Consolidated Financial Statements of

For the years ended December 31, 2012 and 2011
(Prepared in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pinetree Capital Ltd.

We have audited the accompanying consolidated financial statements of **Pinetree Capital Ltd.**, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Pinetree Capital Ltd.** as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 8, 2013

PINETREE CAPITAL LTD.
Consolidated Statements of Financial Position
As at December 31,
(In thousands of Canadian dollars)

	Notes	2012	2011
Assets			
Cash and cash equivalents	5	**$ 236**	$ 202
Investments at fair value	4	**270,180**	427,669
Prepaids and other receivables	5	**227**	183
Property, plant and equipment	6	**860**	812
Deferred tax assets	8(a)	**23,047**	14,753
		$ 294,550	$ 443,619
Liabilities and Equity			
Liabilities			
Due to brokers	7(a)	**$ 8,875**	$ 18,778
Accounts payable and accrued liabilities	7(b)	**2,437**	1,370
Income taxes payable		**1,881**	-
Convertible debentures	7(c)	**69,207**	67,839
		82,400	87,987
Equity			
Share capital	10	**$ 276,797**	$ 276,797
Warrants and broker warrants	10(d)	**9,762**	66,524
Contributed surplus	10(e)	**94,018**	34,740
Equity component of convertible debentures	7(c)	**2,838**	2,882
Foreign currency translation reserve		**(39)**	(22)
Deficit		**(171,226)**	(25,289)
		212,150	355,632
		$ 294,550	$ 443,619

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Gerry Goldberg" Director

"Sheldon Inwentash" Director

PINETREE CAPITAL LTD.
Consolidated Statements of Comprehensive Loss
Years Ended December 31,
(In thousands of Canadian dollars, except for securities and per share amounts)

	Notes	2012	2011
Net investment losses			
Net realized gains (losses) on disposal of investments		$ (38,708)	$ 94,779
Net change in unrealized losses on investments		(95,223)	(425,697)
		(133,931)	(330,918)
Other income	12	1,404	1,840
		(132,527)	(329,078)
Expenses			
Operating, general and administrative	7(b), 9, 10(c), 13	12,262	13,816
Finance expenses	14	7,605	5,248
		19,867	19,064
Loss before income taxes		(152,394)	(348,142)
Income tax benefit	8(e, f)	(6,457)	(49,801)
Net loss for the year		(145,937)	(298,341)
Other comprehensive loss			
Exchange differences on translation of foreign operations		(17)	-
Total comprehensive loss for the year		$ (145,954)	$ (298,341)
Loss per common share based on net loss for the year	10(g)		
Basic and diluted		$ (1.07)	$ (2.19)
Weighted average number of common shares outstanding	10(g)		
Basic and diluted		136,447,273	136,499,479

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.

Consolidated Statements of Changes in Equity

Years Ended December 31, 2012 and 2011

(In thousands of Canadian dollars, except for number of shares)

	Number of shares	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	136,375,673	$ 276,616	$ 66,524	$ 30,559	$ -	$ (22)	$ 273,052	$ 646,729
Net loss for the year	-	-	-	-	-	-	(298,341)	(298,341)
Total comprehensive loss for the year	-	-	-	-	-	-	(298,341)	(298,341)
Stock-based compensation expense	-	-	-	4,287	-	-	-	4,287
Issued pursuant to exercise of stock options	171,600	380	-	(149)	-	-	-	231
Purchase of shares under normal course issuer bid	(100,000)	(199)		43				(156)
Issued pursuant to private placement of convertible debentures	-	-	-	-	2,882	-	-	2,882
Balance at December 31, 2011	136,447,273	$ 276,797	$ 66,524	$ 34,740	$ 2,882	$ (22)	$ (25,289)	$ 355,632
Net loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(145,937)**	**(145,937)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**(17)**	**-**	**(17)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(17)**	**(145,937)**	**(145,954)**
Stock-based compensation expense	**-**	**-**	**-**	**2,516**	**-**	**-**	**-**	**2,516**
Reallocation of expired warrants	**-**	**-**	**(56,762)**	**56,762**	**-**	**-**	**-**	**-**
Tax rate adjustment on private placement of convertible debentures	**-**	**-**	**-**	**-**	**(44)**	**-**	**-**	**(44)**
Balance at December 31, 2012	**136,447,273**	**$ 276,797**	**$ 9,762**	**$ 94,018**	**$ 2,838**	**$ (39)**	**$ (171,226)**	**$ 212,150**

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Cash Flows
Years Ended December 31,
(In thousands of Canadian dollars)

	2012	2011
Cash flows from (used in) operating activities		
Net loss for the year	**$ (145,937)**	$ (298,341)
Items not affecting cash:		
Net realized losses (gains) on disposal of investments	**38,708**	(94,779)
Net change in unrealized losses on investments	**95,223**	425,697
Unrealized gain on Class C preferred share liabilities	**-**	(228)
Amortization	**277**	235
Stock-based compensation expense	**2,516**	4,287
Accretion of discount on convertible debentures	**600**	310
Amortization of finance expenses on convertible debentures	**768**	478
Decrease (increase) in deferred tax assets	**(8,338)**	6,472
Decrease in deferred tax liabilities	**-**	(56,235)
	(16,183)	(12,104)
Adjustments for:		
Proceeds on disposal of investments	**156,490**	325,006
Purchase of investments	**(132,932)**	(284,572)
Prepaids and other receivables	**(44)**	915
Decrease in due to brokers	**(9,903)**	(66,792)
Accounts payable and accrued liabilities	**1,067**	(33,025)
Income taxes payable	**1,881**	-
Net cash from (used in) operating activities	**376**	(70,572)
Cash flows from financing activities		
Proceeds pursuant to exercise of stock options	**-**	231
Purchased of shares under normal course issuer bid	**-**	(156)
Proceeds from issue of convertible debentures	**-**	75,000
Convertible debenture issue costs	**-**	(4,088)
Net cash from financing activities	**-**	70,987
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(325)**	(371)
Net cash used in investing activities	**(325)**	(371)
Net increase in cash and cash equivalents during the year	**51**	44
Exchange differences on translation of foreign operations	**(17)**	-
Cash and cash equivalents, beginning of year	**202**	158
Cash and cash equivalents, end of year	**$ 236**	$ 202
Supplemental cash flow information		
Income taxes paid	**$ -**	$ -
Dividends paid on Class C Shares	**19**	19
Finance expenses paid	**6,237**	4,261

See accompanying notes to the consolidated financial statements.

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 (the "TSX") 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 2A2.

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 consolidated financial statements were approved by the Company's board of directors on March 8, 2013.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") which the Company adopted in its annual consolidated financial statements as at and for the year ended December 31, 2011. Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these consolidated financial statements are presented below.

(b) Basis of presentation:

These consolidated financial 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 ("$").

(c) Basis of consolidation:

These 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% interest.

2. Basis of preparation (continued):

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.

(d) Critical accounting judgments, estimates and assumptions:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

(i) Fair value of investment in securities not quoted in an active market or private company investments:

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Note 3(b)(iv) for further details.

(ii) Fair value of financial derivatives:

Investments in options and warrants which are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants and options are valued at intrinsic value. Refer to Note 3(b)(iv) for further details.

2. Basis of preparation (continued):

(iii) Convertible debentures:

Convertible debentures are separated into their liability and equity components on the consolidated statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt with similar terms at the time of issue. Refer to Note 7(c) for further details.

(iv) Stock-based compensation expense:

The Company uses the Black-Scholes option pricing model to fair value options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense. Refer to Note 10(c) for further details.

(v) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Refer to Note 8 for further details.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements are as follows:

(i) Going concern:

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

3. Significant accounting policies:

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented.

(a) Foreign currency:

(i) Functional currency:

These consolidated financial statements are presented in Canadian dollars, which is the parent's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances:

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences are recorded in the consolidated statement of comprehensive loss.

(iii) Translation of foreign operations:

The results and financial position of Pinetree's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2. Share capital is translated using the exchange rate at the date of the transaction;

3. Revenue and expenses for each statement of comprehensive loss are translated at average exchange rates; and

3. Significant accounting policies (continued):

4. All resulting exchange differences are recognized as a separate component of equity and as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statement of comprehensive loss.

The Company treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment in a foreign operation which is recorded as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statement of comprehensive loss. When a foreign entity is sold, such exchange differences are reclassified to profit or loss in the consolidated statement of comprehensive loss as part of the gain or loss on sale.

(b) Financial instruments (investments, Class C preferred shares and convertible debentures):

(i) Classification:

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in profit (loss).

Class C preferred shares are liabilities designated at fair value through profit or loss, with changes in fair value reported in expenses in the consolidated statement of comprehensive loss.

Convertible debentures are liabilities classified as subsequently measured at amortized cost.

(ii) Recognition, derecognition and measurement:

Purchases and sales of investments are recognized on the settlement date.

Investments at fair value through profit or loss are initially recognized at fair value where reliable basis for determination exists. Transaction costs are expensed as incurred in the consolidated statement of comprehensive loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9, *Financial Instruments* ("IFRS 9").

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the consolidated statement of comprehensive loss within net change in unrealized gains or losses on investments in the period in which they arise.

3. Significant accounting policies (continued):

The fair value of Class C preferred share liabilities is determined by reference to the trading price of Pinetree's shares (Note 7(b)). The fair value of the Class C preferred share liabilities also includes accrued dividends.

Convertible debentures have been classified as debt, net of the fair value of the conversion feature at the date of issue which has been classified as part of equity. The fair value of the conversion feature is recognized initially as the difference between fair value of the convertible debentures as a whole and the fair value of their liability component. The convertible debentures are separated into their liability and equity components using the effective interest rate method. Transaction costs related to the issue of the convertible debentures are allocated to the liability and equity components in proportion to their allocation of proceeds on initial recognition.

The issue costs allocated to the liability component are amortized over the term of the convertible debentures and accrete up to the principal balance at maturity. The accretion, amortization of issue costs and interest paid are expensed within finance expenses on the consolidated statement of comprehensive loss within profit or loss. The equity component is not remeasured subsequent to initial recognition except upon conversion, when it will be reclassified to share capital.

Any balance in equity that remains after the settlement of the liability will be transferred to contributed surplus. The equity portion is initially recognized net of deferred income taxes.

(iii) Reclassification of investments:

The Company would only reclassify a financial asset when the Company changes its business model for managing the financial asset.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

(iv) Determination of fair values:

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

3. Significant accounting policies (continued):

The Company is also required to disclose details of its investments (and other financial assets and liabilities reported at fair value) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (Note 4).

1. Publicly-traded investments (i.e., securities of issuers that are public companies):

   a. Securities, including shares, options, and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing bid prices at the consolidated statement of financial position date or the closing bid price on the last day the security traded if there were no trades at the consolidated statement of financial position date. These are included in Level 1 in Note 4.

   b. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These are included in Level 2 in Note 4.

   c. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing bid price at the consolidated statement of financial position date of the underlying security less the exercise price of the warrant or option, and zero. These are included in Level 2 in Note 4.

2. Private company investments (securities of issuers that are not public companies):

   All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in Note 4. Options and warrants of private companies are carried at nil.

3. Significant accounting policies (continued):

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

The following circumstances are used to determine if the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio.

Absent the occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

The fair value of a privately-held investment may be adjusted upward if:

a. there has been a significant subsequent equity financing provided by outside investors, at a valuation above the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place; or

b. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable.

   Such events include, without limitation:

   i. political changes in a country in which the investee company operates which, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;

3. Significant accounting policies (continued):

ii. receipt by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed with its project(s);

iii. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;

iv. release by the investee company of positive exploration results, which either proves or expands their resource prospects; and

v. important positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

In the circumstances described above under (i) through (v), or in circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

The fair value of a privately-held investment may be adjusted downward if:

a. there has been a significant subsequent equity financing provided by outside investors, at a valuation below the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;

b. the investee company is placed into receivership or bankruptcy;

c. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern; or

d. there have been significant corporate, political, or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

3. Significant accounting policies (continued):

Such events include, without limitation:

i. political changes in a country in which the investee company operates which increases the tax burden on companies, which prohibit mining where it was previously allowed, which increases the need for permitting or approvals, etc.;

ii. denial of the investee company's application for environmental, mining, aboriginal or similar approvals which prohibit the investee company from proceeding with its project(s);

iii. the investee company releases negative exploration results; and

iv. changes to the management of the investee company take place which the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

In the circumstances described above under (i) through (iv), or in circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

3. Other investment instruments:

Included in Pinetree's investments are certain instruments that are accounted for as follows:

a. Convertible debentures and convertible notes are carried as though converted to common shares.

b. Cumulative dividends expected to be received are included in the fair value of each investment.

3. Significant accounting policies (continued):

4. Investments in associates:

Investments in associates are those entities over which the Company has or is deemed to have significant influence, but not control over the financial and operating policies. Investments in associates are held as part of the Company's investment portfolio and carried in the consolidated statement of financial position at fair value even though the Company may have significant influence over the companies. This treatment is permitted by IAS 28, *Investment in Associates*, which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in the consolidated statement of comprehensive loss within net change in unrealized gains or losses on investments.

(c) Financial assets other than investments at fair value:

Financial assets which are managed to collect contractual cash flows made up of principal and interest on specified dates are classified as subsequently measured at amortized cost. All other financial assets are designated as at fair value through profit or loss. All financial assets are recognized initially at fair value plus, in the case of financial assets classified as subsequently measured at amortized cost, directly attributable transaction costs.

Financial assets at amortized cost are measured at initial cost plus interest calculated using the effective interest rate method less cumulative repayments and cumulative impairment losses.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all the risks and rewards of the asset. The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. For amounts deemed to be impaired, the impairment provision is based upon the expected loss.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and short-term investments with remaining maturities of less than three months. Cash and cash equivalents include accrued interest on short-term investments.

(e) Property, plant and equipment:

Property, plant and equipment are recorded at cost, less accumulated amortization.

3. Significant accounting policies (continued):

Amortization is provided at rates designed to depreciate the cost over their estimated useful lives as follows:

	Rate	Basis
Computer equipment	30% to 45%	Declining balance
Computer software	55%	Declining balance
Furniture and equipment	20%	Declining balance
Leasehold improvements	7-12 years	Over the initial term of the lease

(f) Revenue recognition:

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statement of comprehensive loss.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statement of comprehensive loss as incurred. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Interest income, other income, and income from securities lending are recorded on an accrual basis.

(g) Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) Leases:

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfillment of the arrangement is dependent on the use of a specific tangible asset or the arrangement conveys a right to use the tangible asset.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive loss on a straight-line basis over the lease term.

3. Significant accounting policies (continued):

(i) Income taxes:

(i) Current income tax:

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

(ii) Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of comprehensive loss.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company does not record deferred tax assets to the extent that it considers deductible temporary differences, the carry-forward of unused tax credits, and unused tax losses cannot be utilized.

3. Significant accounting policies (continued):

(j) Stock-based compensation plans:

The Company has a stock option plan which is described in Note 10(b). Employees (including officers), directors, and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Any consideration received on the exercise of stock options is credited to share capital. The cost of options is recognized, together with a corresponding increase in contributed surplus, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award (the "vesting date"). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that period.

Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of stock-based compensation expense.

Where the terms of a stock option award are modified, the minimum expense recognized in compensation expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the option, or is otherwise beneficial to the optionee as measured at the date of modification.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

3. Significant accounting policies (continued):

(k) Earnings (loss) per common share:

Basic earnings (loss) per common share is determined by dividing net profit (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow. Diluted earnings (loss) per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding.

(l) Cost of private placement financing:

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

Incremental costs incurred in respect of issuing convertible debentures are charged against the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the convertible debentures and accrete up to the principal balance at maturity. The accretion, amortization of issue costs and the interest paid are expensed within finance expenses on the consolidated statement of comprehensive loss within profit or loss.

(m) Financial liabilities:

Financial liabilities are presented at amortized cost except for financial derivatives and certain financial liabilities that from inception were designated at fair value through profit or loss. All financial liabilities are recognized initially at fair value net of directly attributable transaction costs, except for those designated at fair value through profit or loss. Financial liabilities at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of comprehensive loss. Other financial liabilities are subsequently recognized at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

(n) Due to brokers:

Amounts due to brokers represent payables for securities purchased that have been contracted for but not yet settled or delivered, respectively, as reflected at the consolidated statement of financial position date.

3. Significant accounting policies (continued):

Due to brokers also consists of margin borrowings collateralized by the Company's investments held at the brokers.

(o) Securities lending:

Securities lent by the Company under a securities lending agreement are not derecognized as the Company retains all the risk and rewards of ownership. If the party to whom the security is lent has the right by contract to sell or repledge the security, the Company classifies that financial asset separately in its consolidated statement of financial position and identifies the asset as pledged. Where the transferee does not have the right to sell or repledge, disclosure of the securities provided is made in the notes to the consolidated financial statements.

(p) Financial derivatives – options and warrants:

A financial derivative such as warrants and options which will be settled with the entity's own equity instruments will be classified as an equity instrument if the derivative is to acquire a fixed number of the entity's own equity instruments for a fixed amount of Canadian dollars. A financial derivative will be considered as a financial liability at fair value through profit or loss if it is to acquire either a variable number of equity instruments or consideration in a foreign currency and the options and warrants were not offered pro rata to all existing owners of the same class of non-derivative equity instruments.

(q) Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting used by management and the Company's Board of Directors. The Company has a single reportable geographic segment, Canada, and all of the Company's property, plant and equipment are located in Canada, except for its exploration license in Israel.

(r) Jointly controlled assets:

For interests in jointly controlled assets, the Company's share of the jointly controlled assets classified according to the nature of the assets, the Company's share of any liabilities incurred jointly with other parties, and the Company's share of any income and expenses earned and incurred jointly with partners are recognized in the consolidated financial statements. Jointly controlled assets involve the joint control or joint ownership by partners of one or more assets dedicated for the purposes of the joint venture or partnership.

3. Significant accounting policies (continued):

(s) Oil and gas properties and exploration and evaluation assets:

(i) Pre-license costs:

Pre-license costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation costs:

Exploration and evaluation costs are charged to operations in the period incurred unless management concludes that a future economic benefit is more likely than not to be realized (and should be capitalized) or until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and evaluation costs and the costs incurred to develop a property are capitalized into oil and gas properties. On the commencement of commercial production, depletion of the oil and gas property will be provided on a unit-of-production basis using estimated resources as the depletion base.

(t) Impairment of non-financial assets:

The carrying values of capitalized exploration and evaluation expenditure, other intangible assets, and property, plant and equipment are assessed for impairment when indicators of such impairment exist, or when annual impairment testing for an asset is required. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment review is at the level of cash-generating units. This generally results in the Company evaluating its non-financial assets on a geographical or license basis. If the carrying amount of the asset exceeds its recoverable amount, the asset is deemed impaired and an impairment loss is charged to the consolidated statement of comprehensive loss. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive loss.

4. Investments at fair value and financial instruments hierarchy:

(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. The fair value hierarchy has the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Investments by sector consist of the following as at December 31, 2012:

		Fair Value				
		Level 1	Level 2 (ii)	Level 3		
Sectors:	**Cost**	**Quoted market price**	**Valuation technique – observable market inputs**	**Valuation technique – non-observable market inputs**	**Total fair value**	**% of total fair value**
Precious metals	$ 306,531	$ 134,680	$ 3,423	$ 7,066	$ 145,169	53.7
Base metals	128,016	25,038	632	5,405	31,075	11.5
Potash, lithium and rare earths	49,874	21,077	4,839	1,823	27,739	10.3
Oil and gas	72,637	27,958	747	1,728	30,433	11.2
Uranium	84,241	16,183	647	2,045	18,875	7.0
Coal	5,156	1,195	-	945	2,140	0.8
Technology and other	38,072	7,406	2,940	4,403	14,749	5.5
Total (i)	$ 684,527	$ 233,537	$ 13,228	$ 23,415	$ 270,180	100.0
Investments denominated in foreign currencies		$ 9,717	$ 472	$ 4,259	$ 14,448	
% of investments denominated in foreign currencies		4.2%	3.6%	18.2%	5.3%	

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

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

		Fair Value				
		Level 1	Level 2 (ii)	Level 3		
Sectors:	Cost	Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	Total fair value	% of total fair value
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
Oil and gas	73,923	41,017	1,107	1,001	43,125	10.1
Potash, lithium and rare earths	52,479	30,938	302	7,600	38,840	9.1
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 December 31, 2012, included in total investments were securities of private companies with a fair value totaling $23,415 (cost of $28,485) (December 31, 2011 – fair value of $29,076; cost of $32,996).

(ii) There were no significant transfers from Level 1 to Level 2 during the year ended December 31, 2012 or 2011. During the year ended December 31, 2012, $8,488 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.

(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 (losses) are recognized in the consolidated statements of comprehensive loss.

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

	Opening balance at January 1	Purchases	Realized losses	Net unrealized gains (losses)	Transfer out of Level 3	Ending balance
Investments at fair value:						
December 31, 2012	**$ 29,076**	**$ 7,819**	**$ (4,414)**	**$ (400)**	**$ (8,666)**	**$ 23,415**
December 31, 2011	23,428	16,371	(5,936)	7,162	(11,949)	29,076

The transfer out of Level 3 consists of investments in private companies which became publicly-traded investments.

(c) Securities lending:

The Company has entered into a securities lending agreement ("SLA") in Canada whereby 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 as follows as at December 31:

	2012	2011
Investments at fair value lent under SLA – carrying amount	**$ 717**	$ 5,860
Fair value of collateral held for investments lent under SLA	**969**	5,901

5. Financial assets other than investments at fair value:

	2012	2011
Other receivables	**$ 46**	$ 21

All amounts above are classified as financial assets at amortized cost. The carrying values approximate their fair values due to the short-term nature of these instruments.

6. Property, plant and equipment:

	2012			2011		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Computer equipment	**$ 128**	**$ 103**	**$ 25**	$ 116	$ 84	$ 32
Computer software	**50**	**36**	**14**	49	19	30
Leasehold improvements	**1,520**	**887**	**633**	1,201	688	513
Furniture and equipment	**546**	**358**	**188**	546	309	237
	$ 2,244	**$ 1,384**	**$ 860**	$ 1,912	$ 1,100	$ 812

7. Financial liabilities:

	2012	2011
Due to brokers (a)	**$ 8,875**	$ 18,778
Accounts payable and accrued liabilities (b)	**2,437**	1,370
Convertible debentures, due May 31, 2016 (c)	**69,207**	67,839
	$ 80,519	$ 87,987

The carrying values of due to brokers and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

(a) 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%.

(b) As at December 31, 2012, included in accounts payable and accrued liabilities are Class C preferred share liabilities of $240 (2011 - $241). The Class C preferred shares ("Class C Shares") were issued in 2009 by Pinetree's wholly-owned subsidiary, PCIC, are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 8% per annum. During the year ended December 31, 2012, $19 (2011 - $19) in dividends were declared and paid on the Class C Shares.

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 of $10 per share. As at December 31, 2012, the redemption price was $10 per share and the retraction price in effect was $5.11 per share (2011 - $7.87 per share). During the year ended December 31, 2012, 100 Class C Shares (2011 - 3,400) were cancelled by PCIC following their retraction by the holders at $4.70 per share (2011 - prices of between $7.49 per share and $21.22 per share) plus accrued and unpaid dividends. As at December 31, 2012, 24,000 Class C Shares (2011 – 24,100 Class C Shares) were issued and outstanding.

7. Financial liabilities (continued):

As at December 31, 2012, also included in accounts payable and accrued liabilities is accrued interest payable of $508 (2011 - $510) on the convertible debentures.

(c) On May 17, 2011, the Company issued $75,000 principal amount of 8% convertible unsecured subordinated debentures ("Debentures") maturing May 31, 2016. The Debentures are convertible into common shares of the Company on the basis of a conversion price of $4.25 per share ("Conversion Price"), subject to adjustment under certain circumstances. In connection with the Debentures, the Company paid cash commissions, legal costs and other expenses of $4,088 (issue costs).

For accounting purposes, the Debentures are separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Debentures assuming a 9.47% effective interest rate which was the estimated rate for the Debentures without the conversion feature. The fair value of the equity component (the conversion feature) was determined at the time of issue as the difference between the face value of the Debentures and the fair value of the liability component.

After May 31, 2014, the Company may redeem the Debentures in whole or in part provided the weighted average trading price of the Company's common shares during a specified period prior to redemption is at least 125% of the Conversion Price. The Company may satisfy the payment of principal or interest in common shares under certain circumstances. The Debentures are subject to certain covenants, including maintenance of certain financial ratios, restrictions on redemption, and restrictions on the prepayment and payment of interest on such convertible debentures. As at December 31, 2012 and 2011, the Company was in compliance with the terms of its Debentures.

The following table summarizes the changes in the Debenture liability and equity components during the years ended December 31:

Principal	
Opening principal balance, January 1, 2011	**$ -**
Issued	**75,000**
Ending principal balance, December 31, 2012 and 2011	**75,000**

7. Financial liabilities (continued):

Liability		
Opening liability balance, January 1, 2011	$	-
Issued - fair value of the convertible debentures		70,916
Finance expense (issue costs) allocated to the liability portion		(3,865)
Accretion of discount on the convertible debentures		310
Amortization of the finance expenses on the convertible debentures		478
Ending liability balance, December 31, 2011		67,839
Accretion of discount on the convertible debentures		**600**
Amortization of the finance expenses on the convertible debentures		**768**
Ending liability balance, December 31, 2012	**$**	**69,207**

Equity component		
Opening equity component balance, January 1, 2011	$	-
Issued		4,084
Finance expense (issue costs) allocated to the equity component		(223)
Net deferred income tax		(979)
Ending equity component balance, December 31, 2011		2,882
Change in effective income tax rate		**(44)**
Ending equity component balance, December 31, 2012	**$**	**2,838**

8. Income taxes:

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

		2012		2011
Deferred tax assets				
Non-capital losses	**$**	**819**	$	13,175
Tax on future capital gains dividend		**(2,859)**		(19,257)
Investments – differences in carrying value and tax cost		**19,801**		14,991
Corporate minimum tax credit		**5,984**		4,103
Ontario transitional tax credits		**-**		2,427
Share issuance costs		**35**		167
Property, plant and equipment		**108**		102
Convertible debentures		**(841)**		(955)
Total deferred tax assets (8(c))	**$**	**23,047**	$	14,753

8. Income taxes (continued):

(b) The following are the components of the deferred income tax benefit in the consolidated statements of comprehensive loss for the years ended December 31:

	2012	2011
Non-capital losses	**$ 12,356**	$ 9,183
Investments – differences in carrying value and tax cost	**(2,383)**	(67,084)
Ontario transitional tax credits	**-**	166
Share issuance costs and other	**126**	749
Convertible debentures	**(158)**	(61)
Net reversal of tax on future capital gains dividend	**(16,398)**	7,246
Corporate minimum tax credit	**(1,881)**	-
	$ (8,338)	$ (49,801)

(c) The realization of deferred tax assets is dependent upon future taxable income during the periods in which those temporary differences become deductible. Management considers the expected reversal of net deferred income tax assets and projected future taxable income in making this assessment. Based upon the level of historical taxable income and historical market trends of a comparable market index, management believes it is probable that the Company will generate sufficient taxable income to realize the benefits of these deductible differences. The full deferred tax asset at December 31, 2012 was $38,563 (December 31, 2011 - $14,753).

(d) At December 31, 2012, the Company has approximately $3,089 (2011 - $50,100) 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. The non-capital losses will expire as follows:

2028	$ 98
2030	2,991
	$ 3,089

(e) Significant components of the income tax expense (benefit) for the years ended December 31 are as follows:

	2012	**2011**
Current tax expense	**$ 1,881**	$ -
Deferred tax benefit relating to origination and reversal of temporary differences	**(8,338)**	(49,801)
	$ (6,457)	$ (49,801)

8. Income taxes (continued):

(f) 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 26.5% (2011 – 28.25%) of pre-tax profits as a result of the following for the years ended December 31:

	2012	2011
Loss before income taxes	**$ (152,394)**	$ (348,142)
Computed expected income tax benefit	**(40,385)**	(98,350)
Non-taxable portion of capital losses (gains)	**6,710**	(33,515)
Non-taxable portion of unrealized losses	**11,817**	57,443
Net deferred tax assets not recognized	**15,516**	-
Non-taxable stock-based compensation expense	**667**	1,211
Taxable capital gains dividend	**2,832**	19,192
Taxable realized capital losses	**(3,666)**	-
Tax rate differential	**(450)**	3,051
Permanent and other differences	**502**	1,167
Income tax benefit	**$ (6,457)**	$ (49,801)

9. Related party transactions:

All transactions with related parties have occurred in the normal course of operations.

(a) Related party transactions were as follows during the years ended December 31:

Type of service	Nature of relationship	2012	2011
Salaries, consulting fees and other benefits	Officers	**$ 1,405**	$ 1,563
Director fees	Directors	**130**	151
Stock-based compensation expense	Directors and officers	**1,811**	3,239
Finance expense (i)	Officer	**63**	78

(i) From time to time, the Company's Chairman and Chief Executive Officer ("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 and subordinate of the Company's brokers in respect of its margin borrowings. The Credit Facility 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. The Credit Facility expired on December 31, 2012.

9. Related party transactions (continued):

Included in the consolidated statements of comprehensive loss is $63 (2011 - $78) of standby fee expense relating to the Credit Facility. As at December 31, 2012 and 2011, there was nil outstanding under the Credit Facility.

(b) In May 2011, the Company issued $75,000 principal amount of 8% convertible unsecured subordinated debentures maturing May 31, 2016 (Note 7(c)). Of the $75,000 principal amount of convertible debentures, $1,425 was issued to directors and officers of the Company.

(c) During the year ended December 31, 2012, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 30, 2012	100,000	$ 1.38	March 29, 2017
May 31, 2012	250,000	0.88	May 30, 2017
August 31, 2012	400,000	0.90	August 30, 2017
November 30, 2012	1,050,000	0.89	November 29, 2017
Total granted	1,800,000		

During the year ended December 31, 2011, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 31, 2011	1,170,000	$ 3.17	March 30, 2016
May 31, 2011	250,000	2.93	May 30, 2016
August 31, 2011	250,000	1.92	August 30, 2016
November 30, 2011	1,350,000	1.61	November 30, 2016
Total granted	3,020,000		

10. Equity:

(a) Authorized: Unlimited number of common shares, no par value

(b) Stock option plans:

The Company grants stock options to eligible directors, officers, employees, and consultants pursuant to its 2007 Stock Option Plan (the "2007 Plan"). Under the terms of the 2007 Plan, the number of common shares which may be issued pursuant to the exercise of options granted under or otherwise governed by the 2007 Plan may not exceed 10% of the number of common shares outstanding at the time of grant; however, the number of options that have been cancelled or expired unexercised (whether in full or in part) will once again be issuable under the 2007 Plan.

10. Equity (continued):

The exercise price of an option granted under the 2007 Plan is determined by the Board of Directors but cannot be less than the closing price of the common shares on the TSX on the last day on which the common shares trade prior to the grant date of the option. The Board of Directors has the discretion to determine the term and vesting provisions (if any) of options granted under the 2007 Plan, provided that the option terms may not exceed 10 years. The Company has established a fixed schedule of option grant dates. Options may be granted on a quarterly basis, on four designated dates during each year.

(c) Stock options:

The following table summarizes stock options granted during the year ended December 31, 2012:

Date Granted	Options Granted	Exercise Price	Expiry
March 30, 2012	100,000	$ 1.38	March 29, 2017
May 31, 2012	250,000	0.88	May 30, 2017
August 31, 2012	400,000	0.90	August 30, 2017
November 30, 2012	1,605,000	0.89	November 29, 2017
Total granted	2,355,000		

Stock options granted during the year ended December 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 year ended December 31, 2012 was estimated at the date of grant using the following assumptions:

Black-Scholes option valuation model assumptions used (weighted average)	
Expected volatility (i)	**64.4%**
Expected dividend yield	**0.0%**
Risk-free interest rate	**1.2%**
Expected option life in years	**3.1**
Expected forfeiture rate	**3.6%**
Fair value per stock option granted on March 30, 2012	**$ 0.74**
Fair value per stock option granted on May 31, 2012	**$ 0.41**
Fair value per stock option granted on August 31, 2012	**$ 0.40**
Fair value per stock option granted on November 30, 2012	**$ 0.38**

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

10. Equity (continued):

The fair value of the options granted during the year ended December 31, 2011 was estimated at the date of grant using the following assumptions:

Black-Scholes option valuation model assumptions used (weighted average)	
Expected volatility (i)	93.9%
Expected dividend yield	0.0%
Risk-free interest rate	1.6%
Expected option life in years	3.1
Expected forfeiture rate	5.9%
Fair value per stock option granted on March 31, 2011	$ 1.98
Fair value per stock option granted on May 31, 2011	$ 1.74
Fair value per stock option granted on August 31, 2011	$ 1.13
Fair value per stock option granted on November 30, 2011	$ 0.92

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

For the year ended December 31, 2012, included in operating, general and administrative expenses is stock-based compensation of $2,516 (2011 - $4,287) relating to the 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 December 31, 2012 and 2011 and changes during the years then ended is presented below:

	2012		2011	
Stock Options	**# of Options**	**Weighted Average Exercise Price**	# of Options	Weighted Average Exercise Price
Outstanding, at beginning of year	**13,632,900**	**$ 2.97**	9,877,420	$ 3.19
Granted	**2,355,000**	**0.91**	4,045,000	2.37
Exercised (i)	**-**	**-**	(171,600)	1.35
Expired/forfeited	**(3,408,500)**	**5.71**	(117,920)	3.97
Outstanding, at end of year	**12,579,400**	**$ 1.84**	13,632,900	$ 2.97
Exercisable, at end of year	**9,836,040**	**$ 2.05**	10,442,739	$ 3.21

(i) The weighted-average share price of exercises was $3.20 per share during the year ended December 31, 2011.

10. Equity (continued):

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

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
1,282,500	**1,282,500**	**$ 3.14**	April 10, 2013
1,105,000	**1,105,000**	**1.29**	March 31, 2014
50,000	**50,000**	**1.73**	June 29, 2014
2,270,990	**2,270,990**	**1.46**	August 31, 2014
85,000	**85,000**	**2.07**	November 30, 2014
265,000	**265,000**	**1.83**	March 31, 2015
925,910	**925,910**	**1.46**	May 31, 2015
250,000	**250,000**	**1.41**	August 31, 2015
250,000	**250,000**	**3.23**	November 30, 2015
1,600,000	**1,600,000**	**3.17**	March 30, 2016
250,000	**250,000**	**2.93**	May 30, 2016
250,000	**208,333**	**1.92**	August 30, 2016
1,640,000	**1,093,310**	**1.61**	November 29, 2016
100,000	**49,999**	**1.38**	March 29, 2017
250,000	**83,332**	**0.88**	May 30, 2017
400,000	**66,666**	**0.90**	August 30, 2017
1,605,000	**-**	**0.89**	November 29, 2017
12,579,400	**9,836,040**		

(d) Warrants and broker warrants:

A summary of the status of the Company's warrants and broker warrants as at December 31, 2012 and 2011 and the changes during the years then ended is presented below:

	2012		2011	
Warrants and Broker Warrants	**# of Warrants and Broker Warrants**	**Weighted Average Exercise Price**	# of Warrants and Broker Warrants	Weighted Average Exercise Price
Outstanding, at beginning of year	**20,513,650**	**$ 7.31**	20,513,650	$ 7.31
Expired	**(11,875,000)**	**10.08**	-	-
Outstanding, at end of year	**8,638,650**	**$ 3.50**	20,513,650	$ 7.31

The following table summarizes the warrants outstanding as at December 31, 2012:

Number of Warrants	Exercise Price	Expiry Date	Warrants Value
8,638,650	$ 3.50	July 11, 2013	$ 9,762
8,638,650			**$ 9,762**

10. Equity (continued):

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

	Amount
Balance, January 1, 2011	$ 30,559
Stock-based compensation (Note 10(c))	4,287
Purchase of shares for cash under normal course issuer bid	43
Exercise of stock options	(149)
Balance, December 31, 2011	34,740
Stock-based compensation (Note 10(c))	**2,516**
Fair value of expired warrants and broker warrants	**56,762**
Balance, December 31, 2012	**$ 94,018**

Contributed surplus was comprised of the following as at December 31:

	2012	2011
Fair value of stock-based compensation	**$ 31,469**	$ 28,953
Fair value of expired warrants and broker warrants	**62,506**	5,744
Cancellation of shares under normal course issuer bid	**43**	43
	$ 94,018	$ 34,740

(f) Normal course issuer bids:

During the year ended December 31, 2012, the Company instituted a normal course issuer bid in respect of its Debentures (the "Debenture NCIB"). Pursuant to the terms of the Debenture NCIB, and in accordance with the policies of the TSX, during the period commencing May 18, 2012 and ending on May 17, 2013, the Company may purchase up to $3,750 principal amount of Debentures, representing up to 5% of the Debentures outstanding as at May 18, 2012. Purchases will be made in open market transactions through the facilities of the TSX and on other alternative Canadian trading systems at market prices prevailing at the time of acquisition and otherwise in accordance with the TSX rules. All Debentures purchased under the Debenture NCIB will be cancelled. During the year ended December 31, 2012, no Debentures were purchased under the Debenture NCIB.

During the year ended December 31, 2011, the Company renewed its normal course issuer bid in respect of its common shares (the "Share NCIB"). Pursuant to the terms of the Share NCIB, and in accordance with the policies of the TSX, during the period commencing September 1, 2011 and ending on August 31, 2012, the Company may purchase up to 5,000,000 common shares, representing approximately 3.7% of the common shares outstanding as at August 23, 2011. During the year ended December 31, 2012, no common shares were repurchased under the Share NCIB (2011 – 100,000 common shares at $1.55 per share).

10. Equity (continued):

(g) Basic and diluted earnings per common share based on profit (loss) for the year:

Numerator:	**2012**	2011
Net loss for the year	**$ 145,937**	$ 298,341

Denominator:	**2012**	2011
Weighted average number of common shares outstanding - basic	**136,447,273**	136,499,479
Weighted average effect of diluted stock options and warrants (i)	**-**	-
Weighted average number of common shares outstanding – diluted	**136,447,273**	136,499,479

Loss per common share based on net loss for the year:	**2012**	2011
Basic and diluted	**$ 1.07**	$ 2.19

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 38,865,109 shares related to stock options, warrants, and Debentures that were anti-dilutive for the year ended December 31, 2012 (2011 – 51,793,609 shares).

(h) Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all convertible securities were exercised and outstanding as at December 31:

	2012	2011
Common shares outstanding	**136,447,273**	136,447,273
Stock options outstanding to purchase common shares	**12,579,400**	13,632,900
Warrants to purchase common shares	**8,638,650**	20,513,650
Debentures convertible to common shares	**17,647,059**	17,647,059
Fully diluted common shares outstanding	**175,312,382**	188,240,882

11. Commitments:

As at December 31, 2012, future minimum annual lease payments under operating leases for equipment and premises are approximately as follows:

2013	$ 590
2014	590
2015	590
2016	590
2017	597
2018 to 2023	3,627
	$ 6,584

11. Commitments (continued):

As at December 31, 2012, the Company had commitments to purchase investments totaling $100 (2011 - $1,017). In addition, as at December 31, 2012, the Company had commitments to issue 7,372,097 common shares of the Company in exchange for certain investments totaling $6,400.

12. Other income:

Other income is comprised of the following for the years ended December 31:

		2012		2011
Income from sublease and service agreements	**$**	**589**	$	612
Dividend income		**488**		126
Income from securities lending (Note 4(c))		**281**		1,074
Interest income		**46**		28
	$	**1,404**	$	1,840

13. Expenses by nature:

Included in operating, general and administrative expenses for the years ended December 31:

		2012		2011
Salaries, bonuses, and other employment benefits	**$**	**2,613**	$	2,425
Stock-based compensation expense		**2,516**		4,287
Transaction costs		**1,476**		2,306
Exploration and evaluation expenditures (a)		**1,286**		695
Other office and general		**884**		958
Consulting and directors' fees		**790**		782
Professional fees		**734**		685
Transfer agent, filing fees, and other information systems		**693**		755
Operating lease payments		**525**		479
Travel and promotion		**419**		578
Amortization		**277**		235
Foreign exchange loss (gain)		**49**		(141)
Change in fair value of Class C preferred shares		**-**		(228)
	$	**12,262**	$	13,816

(a) In June 2010, the Company, through a consortium, was awarded a petroleum license offshore Israel (the "Samuel License"). Pinetree has a 10% interest in the Samuel License.

14. Finance expenses:

Finance expenses for the years ended December 31 are:

		2012		2011
Interest expense on convertible debentures	**$**	**6,600**	$	4,058
Amortization of finance expenses on convertible debentures		**768**		478
Interest expense on margin borrowings and other		**174**		634
Standby fee and interest on the Credit Facility (Note 9(a)(i))		**63**		78
	$	**7,605**	$	5,248

15. Management of capital:

The Company includes the following items in its managed capital as at December 31:

		2012		2011
Due to brokers	**$**	**8,875**	$	18,778
Convertible debentures, due May 31, 2016		**69,207**		67,839
Equity comprised of:				
Share capital		**276,797**		276,797
Warrants and broker warrants		**9,762**		66,524
Contributed surplus		**94,018**		34,740
Equity component of convertible debentures		**2,838**		2,882
Foreign currency translation reserve		**(39)**		(22)
Deficit		**(171,226)**		(25,289)
	$	**290,232**	$	442,249

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of its underlying assets and the debt covenants to which it is subject under the Debentures. There were no changes to the Company's objectives in managing and maintaining capital during the year ended December 31, 2012.

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, bank, and Debentures;

(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.

15. Management of capital (continued):

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 or reducing leverage in the form of margin (due to brokers) and the Company's bank credit line (bank indebtedness);

(c) raising capital through equity and debt financings; and

(d) utilizing a Credit Facility from the CEO (expired as at December 31, 2012).

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 on the then-value of its investments purchased on margin. The Company's convertible debentures are also subject to certain covenants, including maintenance of certain financial ratios, restrictions on redemption, and restrictions on the prepayment and payment of interest on such convertible debentures.

The Company has an operating line of credit with its bank, Royal Bank of Canada ("RBC"), for $250. The operating line of credit bears interest at RBC's prime rate plus 0.75%, collateralized by the Company's assets, and is due on demand. As at December 31, 2012 and 2011, 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 8% per annum. During the year ended December 31, 2012, PCIC declared and paid to Class C shareholders dividends totaling $19 (2011 - $19).

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 December 31, 2012.

16. 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. 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.

The Company uses varying levels of financial leverage (or "margin") when purchasing investments, subject to the Company's Debenture debt covenants. 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).

16. Risk management (continued):

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, 2011. The Company manages liquidity risk by reviewing the amount of margin available on a daily basis and its Debenture debt covenants, and managing its cash flow given its daily margin availability. The Company holds investments which can be converted into cash when required.

As at December 31, 2012, the Company had used margin of $8,875 and had additional margin available of $10,636. 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, 2012.

Percentage of change in closing bid price	**Margin available with a % increase in closing bid price**	**Margin available with a % decrease in closing bid price**
2%	**$ 11,555**	**$ 10,754**
4%	**11,956**	**10,353**
6%	**12,356**	**9,953**
8%	**12,757**	**9,552**
10%	**13,157**	**9,152**

As at December 31, 2011, the Company had used margin of $18,778 and had additional margin available of $16,180. 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, 2011.

Percentage of change in closing bid price	Margin available with a % increase in closing bid price	Margin available with a % decrease in closing bid price
2%	$ 16,879	$ 15,480
4%	17,578	14,781
6%	18,277	14,082
8%	18,976	13,383
10%	19,675	12,684

16. Risk management (continued):

The following table shows the Company's liabilities on the consolidated statement of financial position and potential due dates related to liquidity risk as at December 31, 2012:

		Payments due by period			
Liabilities and obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Due to brokers	**$ 8,875**	**$ 8,875**	**$ -**	**$ -**	**$ -**
Accounts payable and accrued liabilities	**2,437**	**2,437**	**-**	**-**	**-**
Income taxes payable	**1,881**	**1,881**	**-**	**-**	**-**
Convertible debentures, due May 16, 2016	**69,207**	**-**	**69,207**	**-**	**-**
	$ 82,400	**$ 13,193**	**$ 69,207**	**$ -**	**$ -**

The following table shows the Company's liabilities on the consolidated statement of financial position and potential due dates related to liquidity risk as at December 31, 2011:

		Payments due by period			
Liabilities and obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	$ 18,778	$ 18,778	$ -	$ -	$ -
Accounts payable and accrued liabilities	1,370	1,370	-	-	-
Convertible debentures, due May 16, 2016	67,839	-	-	67,839	-
	$ 87,987	$ 20,148	$ -	$ 67,839	$ -

The following table shows the Company's source of liquidity by assets as at December 31, 2012:

		Liquidity by period			
Assets	**Total**	**Less than 1 year**	**1 – 3 years**	**After 4 years**	**Non-liquid assets**
Cash and cash equivalents	**$ 236**	**$ 236**	**$ -**	**$ -**	**$ -**
Investments at fair value	**270,180**	**246,765**	**23,415**	**-**	**-**
Prepaids and other receivables	**227**	**46**	**-**	**-**	**181**
Property, plant and equipment	**860**	**-**	**-**	**-**	**860**
Deferred tax assets	**23,047**	**-**	**-**	**-**	**23,047**
	$ 294,550	**$ 247,047**	**$ 23,415**	**$ -**	**$ 24,088**

16. Risk management (continued):

The following table shows the Company's source of liquidity by assets as at December 31, 2011:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash and cash equivalents	$ 202	$ 202	$ -	$ -	$ -
Investments at fair value	427,669	398,593	29,076	-	-
Prepaids and other receivables	183	21	-	-	162
Property, plant and equipment	812	-	-	-	812
Deferred tax assets	14,753	-	-	-	14,753
	$ 443,619	$ 398,816	$ 29,076	$ -	$ 15,727

(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 IFRS 9, Pinetree is required to fair value its 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, 2011. 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: precious metals, base metals, oil and gas, potash, lithium and rare earths, uranium, and coal.

The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required. During periods of significantly 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.

16. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2012 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 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%	**$ 4,688**	**$ (4,688)**
4%	**9,375**	**(9,375)**
6%	**14,063**	**(14,063)**
8%	**18,750**	**(18,750)**
10%	**23,438**	**(23,438)**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2011 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 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%	$ 7,431	$ (7,431)
4%	14,861	(14,861)
6%	22,292	(22,292)
8%	29,723	(29,723)
10%	37,154	(37,154)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's profit and liabilities. As at December 31, 2012, 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 and convertible debentures bear interest at a fixed rate.

Due to brokers and the Credit Facility (if any) 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. The convertible debentures are due May 31, 2016 (see Note 7(c)). There were no changes to the way the Company manages interest rate risk since December 31, 2011. Pinetree does not hedge against any interest rate risk.

16. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2012 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2012:

Change in interest rate	**Increase in loss from an increase in interest rate**	**Decrease in loss from a decrease in interest rate**
0.25%	**$ (25)**	**$ 25**
0.50%	**(51)**	**51**
0.75%	**(76)**	**76**
1.00%	**(102)**	**102**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2011 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2011:

Change in interest rate	Increase in loss from an increase in interest rate	Decrease in loss from a decrease in interest rate
0.25%	$ (96)	$ 96
0.50%	(192)	192
0.75%	(289)	289
1.00%	(385)	385

(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, British pounds, and Israeli shekels. 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, 2011. 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.

16. Risk management (continued):

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

	2012	2011
Denominated in U.S. dollars:		
Investments	**$ 5,424**	$ 5,406
Cash and cash equivalents	**34**	11
Prepaids and other receivables	**23**	16
Due to brokers	**(1,450)**	(542)
Accounts payable and accrued liabilities	**(27)**	(21)
Net assets denominated in U.S. dollars	**4,004**	4,870
Denominated in Australian dollars:		
Investments	**7,860**	18,682
Due from brokers	**1,118**	64
Net assets denominated in Australian dollars	**8,978**	18,746
Denominated in British pounds:		
Investments	**1,158**	1,286
Due from brokers	**421**	329
Net assets denominated in British pounds	**1,579**	1,615
Denominated in Israeli shekels:		
Investments	**6**	18
Net assets denominated in Israeli shekels	**6**	18

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2012 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2012:

Percentage of change in U.S. dollar	Decrease in loss from an increase in % in the U.S. dollar exchange rate	Increase in loss from a decrease in % in the U.S. dollar exchange rate
2%	**$ 58**	**$ (58)**
4%	**118**	**(118)**
6%	**177**	**(177)**
8%	**235**	**(235)**
10%	**294**	**(294)**

16. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2012 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2012:

Percentage of change in Australian dollar	**Decrease in loss from an increase in % in the Australian dollar exchange rate**	**Increase in loss from a decrease in % in the Australian dollar exchange rate**
2%	**$ 132**	**$ (132)**
4%	**264**	**(264)**
6%	**396**	**(396)**
8%	**528**	**(528)**
10%	**660**	**(660)**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2011 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2011:

Percentage of change in U.S. dollar	Decrease in loss from an increase in % in the U.S. dollar exchange rate	Increase in loss from a decrease in % in the U.S. dollar exchange rate
2%	$ 72	$ (72)
4%	144	(144)
6%	215	(215)
8%	287	(287)
10%	359	(359)

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2011 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2011:

Percentage of change in Australian dollar	Decrease in loss from an increase in % in the Australian dollar exchange rate	Increase in loss from a decrease in % in the Australian dollar exchange rate
2%	$ 277	$ (277)
4%	553	(553)
6%	830	(830)
8%	1,106	(1,106)
10%	1,383	(1,383)

16. Risk management (continued):

(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, 2011.

The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. As at December 31, 2012, the total fair value of these investments was $2,406 (2011 - $844). The Company believes it is not significantly exposed to credit risk as these investments comprise 0.9% (2011 – 0.2%) of the Company's total investments.

The Company entered into a securities lending agreement with its prime broker in order to earn additional revenue, which is included in other income in the consolidated statement of comprehensive loss (Note 4(c)). The Company receives collateral in an amount equal to the percentage of the market value of the loaned securities as agreed upon with the prime broker. The securities on loan continue to be included in investments on the consolidated statements of financial position. 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 December 31, 2012, the total fair value of investments loaned to third parties was $717 (2011 - $5,860), which comprise 0.3% (2011 – 1.4%) of the Company's total investments.

17. Operating segment information:

The management of the Company is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy, and the performance is evaluated on an overall basis.

The Company has a single reportable geographic segment, Canada, and all of the Company's property, plant and equipment are located in Canada, except for its exploration license in Israel.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the year ended December 31, 2012. As at December 31, 2012, the Company has a diversified portfolio of investments where no single investment accounts for more than 10% of the portfolio. The Company also has a diversified base of investors. There were no shareholders who each held more than 10% of the Company's common shares.

18. Future accounting changes:

At the date of authorization of these consolidated financial statements, the IASB and the International Financial Reporting Interpretations Committee has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

(a) IFRS 7, *Financial Instruments, Disclosures* - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the consolidated statement of financial position or that are subject to enforceable master netting similar arrangements.

(b) Investment Entities: IFRS 10, *Consolidated Financial Statements,* IFRS 12, *Disclosure of Interests in Other Entities,* and IAS 27, *Separate Financial Statements* – effective for annual periods beginning on or after January 1, 2014, with early adoption permitted, defines an investment entity and introduces an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9, *Financial Instruments* in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27.

(c) IFRS 10, *Consolidated Financial Statements* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

(d) IFRS 11, *Joint Arrangements* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

(e) IFRS 12, *Disclosure of Interests in Other Entities* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with an entity's interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

(f) IFRS 13, *Fair Value Measurement* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

18. Future changes in accounting policies (continued):

(g) IAS 19, *Employee Benefits* - effective for annual periods beginning on or after January 1, 2013, a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in other comprehensive income. The standard also includes amendments related to termination benefits as well as enhanced disclosures.

(h) IAS 27, *Separate Financial Statements* - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

(i) IAS 28, *Investments in Associates and Joint Ventures* - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

(j) IAS 32, *Financial instruments, Presentation* – in December 2011, effective for annual periods beginning on or after January 1, 2014, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

19. Comparative consolidated financial statements:

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2012 consolidated financial statements.

20. Subsequent event:

Subsequent to December 31, 2012, the Company issued 7,372,097 common shares in exchange for certain investments totaling $6,400.