

Interim Condensed Consolidated Financial Statements of



**(Unaudited - prepared in Canadian dollars)
March 31, 2012**

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PINETREE CAPITAL LTD.
Consolidated Statements of Financial Position
As at March 31, 2012 and December 31, 2011
(Unaudited - in thousands of Canadian dollars)

	<u>Notes</u>	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Assets			
Cash and cash equivalents		\$ 549	\$ 202
Due from brokers		14	15
Prepays and other receivables		350	168
Investments at fair value	3	413,533	427,669
Property, plant and equipment		767	812
Deferred tax assets	4(a)	18,763	14,753
		<u>\$ 433,976</u>	<u>\$ 443,619</u>
Liabilities and Equity			
Liabilities			
Due to brokers	3(c)	\$ 8,058	\$ 18,778
Accounts payable and accrued liabilities		2,594	1,129
Class C preferred share liabilities, at fair value		241	241
Income taxes payable		3,043	-
Convertible debentures		68,167	67,839
		<u>82,103</u>	<u>87,987</u>
Equity			
Share capital	5	\$ 276,797	\$ 276,797
Warrants and broker warrants	5(b)	66,524	66,524
Contributed surplus	5(c)	35,802	34,740
Equity component of convertible debentures		2,882	2,882
Foreign currency translation reserve		(22)	(22)
Deficit		<u>(30,110)</u>	<u>(25,289)</u>
		<u>351,873</u>	<u>355,632</u>
		<u>\$ 433,976</u>	<u>\$ 443,619</u>

See accompanying notes to the interim condensed consolidated financial statements.

PINETREE CAPITAL LTD.**Consolidated Statements of Comprehensive Loss****Three Months Ended March 31,****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Net investment losses			
Net realized gains on disposal of investments		\$ 5,848	\$ 59,645
Net change in unrealized losses on investments		(6,495)	(72,439)
		<u>(647)</u>	<u>(12,794)</u>
Other income		389	300
		<u>(258)</u>	<u>(12,494)</u>
Expenses			
Operating, general and administrative	5(a), 6	3,602	2,387
Finance expenses	7	1,928	284
		<u>5,530</u>	<u>2,671</u>
Loss before income taxes		(5,788)	(15,165)
Income tax benefit	4(b, d)	(967)	(3,965)
Loss for the period		\$ (4,821)	\$ (11,200)
Other comprehensive loss			
Exchange differences on translation of foreign operations		-	(13)
Total comprehensive loss for the period		<u>\$ (4,821)</u>	<u>\$ (11,213)</u>
Loss per common share based on loss for the period			
Basic and diluted		<u>\$ (0.04)</u>	<u>\$ (0.08)</u>
Weighted average number of common shares outstanding 5(d)			
Basic and diluted		136,447,273	136,389,000

See accompanying notes to the interim condensed consolidated financial statements.

PINETREE CAPITAL LTD.**Consolidated Statements of Changes in Equity****Three Months Ended March 31, 2012 and 2011****(Unaudited - in thousands of Canadian dollars)**

	Share capital	Warrants and broker warrants	Contributed surplus	Equity component of convertible debentures	Foreign currency translation reserve	Retained earnings (deficit)	Total equity
Balance at January 1, 2011	\$ 276,616	\$ 66,524	\$ 30,559	\$ -	\$ (22)	\$ 273,052	\$ 646,729
Loss for the period	-	-	-	-	-	(11,200)	(11,200)
Exchange differences on translation of foreign operations	-	-	-	-	(13)	-	(13)
Total comprehensive loss for the period	-	-	-	-	(13)	(11,200)	(11,213)
Stock-based compensation value of services	-	-	468	-	-	-	468
Issued pursuant to exercise of stock options	363	-	(142)	-	-	-	221
Balance at March 31, 2011	\$ 276,979	\$ 66,524	\$ 30,885	\$ -	\$ (35)	\$ 261,852	\$ 636,205
Balance at January 1, 2012	\$ 276,797	\$ 66,524	\$ 34,740	\$ 2,882	\$ (22)	\$ (25,289)	\$ 355,632
Loss for the period	-	-	-	-	-	(4,821)	(4,821)
Total comprehensive loss for the period	-	-	-	-	-	(4,821)	(4,821)
Stock-based compensation value of services	-	-	1,062	-	-	-	1,062
Balance at March 31, 2012	\$ 276,797	\$ 66,524	\$ 35,802	\$ 2,882	\$ (22)	\$ (30,110)	\$ 351,873

See accompanying notes to the interim condensed consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Cash Flows
Three Months Ended March 31,
(Unaudited - in thousands of Canadian dollars)

	<u>2012</u>	<u>2011</u>
Cash flows used in operating activities		
Loss for the period	\$ (4,821)	\$ (11,200)
Items not affecting cash:		
Net realized gains on disposal of investments	(5,848)	(59,645)
Net change in unrealized losses on investments	6,495	72,439
Unrealized gain on Class C preferred share liabilities	-	(81)
Amortization	62	53
Stock-based compensation expense	1,062	468
Accretion of discount on convertible debentures	137	-
Amortization of finance expenses on convertible debentures	191	-
Decrease (increase) in deferred tax assets	(4,010)	10,382
Decrease in deferred tax liabilities	-	(14,346)
	<u>(6,732)</u>	<u>(1,930)</u>
Adjustments for:		
Due from brokers	1	-
Prepays and other receivables	(182)	13
Accounts payable and accrued liabilities	1,465	(2,656)
Income taxes payable	3,043	-
	<u>(2,405)</u>	<u>(4,573)</u>
Net cash used in operating activities		
Cash flows used in financing activities		
Proceeds pursuant to exercise of stock options	-	221
Decrease in due to brokers	(10,720)	(14,404)
Redemption of Class C preferred share liabilities	-	(52)
	<u>(10,720)</u>	<u>(14,235)</u>
Net cash used in financing activities		
Cash flows from investing activities		
Purchase of property, plant and equipment	(17)	(69)
Purchase of investments	(68,838)	(106,267)
Proceeds on disposal of investments	82,327	125,056
	<u>13,472</u>	<u>18,720</u>
Net cash from investing activities		
Net increase (decrease) in cash and cash equivalents during the period	347	(88)
Exchange differences on translation of foreign operations	-	13
Cash and cash equivalents, beginning of period	202	158
Cash and cash equivalents, end of period	\$ 549	\$ 83
Supplemental cash flow information		
Finance expense paid	\$ 108	\$ 284

See accompanying notes to the interim condensed consolidated financial statements.

PINETREE CAPITAL LTD.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2012

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

1. Nature of business:

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated in 1962 under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange under the symbol "PNP". The Company is domiciled in the Province of Ontario, Canada and its registered office address is at 130 King St. West, Suite 2500, Toronto, Canada, M5X 1A9.

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: Precious Metals, Base Metals, Oil and Gas, Potash, Lithium and Rare Earths, Uranium and Coal. 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.

These unaudited interim condensed consolidated financial statements ("interim consolidated statements") were approved by the Company's board of directors on May 10, 2012.

2. Basis of preparation:

(a) Statement of compliance:

These interim consolidated statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, *Interim Financial Reporting* issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards which the Company adopted in its annual consolidated financial statements as at and for the year ended December 31, 2011.

The same accounting policies and methods of computation were followed in the preparation of these interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2011. Accordingly, these interim consolidated statements for the three month periods ended March 31, 2012 and 2011 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2011.

(b) Basis of presentation:

These interim consolidated statements have been prepared using the historical cost convention, except for some financial instruments which have been measured at fair value. All monetary references expressed in these notes are references to Canadian dollar amounts ("\$/").

PINETREE CAPITAL LTD.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2012

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

2. Basis of preparation (continued):

(c) Basis of consolidation:

These interim consolidated statements include the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc., Pinetree (Barbados) Inc., Pinetree Capital Investment Corp., 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% interest. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company account balances and transactions have been eliminated upon consolidation.

3. Investments at fair value:

(a) Financial hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Investments by sector consist of the following as at March 31, 2012:

		Fair Value				
		Level 1	Level 2 (ii)	Level 3		
		Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	Total fair value	% of total fair value
Sectors:	Cost					
Precious metals	\$ 309,837	\$ 201,134	\$ 11,133	\$ 6,433	\$ 218,700	52.9
Base metals	140,857	51,307	3,048	8,128	62,483	15.1
Potash, lithium and rare earths	58,559	34,548	-	7,586	42,134	10.2
Oil and gas	73,953	36,048	2,357	876	39,281	9.5
Uranium	113,634	29,536	604	2,829	32,969	8.0
Coal	5,276	2,880	250	1,150	4,280	1.0
Technology and other	37,186	11,676	75	1,935	13,686	3.3
Total (i)	\$ 739,302	\$ 367,129	\$ 17,467	\$ 28,937	\$ 413,533	100.0
Investments denominated in foreign currencies		\$ 19,760	\$ 3,208	\$ 5,144	\$ 28,112	
% of investments denominated in foreign currencies		5.4%	18.4%	17.8%	6.8%	

PINETREE CAPITAL LTD.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2012

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

3. Investments at fair value and financial instruments hierarchy (continued):

Investments by sector consist of the following as at December 31, 2011:

Sectors:	Cost	Fair Value			Total fair value	% of total fair value
		Level 1 Quoted market price	Level 2 (ii) Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs		
Precious metals	\$ 309,378	\$ 214,154	\$ 13,467	\$ 6,150	\$ 233,771	54.7
Base metals	149,180	52,451	1,207	7,392	61,050	14.3
Potash, lithium and rare earths	52,479	30,938	302	7,600	38,840	9.1
Oil and gas	73,923	41,017	1,107	1,001	43,125	10.1
Uranium	113,142	25,358	74	2,840	28,272	6.6
Coal	5,927	3,151	12	2,157	5,320	1.2
Technology and other	42,740	15,317	38	1,936	17,291	4.0
Total (i)	\$ 746,769	\$ 382,386	\$ 16,207	\$ 29,076	\$ 427,669	100.0
Investments denominated in foreign currencies		\$ 19,066	\$ 1,996	\$ 4,330	\$ 25,392	
% of investments denominated in foreign currencies		5.0%	12.3%	14.9%	5.9%	

- (i) As at March 31, 2012, included in total investments were securities of private companies with a fair value totaling \$28,937 (cost of \$32,276) (December 31, 2011 – fair value of \$29,076; cost of \$32,996) measured in accordance with the Company's accounting policy for private company investments.
- (ii) There were no significant transfers from Level 1 to 2 during the three months ended March 31, 2012 or year ended December 31, 2011. During the three months ended March 31, 2012, \$7,101 of the investments which were held in Level 2 as at December 31, 2011 were transferred to Level 1. During the year ended December 31, 2011, \$86,466 of the investments which were held in Level 2 as at December 31, 2010 were transferred to Level 1. The transfer out of Level 2 to Level 1 consists of restricted investments which became unrestricted during the year.

PINETREE CAPITAL LTD.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2012

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

3. Investments at fair value and financial instruments hierarchy (continued):

(b) Level 3 hierarchy:

The following table presents the changes in fair value measurements of financial instruments classified as Level 3. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net change in unrealized gains are recognized in the consolidated statements of comprehensive loss.

	Opening balance at January 1	Purchases	Realized losses	Net unrealized gains	Transfer out of Level 3	Ending balance
Investments at fair value:						
March 31, 2012	\$ 29,076	\$ 1,518	\$ (1,318)	\$ 1,330	\$ (1,669)	\$ 28,937
December 31, 2011	23,428	16,371	(5,936)	7,162	(11,949)	29,076

The net transfer out of Level 3 consists of investments in private companies at the start of the period and companies which were purchased during the period which became publicly-traded investments.

(c) 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 equal to the brokers' overnight rate plus 0.40%.

(d) Securities lending:

The Company has entered into a security lending agreement ("SLA") in Canada where securities in the portfolio are lent to regulated, locally-domiciled counterparties and governed by agreements written under Canadian law. The Company receives collateral in order to reduce the credit risk of these arrangements. Collateral must be in a readily realizable form, such as listed securities, and is held in segregated accounts. Transfer of title always occurs for collateral received, although no market risk or economic benefit is taken. The level of collateral held is monitored regularly, with further collateral obtained where this is considered necessary to manage the Company's risk exposure. The Company's appointed security lending managers obtain legal ownership of the collateral received and can sell it outright in the absence of default.

The details of the security lending arranging positions are:

	March 31, 2012	December 31, 2011
Investments at fair value lent under SLA – carrying amount	\$ 5,092	\$ 5,860
Fair value of collateral held for investments lent under SLA	5,458	5,901

PINETREE CAPITAL LTD.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2012****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

4. Income taxes:

- (a) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities in the consolidated statements of financial position are presented below:

	March 31, 2012	December 31, 2011
Deferred tax assets		
Non-capital losses	\$ 1	\$ 13,175
Tax on future capital gains dividend	(2,910)	(19,257)
Investments – differences in carrying value and tax cost	18,108	14,991
Corporate minimum tax credit	3,552	4,103
Ontario transitional tax credits	695	2,427
Share issuance costs	135	167
Property, plant and equipment	101	102
Convertible debentures	(919)	(955)
Total deferred tax assets (4(c))	\$ 18,763	\$ 14,753

- (b) The following are the components of the deferred income tax benefit in the consolidated statements of comprehensive loss for the three months ended March 31:

	2012	2011
Non-capital losses	\$ 13,174	\$ 10,343
Net reversal of tax on future capital gains dividend	(16,347)	-
Investments – differences in carrying value and tax cost	(3,117)	(14,630)
Ontario transitional tax credits	1,732	104
Share issuance costs and other	33	218
Convertible debentures	(36)	-
Corporate minimum tax credit	551	-
	\$ (4,010)	\$ (3,965)

- (c) The realization of deferred income tax assets is dependent upon future taxable income during the periods in which those temporary differences become deductible. Management considers the expected reversal of deferred income tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income, management believes it is probable that the Company will realize the benefits of these deductible differences.

PINETREE CAPITAL LTD.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2012

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

4. Income taxes (continued):

- (d) The income tax benefit attributable to loss before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.25% (2011 – 28.25%) of pre-tax profits as a result of the following for the three months ended March 31:

	2012	2011
Loss before income taxes	\$ (5,788)	\$ (15,164)
Computed expected income tax benefit	(1,519)	(4,284)
Non-taxable portion of capital gains	(754)	(16,809)
Non-taxable portion of unrealized losses	839	10,211
Non-taxable stock-based compensation expense	279	132
Taxable capital gains dividend	(60)	10,621
Tax rate differential	89	(3,212)
Permanent and other differences	159	(624)
Income tax benefit	\$ (967)	\$ (3,965)

- (e) Significant components of the income tax benefit for the three months ended March 31 are as follows:

	2012	2011
Current tax expense	\$ 3,043	\$ -
Deferred tax benefit relating to origination and reversal of temporary differences	(4,010)	(3,965)
	\$ (967)	\$ (3,965)

- (f) At March 31, 2012, the Company has approximately \$5 (December 31, 2011 - \$49,900) of Canadian non-capital losses available to reduce future years' profits for tax purposes, the tax effect of which has been recorded in the accounts.

5. Share capital:

Authorized: Unlimited number of common shares, no par value

Issued and outstanding common shares:

	# of Shares	Amount
Balance, December 31, 2010	136,375,673	\$ 276,616
Issued pursuant to exercise of stock options	171,600	380
Purchase of shares for cash under normal course issuer bid	(100,000)	(199)
Balance, December 31, 2011	136,447,273	276,797
No transactions	-	-
Balance, March 31, 2012	136,447,273	\$ 276,797

PINETREE CAPITAL LTD.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2012****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

5. Share capital (continued):

(a) Stock options:

The following table summarizes stock options granted during the three months ended March 31, 2012:

Date Granted	Options Granted	Exercise Price	Expiry
March 30, 2012	100,000	\$ 1.38	March 29, 2017
Total granted	100,000		

Stock options granted during the three months ended March 31, 2012 vest at the rate of 1/6th of the grant at the end of each three-month period over an 18-month period. Options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense over the vesting period and credits contributed surplus for all options granted.

The fair value of the options granted during the three months ended March 31, 2012 was estimated at the date of grant using the following assumptions:

Black-Scholes assumptions used	
Expected volatility (i)	80.5%
Expected dividend yield	0.0%
Risk-free interest rate	1.4%
Expected option life in years	3.2
Expected forfeiture rate	3.2%
Fair value per stock option granted on March 30, 2012	\$ 0.74

(i) Based on the historical volatility of Pinetree's share price.

For the three months ended March 31, 2012, included in operating, general and administrative expenses is stock-based compensation of \$1,062 (three months ended March 31, 2011 - \$468) relating to the stock options granted to directors, officers, employees, and consultants of the Company.

PINETREE CAPITAL LTD.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2012

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

5. Share capital (continued):

A summary of the status of the Company's stock options as at March 31, 2012 and December 31, 2011 and changes during the periods then ended is presented below:

	March 31, 2012		December 31, 2011	
	# of Options	Weighted Average Exercise Price	# of Options	Weighted Average Exercise Price
Stock Options				
Outstanding, at beginning of period	13,632,900	\$ 2.97	9,877,420	\$ 3.19
Granted	100,000	1.38	4,045,000	2.37
Exercised	-	-	(171,600)	1.35
Expired/forfeited	(100,000)	9.74	(117,920)	3.97
Outstanding, at end of period	13,632,900	\$ 2.90	13,632,900	\$ 2.97
Exercisable, at end of period	11,099,527	\$ 3.10	10,442,739	\$ 3.21

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2012:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
311,500	311,500	\$ 13.02	April 26, 2012
50,000	50,000	9.50	July 2, 2012
25,000	25,000	4.08	September 3, 2012
2,347,000	2,347,000	5.45	September 16, 2012
1,307,500	1,307,500	3.14	April 10, 2013
1,155,000	1,155,000	1.29	March 31, 2014
50,000	50,000	1.73	June 29, 2014
2,320,990	2,320,990	1.46	August 31, 2014
85,000	85,000	2.07	November 30, 2014
265,000	265,000	1.83	March 31, 2015
1,075,910	1,075,910	1.46	May 31, 2015
250,000	250,000	1.41	August 31, 2015
250,000	208,330	3.23	November 30, 2015
1,700,000	1,133,312	3.17	March 30, 2016
250,000	124,999	2.93	May 30, 2016
250,000	83,332	1.92	August 30, 2016
1,840,000	306,654	1.61	November 29, 2016
100,000	-	1.38	March 29, 2017
13,632,900	11,099,527		

PINETREE CAPITAL LTD.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2012

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

5. Share capital (continued):

(b) Warrants and broker warrants:

There has been no change to the status of the Company's warrants and broker warrants since December 31, 2011. The following table summarizes the warrants outstanding as at March 31, 2012:

Number of Warrants	Exercise Price	Expiry Date	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

(c) As at March 31, 2012 and December 31, 2011, contributed surplus is comprised of the following:

	March 31, 2012	December 31, 2011
Fair value of stock-based compensation	\$ 30,015	\$ 28,953
Fair value of expired broker warrants	5,744	5,744
Cancellation of shares under normal course issuer bid	43	43
	\$ 35,802	\$ 34,740

(d) Basic and diluted earnings per common share based on loss for the three months ended March 31:

Numerator:	2012	2011
Loss for the period	\$ (4,821)	\$ (11,200)
Denominator:	2012	2011
Weighted average number of common shares outstanding - basic	136,447,273	136,389,000
Weighted average effect of diluted stock options and warrants (i)	-	-
Weighted average number of common shares outstanding – diluted	136,447,273	136,389,000
Loss per share based on loss for the period:	2012	2011
Basic and diluted	\$ (0.04)	\$ (0.08)

- (i) The determination of the weighted average number of common shares outstanding – diluted excludes 51,793,609 shares related to stock options, warrants, and convertible debentures that were anti-dilutive for the three months ended March 31, 2012 (three months ended March 31, 2011 – 31,931,150 shares).

PINETREE CAPITAL LTD.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2012****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

5. Share capital (continued):

(e) Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised and all outstanding convertible debentures were converted as at March 31, 2012 and December 31, 2011:

	March 31, 2012	December 31, 2011
Common shares outstanding	136,447,273	136,447,273
Stock options outstanding to purchase common shares	13,632,900	13,632,900
Warrants to purchase common shares	20,513,650	20,513,650
Debentures convertible to common shares	17,647,059	17,647,059
Fully diluted common shares outstanding	188,240,882	188,240,882

6. Expenses by nature:

Included in operating, general and administrative expenses for the three months ended March 31:

	2012	2011
Stock-based compensation expense	\$ 1,062	\$ 468
Transaction costs	791	984
Salaries, bonuses, and other employment benefits	681	584
Transfer agent, filing fees, and other information systems	221	291
Consulting and directors' fees	214	170
Other office and general	205	289
Travel and promotion	139	104
Operating lease payments	120	115
Professional fees	69	181
Amortization	62	53
Foreign exchange loss (gain)	38	(771)
Change in fair value of Class C preferred shares	-	(81)
	\$ 3,602	\$ 2,387

7. Finance expenses:

Finance expenses for the three months ended March 31 are:

	2012	2011
Accretion of discount and interest expense on convertible debentures	\$ 1,629	\$ -
Interest expense on margin borrowings and other	92	253
Amortization of finance expenses on convertible debentures	191	-
Standby fee on credit facility	16	31
	\$ 1,928	\$ 284

PINETREE CAPITAL LTD.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2012

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

8. Management of capital:

The Company includes the following items in its managed capital as at the following dates:

	March 31, 2012	December 31, 2011
Due to brokers	\$ 8,058	\$ 18,778
Class C preferred share liabilities, at fair value	241	241
Convertible debentures, due May 31, 2016	68,167	67,839
Shareholders' equity comprised of:		
Share capital	276,797	276,797
Warrants and broker warrants	66,524	66,524
Contributed surplus	35,802	34,740
Equity component of convertible debentures	2,882	2,882
Foreign currency translation reserve	(22)	(22)
Deficit	(30,110)	(25,289)
	\$ 428,339	\$ 442,490

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 during the three months ended March 31, 2012.

9. Risk management:

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.

Market risk:

There were no changes to the way the Company manages market risk since December 31, 2011. The following table shows the estimated sensitivity of the Company's after-tax loss for the three months ended March 31, 2012 from a change in the closing bid price of the Company's investments with all other variables held constant as at March 31, 2012:

Percentage of change in closing bid price	Decrease in loss from % increase in closing bid price	Increase in loss from % decrease in closing bid price
2%	\$ 7,185	\$ (7,185)
4%	14,370	(14,370)
6%	21,555	(21,555)
8%	28,741	(28,741)
10%	35,926	(35,926)

PINETREE CAPITAL LTD.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2012****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

9. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax loss for the three months ended March 31, 2011 from a change in the closing bid price of the Company's investments with all other variables held constant as at March 31, 2011:

Percentage of change in closing bid price	Decrease in loss from % increase in closing bid price	Increase in loss from % decrease in closing bid price
2%	\$ 13,257	\$ (13,257)
4%	26,515	(26,515)
6%	39,772	(39,772)
8%	53,030	(53,030)
10%	66,287	(66,287)

10. Subsequent event:

- (a) Subsequent to March 31, 2012, 311,500 options exercisable at \$13.02 per share expired unexercised.
- (b) Subsequent to March 31, 2012, 5,000,000 warrants exercisable at \$15.00 per share expired unexercised.
- (c) Subsequent to March 31, 2012, the Company announced its intention to make a normal course issuer bid ("NCIB"), through the facilities of the TSX and on other alternative Canadian trading systems, to purchase up to \$3,750 principal amount of its unsecured 8% convertible debentures due May 31, 2016, representing up to 5% of the \$75,000 principal amount of the convertible debentures currently outstanding. Subject to regulatory approval, the NCIB will commence on May 18, 2012 and end on May 17, 2013.