010 | | Twelve months ended December 31, 2009 | |
|--------------------------------------|---|--|--|--|
| | # of Options | Weighted Average Exercise Price | # of Options | Weighted Average Exercise Price |
| Outstanding, at beginning of period | 10,312,740 | \$ 3.79 | 6,182,208 | \$ 5.38 |
| Granted | 1,767,500 | 1.51 | 4,221,400 | 1.42 |
| Exercised | (480,000) | 0.56 | (40,868) | 0.59 |
| Cancelled/terminated | (506,800) | 3.00 | (50,000) | 2.82 |
| Outstanding, at end of period | 11,093,440 | \$ 3.60 | 10,312,740 | \$ 3.79 |
| Exercisable, at end of period | 8,597,726 | \$ 4.22 | 7,038,852 | \$ 4.89 |

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

9. Share capital (continued):

The following table summarizes information about stock options outstanding and exercisable as at September 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 |
| 100,000 | 100,000 | 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 |
| 862,500 | 862,500 | 13.02 | April 26, 2012 |
| 50,000 | 50,000 | 9.50 | July 2, 2012 |
| 25,000 | 25,000 | 4.08 | September 3, 2012 |
| 2,497,000 | 2,497,000 | 5.45 | September 16, 2012 |
| 1,407,500 | 1,407,500 | 3.14 | April 10, 2013 |
| 1,475,000 | 1,228,080 | 1.29 | March 31, 2014 |
| 50,000 | 41,600 | 1.73 | June 29, 2014 |
| 2,444,600 | 1,637,266 | 1.46 | August 31, 2014 |
| 85,000 | 42,180 | 2.07 | November 30, 2014 |
| 265,000 | 44,100 | 1.83 | March 31, 2015 |
| 1,127,500 | 208,160 | 1.46 | May 31, 2015 |
| 250,000 | - | 1.41 | August 31, 2015 |
| 11,093,440 | 8,597,726 | | |

(c) Warrants and broker warrants:

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

| | Nine months ended September 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 | (722,771) | 2.72 | (1,306,250) | 8.18 |
| Outstanding, at end of period | 20,513,650 | \$ 7.31 | 21,236,421 | \$ 7.15 |

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

9. Share capital (continued):

The following table summarizes the warrants and broker warrants outstanding as at September 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 |
| 8,638,650 | 3.50 | July 11, 2013 | 9,762 |
| 20,513,650 | | | \$ 66,524 |

(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)) | 2,255 |
| Exercise of stock options (note 9(a)) | (156) |
| Reallocation of expired broker warrants | 615 |
| Balance, September 30, 2010 | \$ 29,722 |

Contributed surplus comprises the fair value of stock-based compensation of \$23,978 and the fair value of expired broker warrants of \$5,744. 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.

(e) Normal course issuer bid:

During the nine months ended September 30, 2010, the Company instituted a normal course issuer bid in respect of its common shares (the "NCIB"). Pursuant to the terms of the NCIB, and in accordance with the policies of the TSX, during the period commencing September 1, 2010 and ending August 31, 2011, the Company may purchase up to 5,000,000 common shares, representing approximately 3.7% of the common shares outstanding as at August 27, 2010. Purchases will be made in open market transactions through the facilities of the TSX and on other published markets at market prices prevailing at the time of acquisition. All common shares purchased under the NCIB will be cancelled. During the nine months ended September 30, 2010, no common shares of the Company were purchased under the NCIB.

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10. Lease commitments:

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

| | | |
|------|----|-------|
| 2011 | \$ | 679 |
| 2012 | | 689 |
| 2013 | | 681 |
| 2014 | | 170 |
| | \$ | 2,219 |

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:

| | September 30, 2010 | December 31, 2009 |
|--|--------------------|-------------------|
| Future income tax (liabilities) assets | | |
| Non-capital losses | \$ 8,364 | \$ 10,874 |
| Corporate minimum tax credit | 4,103 | 4,103 |
| Ontario transitional tax credits | 2,696 | 2,619 |
| Share issuance costs | 1,125 | 1,867 |
| Investments – differences in carrying value and tax cost | (16,481) | (9,319) |
| Capital assets – differences in amortized and unamortized cost | 136 | 219 |
| Total future income tax (liabilities) assets | (57) | 10,363 |
| Less: valuation allowance (a) | - | - |
| Net future income tax (liabilities) assets | \$ (57) | \$ 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 September 30, 2010, included in the FTA are approximately \$50,316 (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.

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12. Management of capital:

The Company includes the following in its capital:

| | September 30, 2010 | December 31, 2009 |
|--|--------------------|-------------------|
| Due to brokers | \$ 49,461 | \$ 33,673 |
| Class C preferred share liabilities, at fair value | 310 | 373 |
| Shareholders' equity comprised of | | |
| Share capital | 275,149 | 274,725 |
| Warrants and broker warrants | 66,524 | 67,139 |
| Contributed surplus | 29,722 | 27,008 |
| Retained earnings (deficit) | 40,683 | (26,180) |
| | \$ 461,849 | \$ 376,738 |

The Company's objectives when managing capital are:

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. There were no changes to the Company's objectives in managing and maintaining capital since June 30, 2010. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments;
- (b) utilizing leverage in the form of margin (due to brokers) and the Company's bank credit line (bank indebtedness);
- (c) raising capital through equity financings; and
- (d) utilizing 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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12. Management of capital (continued):

In August 2010, the Company's operating line of credit with RBC was reduced to \$250 from \$1,000 (note 6). As at September 30, 2010 and December 31, 2009, the Company had nil outstanding on the line of credit.

The payment of cash dividends does not form part of Pinetree's current capital management program and, to date, the Company has not declared any cash dividends on its common shares. However, the holders of the Class C Shares issued by PCIC are entitled to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter. During the nine months ended September 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 September 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 not have sufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in lesser proceeds from disposition and losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. Pinetree invests significantly in securities of "junior" issuers, which can at times be relatively illiquid, and if the Company decides to dispose of securities of a particular issuer it may not be able to do so at the time at favourable prices, or at all. Overall, the Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions, such that absent overall market disruptions or extreme circumstances, liquidity risk can be minimized.

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

13. Financial instruments (continued):

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

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

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

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

As at September 30, 2010, the Company had used margin of \$49,461 and had additional margin available of \$13,829. 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 September 30, 2010:

| Percentage of change in closing bid prices | Margin available with a % increase in closing bid price | Margin available (call) with a % decrease in closing bid price |
|---|--|---|
| 2% | \$ 15,079 | \$ 3,817 |
| 4% | 16,328 | 2,746 |
| 6% | 17,578 | 1,676 |
| 8% | 18,828 | 364 |
| 10% | 20,365 | (701) |

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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 September 30, 2010, the Company also had Class C preferred share liabilities of \$310 (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 September 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 September 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 | \$ 310 | \$ - |
| 2.00 | 10.71 | 332 | 22 |
| 2.25 | 12.05 | 374 | 64 |
| 2.50 | 13.39 | 415 | 105 |
| 2.75 | 14.73 | 457 | 147 |
| 3.00 | 16.06 | 498 | 188 |
| 3.25 | 17.40 | 540 | 230 |
| 3.50 | 18.74 | 581 | 271 |
| 3.75 | 20.08 | 623 | 313 |
| 4.00 | 21.42 | 664 | 354 |

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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 September 30, 2010:

| Liabilities and obligations | Payments due by period | | | | |
|--|------------------------|------------------|-------------|-------------|---------------|
| | Total | Less than 1 year | 1 – 3 years | 4 – 5 years | After 5 years |
| Due to brokers | \$ 49,461 | \$ 49,461 | \$ - | \$ - | \$ - |
| Accounts payable and accrued liabilities | 8,059 | 8,059 | - | - | - |
| Class C preferred share liabilities | 310 | 310 | - | - | - |
| Future income tax liabilities | 57 | - | 57 | - | - |
| | \$ 57,887 | \$ 57,830 | \$ 57 | \$ - | \$ - |

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

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

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****September 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.

There were no changes to the way the Company manages market risk since December 31, 2009. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers, although Pinetree's investment activities are currently concentrated primarily across several sectors in the natural resource industry: 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 for the nine months ended September 30, 2010 from a change in the closing bid price of the Company's investments with all other variables held constant as at September 30, 2010:

| Percentage of change in closing bid prices | Change in net after-tax income from % increase in closing bid price | Change in net after-tax income from % decrease in closing bid price |
|---|--|--|
| 2% | \$ 8,015 | \$ (8,015) |
| 4% | 16,031 | (16,031) |
| 6% | 24,046 | (24,046) |
| 8% | 32,061 | (32,061) |
| 10% | 40,077 | (40,077) |

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****September 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 after-tax net income for the nine months ended September 30, 2009 from a change in the closing bid price of the Company's investments with all other variables held constant as at September 30, 2009:

| Percentage of change in closing bid prices | Change in net after-tax income from % increase in closing bid price | Change in net after-tax income from % decrease in closing bid price |
|---|--|--|
| 2% | \$ 4,187 | \$ (4,187) |
| 4% | 8,375 | (8,375) |
| 6% | 12,562 | (12,562) |
| 8% | 16,750 | (16,750) |
| 10% | 20,937 | (20,937) |

(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 September 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. There were no changes to the way the Company manages interest rate risk since December 31, 2009. Pinetree does not hedge against any interest rate risk.

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

| Change in interest rate | Change in net after-tax income from an increase in interest rate | Change in net after-tax income from a decrease in interest rate |
|--------------------------------|---|--|
| 0.25% | \$ (36) | \$ 36 |
| 0.50% | (71) | 71 |
| 0.75% | (107) | 107 |
| 1.00% | (142) | 142 |

Pinetree Capital Ltd.

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(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 for the nine months ended September 30, 2009 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at September 30, 2009:

| Change in interest rate | Change in net after-tax income from an increase in interest rate | Change in net after-tax income from a decrease in interest rate |
|-------------------------|--|---|
| 0.25% | \$ (9) | \$ 9 |
| 0.50% | (19) | 19 |
| 0.75% | (28) | 28 |
| 1.00% | (37) | 37 |

(d) Currency risk:

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

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

The following assets and liabilities were denominated in foreign currencies:

| | September 30, 2010 | December 31, 2009 |
|--|--------------------|-------------------|
| Denominated in U.S. dollars: | | |
| Investments | \$ 12,874 | \$ 11,885 |
| Cash and cash equivalents | 14 | 11 |
| Due from brokers | 15 | 24 |
| Prepays and other receivables | 137 | 129 |
| Due to brokers | (2,588) | (139) |
| Accounts payable and accrued liabilities | (7) | (22) |
| Net assets denominated in U.S. dollars | 10,445 | 11,888 |

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Notes to Consolidated Financial Statements

September 30, 2010

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13. Financial instruments (continued):

| | September 30, 2010 | December 31, 2009 |
|--|--------------------|-------------------|
| Denominated in Australian dollars: | | |
| Investments | 12,026 | 11,335 |
| Due to brokers | (943) | (443) |
| Net assets denominated in Australian dollars | 11,083 | 10,892 |
| Denominated in British pounds: | | |
| Investments | 364 | 86 |
| Due to brokers | (320) | - |
| Net assets denominated in British pounds | 44 | 86 |

The following table shows the estimated sensitivity of the Company's net after-tax income for the nine months ended September 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 September 30, 2010:

| Percentage change in U.S. dollar | Change in net after-tax income from an increase in % in the U.S. dollar exchange rate | Change in net after-tax income from a decrease in % in the U.S. dollar exchange rate |
|----------------------------------|---|--|
| 2% | \$ 144 | \$ (144) |
| 4% | 288 | (288) |
| 6% | 432 | (432) |
| 8% | 577 | (577) |
| 10% | 721 | (721) |

The following table shows the estimated sensitivity of the Company's net after-tax income for the nine months ended September 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 September 30, 2010:

| Percentage change in Australian dollar | Change in net after-tax income from an increase in % in the Australian dollar exchange rate | Change in net after - tax income from a decrease in % in the Australian dollar exchange rate |
|--|---|--|
| 2% | \$ 152 | \$ (152) |
| 4% | 306 | (306) |
| 6% | 459 | (459) |
| 8% | 612 | (612) |
| 10% | 765 | (765) |

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****September 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 for the nine months ended September 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 September 30, 2009:

| Percentage of change in U.S. dollar | Change in net after-tax income from an increase in % in the U.S. dollar exchange rate | Change in net after - tax income from a decrease in % in the U.S. dollar exchange rate |
|--|--|---|
| 2% | \$ 65 | \$ (65) |
| 4% | 129 | (129) |
| 6% | 194 | (194) |
| 8% | 259 | (259) |
| 10% | 323 | (323) |

The following table shows the estimated sensitivity of the Company's net after-tax income for the nine months ended September 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 September 30, 2009:

| Percentage of change in Australian dollar | Change in net after-tax income from an increase in % in the Australian dollar exchange rate | Change in net after - tax income from a decrease in % in the Australian dollar exchange rate |
|--|--|---|
| 2% | \$ 248 | \$ (248) |
| 4% | 495 | (495) |
| 6% | 743 | (743) |
| 8% | 990 | (990) |
| 10% | 1,238 | (1,238) |

(e) Credit risk:

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

The Company's investments in convertible debentures and convertible notes are carried as though converted to common shares. As at September 30, 2010, the total fair value of these investments was \$1,245 (December 31, 2009 - \$1,498). The Company believes it is not significantly exposed to credit risk as these investments comprise 0.3% (December 31, 2009 – 0.4%) of the Company's total investments.

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

13. Financial instruments (continued):

During the nine months ended September 30, 2010, the Company entered into a securities lending agreement ("SLA") with one of its prime brokers in order to earn additional revenue, which is included in other income in the interim consolidated statements of operations. The Company receives collateral for the loaned securities. The securities on loan continue to be included in investments on the interim consolidated balance sheets. The Company believes it is not significantly exposed to credit risk since the prime broker is required to pay the Company the fair value of the securities loaned if the securities are not returned upon the Company's request. As at September 30, 2010, the total fair value of investments loaned to third parties was \$1,165 which comprise 0.2% of the Company's total investments.

(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, in the consolidated balance sheets approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments, equity accounted 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 components and, as such, comprehensive income is equal to net income.

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

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. Comparative consolidated financial statements:

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the September 30, 2010 unaudited interim consolidated financial statements.