

**Interim Condensed Consolidated Financial Statements of**



**(Unaudited - prepared in Canadian dollars)  
June 30, 2011**

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**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Financial Position**  
**As at June 30, 2011 and December 31, 2010**  
**(Unaudited - in thousands of Canadian dollars)**

	<u>Notes</u>	<u>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u> <sup>1</sup>
<b>Assets</b>			
Cash and cash equivalents	6	\$ 119	\$ 158
Due from brokers	6	14	14
Prepays and other receivables	6	389	1,084
Investments at fair value	3, 4	609,779	799,022
Property, plant and equipment	7	644	676
Deferred tax assets	9	5,500	21,167
		<u>\$ 616,445</u>	<u>\$ 822,121</u>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Due to brokers	8(a)	\$ 38,020	\$ 85,570
Accounts payable and accrued liabilities		1,285	34,094
Class C preferred share liabilities, at fair value	4, 8(b)	293	529
Convertible debentures	8(c)	67,199	-
Deferred tax liabilities	9	13,568	55,199
		<u>120,365</u>	<u>175,392</u>
<b>Commitments</b>	12		
<b>Equity</b>			
Share capital	11	\$ 276,996	\$ 276,616
Warrants and broker warrants	11(d)	66,524	66,524
Contributed surplus	11(e)	32,515	30,559
Equity component of convertible debentures	8(c)	2,882	-
Foreign currency translation reserve		(33)	(22)
Retained earnings		117,196	273,052
		<u>496,080</u>	<u>646,729</u>
		<u>\$ 616,445</u>	<u>\$ 822,121</u>

1. Refer to Note 20 for the effects of the adoption of IFRS.

See accompanying notes to the interim condensed consolidated financial statements.

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

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	Notes	Three Months Ended		Six Months Ended	
		2011	2010 <sup>1</sup>	2011	2010 <sup>1</sup>
<b>Net investment losses</b>					
Net realized gains on disposal of investments		\$ 30,044	\$ 5,844	\$ 89,689	\$ 11,046
Net change in unrealized losses on investments		(192,183)	(78,943)	(264,622)	(63,129)
		<u>(162,139)</u>	<u>(73,099)</u>	<u>(174,933)</u>	<u>(52,083)</u>
<b>Other income</b>					
Interest and dividend income		9	763	17	978
Other income	10(a)(ii), 13	494	147	786	293
		<u>(161,636)</u>	<u>(72,189)</u>	<u>(174,130)</u>	<u>(50,812)</u>
<b>Expenses</b>					
Operating, general and administrative	8(b), 10, 14	4,969	1,050	7,356	4,881
Finance expenses	15	1,031	158	1,315	257
		<u>6,000</u>	<u>1,208</u>	<u>8,671</u>	<u>5,138</u>
<b>Loss before income taxes</b>		<b>(167,636)</b>	<b>(73,397)</b>	<b>(182,801)</b>	<b>(55,950)</b>
<b>Income tax benefit</b>	16	<b>(22,980)</b>	<b>(11,280)</b>	<b>(26,945)</b>	<b>(7,311)</b>
<b>Loss for the period</b>		<b>\$ (144,656)</b>	<b>\$ (62,117)</b>	<b>\$ (155,856)</b>	<b>\$ (48,639)</b>
<b>Other comprehensive income (loss)</b>					
Exchange differences on translation of foreign operations		2	2	(11)	(1)
<b>Total comprehensive loss for the period</b>		<b>\$ (144,654)</b>	<b>\$ (62,115)</b>	<b>\$ (155,867)</b>	<b>\$ (48,640)</b>
<hr/>					
<b>Loss per common share based on loss for the period</b>					
Basic and diluted		<u>\$ (1.06)</u>	<u>\$ (0.46)</u>	<u>\$ (1.14)</u>	<u>\$ (0.36)</u>
<hr/>					
<b>Weighted average number of common shares outstanding</b>					
Basic and diluted		<b>136,546,172</b>	<b>135,550,312</b>	<b>136,468,020</b>	<b>135,485,896</b>

1. Refer to Note 20 for the effects of the adoption of IFRS.

See accompanying notes to the interim condensed consolidated financial statements.

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**PINETREE CAPITAL LTD.****Consolidated Statements of Changes in Equity****Six Months Ended June 30, 2011 and 2010****(In thousands of Canadian dollars)**

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	Share capital	Warrants and broker warrants	Contributed surplus	Equity component of convertible debentures	Foreign currency translation reserve	Retained earnings (deficit)	Total equity
<b>Balance at January 1, 2010</b> <sup>1</sup>	\$ 274,725	\$ 67,139	\$ 28,045	\$ -	\$ -	\$ (24,591)	\$ 345,318
Loss for the period	-	-	-	-	-	(48,639)	(48,639)
Exchange differences on translation of foreign operations	-	-	-	-	(1)	-	(1)
Total comprehensive loss for the period	-	-	-	-	(1)	(48,639)	(48,640)
Stock-based compensation value of services	-	-	1,342	-	-	-	1,342
Issued pursuant to exercise of stock options	423	-	(155)	-	-	-	268
<b>Balance at June 30, 2010</b>	<u>\$ 275,148</u>	<u>\$ 67,139</u>	<u>\$ 29,232</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (73,230)</u>	<u>\$ 298,288</u>
<b>Balance at January 1, 2011</b>	\$ 276,616	\$ 66,524	\$ 30,559	\$ -	\$ (22)	\$ 273,052	\$ 646,729
Loss for the period	-	-	-	-	-	(155,856)	(155,856)
Exchange differences on translation of foreign operations	-	-	-	-	(11)	-	(11)
Total comprehensive loss for the period	-	-	-	-	(11)	(155,856)	(155,867)
Stock-based compensation value of services	-	-	2,105	-	-	-	2,105
Issued pursuant to exercise of stock options	380	-	(149)	-	-	-	231
Issued pursuant to private placement of convertible debentures	-	-	-	2,882	-	-	2,882
<b>Balance at June 30, 2011</b>	<u>\$ 276,996</u>	<u>\$ 66,524</u>	<u>\$ 32,515</u>	<u>\$ 2,882</u>	<u>\$ (33)</u>	<u>\$ 117,196</u>	<u>\$ 496,080</u>

1. Refer to Note 20 for the effects of the adoption of IFRS.

See accompanying notes to the interim condensed consolidated financial statements.

**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Cash Flows**  
**Six Months Ended June 30,**  
**(In thousands of Canadian dollars)**

	2011	2010
<b>Cash flows used in operating activities</b>		
Loss for the period	\$ (155,856)	\$ (48,639)
Items not affecting cash:		
Realized gains on disposal of investments, net	(89,689)	(11,046)
Change in unrealized losses on investments, net	264,622	63,129
Unrealized gain on Class C preferred share liabilities	(182)	(54)
Amortization	110	67
Stock-based compensation expense	2,105	1,342
Accretion of discount on convertible debentures	56	-
Amortization of the finance expenses on the convertible debentures	92	-
Decrease in deferred tax assets	15,667	3,459
Decrease in deferred tax liabilities	(41,887)	(10,807)
	<u>(4,962)</u>	<u>(2,549)</u>
Adjustments for:		
Due from brokers	-	9
Prepays and other receivables	695	106
Advances to affiliated company	-	(285)
Income taxes receivable	-	3,307
Accounts payable and accrued liabilities	(33,532)	(3,504)
	<u>(37,799)</u>	<u>(2,916)</u>
<b>Net cash used in operating activities</b>	<u>(37,799)</u>	<u>(2,916)</u>
<b>Cash flows from financing activities</b>		
Proceeds pursuant to exercise of stock options	231	268
Proceeds from issued of convertible debentures	75,000	-
Convertible debenture issue costs	(4,088)	-
Repayments of advances from officer	-	4,490
Decrease in due to brokers	(47,550)	(503)
Redemption of Class C preferred share liabilities	(54)	(2)
	<u>23,539</u>	<u>4,253</u>
<b>Net cash from financing activities</b>	<u>23,539</u>	<u>4,253</u>
<b>Cash flows from (used in) investing activities</b>		
Purchase of property, plant and equipment, net	(78)	(23)
Purchase of investments	(178,661)	(76,734)
Proceeds on disposal of investments	192,971	75,303
	<u>14,232</u>	<u>(1,454)</u>
<b>Net cash from (used in) investing activities</b>	<u>14,232</u>	<u>(1,454)</u>
<b>Net decrease in cash and cash equivalents during the period</b>	<u>(28)</u>	<u>(117)</u>
<b>Exchange differences on translation of foreign operations</b>	<u>(11)</u>	<u>(1)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>158</u>	<u>404</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 119</u>	<u>\$ 286</u>
<b>Supplemental cash flow information</b>		
Income taxes paid	\$ -	\$ 37
Income taxes received	-	3,307
Dividends paid on Class C Shares	10	9
Finance expense paid	479	257

See accompanying notes to the interim condensed consolidated financial statements.

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# **PINETREE CAPITAL LTD.**

## **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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### **1. Nature of business:**

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated 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, Ontario, Canada, M5X 1A9.

Pinetree is a diversified investment and merchant banking firm focused on the small-cap market. Pinetree's investments are primarily in the following resource sectors: Precious Metals, Base Metals, Oil and Gas, Potash, Lithium and Rare Earths, Uranium and Coal. Pinetree's investment approach is to develop a macro view of a sector, build a position consistent with the view by identifying micro-cap opportunities within that sector, and devise an exit strategy designed to maximize the Company's relative return in light of changing fundamentals and opportunities.

These interim condensed consolidated financial statements were approved by the Board of Directors on August 11, 2011.

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

The significant accounting policies used in the presentation of these unaudited interim condensed consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

#### **(a) Statement of compliance:**

These interim condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with International Financial Reporting Standards ("IFRS") which the Company expects to adopt in its annual consolidated financial statements as at and for the year ended December 31, 2011. Previously, the Company prepared its consolidated annual and interim condensed consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP").

As this is the Company's first year of preparing interim condensed consolidated financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS.

In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's interim condensed consolidated financial statements under IFRS as the reader will be able to rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

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## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

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

The disclosures that accompany these interim condensed consolidated financial statements are limited to the significant accounting policies applied and the significant judgments and estimates applicable to the preparation of the interim condensed consolidated statements, and the other disclosure requirements of IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, relevant to the interim condensed consolidated financial statements (see note 20).

(b) Basis of presentation:

The interim condensed 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 (“\$”).

In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for these interim periods are not necessarily indicative of the results that may be expected for the full fiscal year ending December 31, 2011.

(c) Basis of consolidation:

These unaudited interim condensed consolidated financial statements include the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc., Pinetree (Barbados) Inc., Pinebarb (Israel) 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. 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) Adoption of IFRS 9 and IFRS 7:

The effective date of IFRS 9, *Financial Instruments: Classification and Measurement* (“IFRS 9”) is January 1, 2015. As permitted by the IASB, the Company has early adopted IFRS 9 in conjunction with the transition to IFRS on January 1, 2010. The Company’s significant class of financial assets is investments (designated at fair value through profit and loss) and the differences in the accounting between IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 9 for these financial instruments do not have any material impact on the Company’s interim condensed consolidated financial statements.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

The Company has also adopted IFRS 7, *Financial Instruments: Disclosures* in conjunction ("IFRS 7") with the transition to IFRS on January 1, 2010. The amendment to IFRS 7 requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's interim condensed consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosure only and has therefore no impact on the Company's financial position or performance.

(e) Significant accounting judgments, estimates and assumptions:

The preparation of the interim condensed 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 interim condensed consolidated 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. However, actual outcomes can differ from these estimates. The information about significant areas of estimation uncertainty considered by management in preparing the interim condensed consolidated statements are:

(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 interim condensed consolidated statements continue to be prepared on the going concern basis.

(ii) 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 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.



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# **PINETREE CAPITAL LTD.**

## **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

(iii) 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.

(iv) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses 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.

(v) Convertible debentures:

Convertible debentures are separated into their liability and equity components on the 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.

(vi) 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.

(f) Foreign currency:

(i) Functional currency:

The interim condensed consolidated statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

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 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 foreign exchange gain or loss in the consolidated statement of comprehensive income (loss) under foreign exchange gain (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 income (loss) are translated at average exchange rates; and
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 income (loss) in the consolidated statement of comprehensive income (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 which is recorded as an exchange difference on translation of foreign operations in other comprehensive income (loss) in the consolidated statement of comprehensive income (loss). When a foreign entity is sold, such exchange differences are recognized in the statement of comprehensive income (loss) as part of the gain or loss on sale.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

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

(i) Designation:

All investments are designated 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 income (loss).

Convertible debentures are liabilities designated as 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 income (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.

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 income (loss) within unrealized gains or losses on investments in the period in which they arise.

The fair value of Class C preferred share liabilities is determined by reference to the underlying trading price of Pinetree's shares (note 8(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 its 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 debentures are allocated to the liability and equity components in proportion to their allocation of proceeds on initial recognition.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

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 income 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 any financial assets 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 interim condensed consolidated statements.

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 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.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

- 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, 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.

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.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

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;
- 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.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

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.

Such events include, without limitation:

- i. political changes in a country in which the investee company operates which increases the tax burden on companies, which prohibit mining where it was previously allowed, which increases the need for permitting or approvals, etc.;
- ii. denial of the investee company's application for environmental, mining, aboriginal or similar approvals which prohibit the investee company from proceeding with its projects;
- iii. the investee company releases negative exploration results; 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.

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## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

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

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.

#### 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 International Accounting Standards ("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 designated, upon initial recognition, as at fair value through profit or loss and subsequently they are accounted for in accordance with IFRS 9, with changes in fair value recognized in the consolidated statement of comprehensive income (loss) within unrealized gains or losses on investments.

#### (h) Financial assets other than investments at fair value:

Financial assets which are managed to collect contractual cash flows made up of principal and interest are designated as 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 designated at amortized cost, directly attributable transaction costs. Financial assets at amortized cost are measured at initial



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## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

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

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.

(i) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term investments with original maturities of less than three months.

(j) Property, plant and equipment

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

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 years	Over the initial term of the lease

(k) 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 income (loss) and are calculated on an average cost basis.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statement of comprehensive income (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.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

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

(l) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

(m) 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 income (loss) on a straight-line basis over the lease term.

(n) 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 statement of financial position 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.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

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 statement of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statement of comprehensive income (loss).

The carrying amount of deferred tax assets is reviewed at each 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 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 creates a valuation allowance to the extent that it considers deductible temporary differences, the carry forward of unused tax credits and unused tax losses cannot be utilized.

(o) Stock-based compensation plans:

The Company has stock-based compensation plans which are described in note 11(b). Employees (including senior executives), directors and consultants of the Company receive remuneration in the form of stock options for rendering services to the Company ("equity-settled transactions"). Any consideration received on the exercise of stock options or sale of stock is credited to share capital. The cost of equity-settled transactions 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 employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. 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 future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense.

Where the terms of an equity-settled 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

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

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

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

total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award 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. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. 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 (note 2(p)).

(p) 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 period, 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 is based on the weighted average number of common shares and dilutive common share equivalents outstanding.

(q) Cost of private placement financings:

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 income within profit or loss.

(r) Financial liabilities:

Financial liabilities are presented as at amortized cost except for financial derivatives and certain financial liabilities that from inception were classified as at fair value through profit or loss. All financial liabilities are recognized initially at fair value plus directly attributable transaction costs except for those designated at fair value through profit and loss.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

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 income (loss).

Other financial liabilities are initially measured at fair value net of directly attributable transaction costs and 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.

(s) Due from and due to brokers:

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered as reflected on the consolidated statement of financial position date respectively. Due to brokers also consists of margin borrowings collateralized by the Company's investments held at the brokers.

(t) Securities lending:

Securities lent by the Company under a securities lending agreement is 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 in its consolidated statement of financial position separately 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 interim condensed consolidated statements.

(u) 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 designated 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 of its existing owners of the same class of its own non-derivative equity instruments.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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

(v) 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.

(w) 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 the other parties, and the Company's share of any income and expenses incurred jointly with the partners are recognized in the consolidated statements of comprehensive income (loss). 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.

(x) Oil and gas 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 exploration and evaluation assets. 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.

(y) 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. 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.

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

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

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 income (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 statement of comprehensive income (loss).

### 3. Investments at fair value:

(a) Investments presented at fair value consist of the following as at June 30, 2011:

As at June 30, 2011:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals)</b>					
Gold Canyon Resources Inc.	(i, ii, iii)	11,843,748 common shares 1,000,000 warrants expire Sep 29, 2011 1,000,000 warrants expire Feb 8, 2012 531,252 warrants expire Jun 17, 2012 475,000 warrants expire Sep 23, 2012 300,000 warrants expire Oct 29, 2012	\$ 6,958	\$ 39,381	13.1
Queenston Mining Inc.	(i, ii, iii)	5,700,000 common shares 50,000 warrants expire Nov 26, 2011	15,450	39,098	13.0
Continental Gold Ltd. (formerly Cronus Resources Ltd.)	(i)	2,000,000 common shares	4,728	14,680	4.9
Levon Resources Ltd.	(i)	8,024,700 common shares	9,101	13,643	4.6
Mawson Resources Limited	(i, iii)	5,175,000 common shares 375,000 warrants expire Oct 25, 2012	3,602	8,874	3.0
Azimuth Resources Limited	(iii)	16,500,000 common shares 10,000,000 warrants expire Dec 31, 2012	1,535	6,525	2.2
African Gold Group Inc.	(ii, iii)	14,053,500 common shares 650,000 warrants expire Dec 17, 2012	5,225	6,324	2.1
Auryx Gold Corp. (formerly 0824239 B.C. Ltd.)	(ii, iii)	11,000,000 common shares	5,614	6,251	2.1
Goldstone Resources Inc.	(iii)	5,550,000 common shares 441,667 warrants expire Dec 31, 2011	4,054	4,884	1.6
Caledonia Mining Corporation	(iii)	46,541,500 common shares	6,870	4,654	1.6
Mega Precious Metals Inc. (formerly Mega Silver Inc.)	(ii, iii, 10(d))	10,130,600 common shares 600,000 warrants expire Feb 25, 2012	5,643	4,508	1.5

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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### 3. Investments at fair value (continued):

As at June 30, 2011:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Nortec Ventures Corp.	(ii, iii)	18,250,000 common shares	3,040	4,015	1.3
Apogee Minerals Ltd.	(iii)	16,925,000 common shares			
		500,000 warrants expire Dec 18, 2011			
		625,000 warrants expire May 12, 2012			
		2,500,000 warrants expire Dec 3, 2012	3,022	3,651	1.2
Soltoro Ltd.	(ii, iii)	4,150,000 common shares			
		500,000 warrants expire Dec 21, 2011	2,435	3,463	1.2
Redstar Gold Corp.	(ii, iii)	8,250,000 common shares	1,917	3,135	1.0
Cream Minerals Ltd.	(iii, 10(d))	20,500,000 common shares			
		5,000,000 warrants expire Dec 21, 2012	3,964	3,075	1.0
Latin American Minerals Inc.	(ii, iii, 10(d))	16,000,000 common shares			
		1,000,000 warrants expire Oct 2, 2011			
		1,000,000 warrants expire Sep 10, 2012	6,566	2,960	1.0
Castillian Resources Corp.	(iii)	16,914,265 common shares			
		1,666,667 warrants expire Jul 16, 2012			
		1,500,000 warrants expire Dec 30, 2012	4,584	2,798	0.9
Temex Resources Corp.	(ii, iii)	10,662,900 common shares			
		625,000 warrants expire Nov 19, 2012	4,999	2,772	0.9
Expedition Mining Inc.	(ii, iii)	9,062,500 common shares			
		937,500 warrants expire Sep 10, 2012	4,885	2,442	0.8
Roxgold Inc.	(iii)	5,050,000 common shares			
		700,000 warrants expire Oct 27, 2012			
		750,000 warrants expire May 10, 2013	3,217	2,231	0.7
Creso Exploration Inc.	(ii, iii)	5,240,909 common shares			
		2,000,000 warrants expire Nov 30, 2011			
		909,091 warrants expire Apr 20, 2013	2,763	2,220	0.7
Nuinsco Resources Ltd.	(iii)	13,852,000 common shares			
		5,000,000 warrants expire Oct 1, 2012	1,240	2,139	0.7
Pacific North West Capital Corp.	(ii, iii)	7,430,000 common shares			
		250,000 warrants expire Dec 30, 2011			
		500,000 warrants expire Mar 15, 2012	2,950	2,114	0.7
International Northair Mines Ltd.	(ii, iii)	4,000,000 common shares			
		1,000,000 warrants expire Mar 17, 2012	1,944	1,985	0.7
Niogold Mining Corp.	(ii, iii)	5,250,000 common shares			
		900,000 warrants expire Dec 22, 2011			
		750,000 warrants expire Dec 23, 2012	1,850	1,927	0.6
AM Gold Inc. (formerly Acero-Martin Exploration Inc.)	(iii)	5,033,500 common shares			
		500,000 warrants expire Jul 14, 2011			
		250,000 warrants expire Apr 30, 2012			
		250,000 warrants expire Dec 30, 2012	2,498	1,762	0.6
Dios Exploration Inc.	(ii, iii)	6,242,500 common shares	3,371	1,748	0.6



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### 3. Investments at fair value (continued):

As at June 30, 2011:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Bear Gold Lake Ltd. (formerly NFX Gold Inc.)	(ii, iii)	12,750,000 common shares 1,000,000 warrants expire Oct 23, 2011	<b>8,603</b>	<b>1,721</b>	<b>0.6</b>
Northern Lion Gold Corp.	(ii, iii)	5,500,000 common shares 500,000 warrants expire Apr 29, 2012 500,000 warrants expire May 24, 2012	<b>2,215</b>	<b>1,635</b>	<b>0.5</b>
ICN Resources Ltd.	(iii)	3,100,000 common shares 750,000 warrants expire Dec 2, 2011	<b>976</b>	<b>1,584</b>	<b>0.5</b>
Sanatana Resources Inc.	(iii)	6,000,000 common shares 500,000 warrants expire Jan 14, 2012	<b>4,094</b>	<b>1,565</b>	<b>0.5</b>
Pacific Ridge Exploration Ltd.	(ii, iii)	5,000,000 common shares 1,250,000 warrants expire Dec 22, 2011	<b>2,140</b>	<b>1,550</b>	<b>0.5</b>
Currie Rose Resources Inc.	(ii, iii)	8,750,000 common shares 1,250,000 warrants expire Mar 10, 2012	<b>1,600</b>	<b>1,475</b>	<b>0.5</b>
Argentum Silver Corp.	(ii, iii)	5,545,455 common shares 4,545,455 warrants expire Feb 15, 2012 500,000 warrants expire May 20, 2012	<b>850</b>	<b>1,473</b>	<b>0.5</b>
Tinka Resources Limited	(ii, iii)	4,000,000 common shares	<b>1,244</b>	<b>1,460</b>	<b>0.5</b>
Lago Dourado Minerals Ltd.	(ii)	2,700,000 common shares	<b>785</b>	<b>1,404</b>	<b>0.5</b>
Valgold Resources Ltd.	(ii, iii)	7,000,000 common shares 1,000,000 warrants expire Nov 23, 2012 1,000,000 warrants expire Mar 3, 2015	<b>3,982</b>	<b>1,333</b>	<b>0.4</b>
Oroco Resource Corp.	(ii, iii)	4,500,000 common shares 500,000 warrants expire Apr 14, 2012	<b>1,393</b>	<b>1,305</b>	<b>0.4</b>
Golden Reign Resources Ltd.	(iii)	1,488,500 common shares 1,500,000 warrants expire Jan 18, 2013	<b>670</b>	<b>1,266</b>	<b>0.4</b>
RJK Explorations Ltd.	(ii, iii)	9,000,000 common shares 5,000,000 warrants expire Dec 15, 2012	<b>861</b>	<b>1,215</b>	<b>0.4</b>
Southern Silver Exploration Corp.	(ii, iii)	7,450,000 common shares 1,500,000 warrants expire Oct 27, 2012	<b>1,865</b>	<b>1,192</b>	<b>0.4</b>
REBgold Corporation	(ii, iii)	20,000,500 common shares 1,000,000 warrants expire Aug 6, 2013 1,537,500 warrants expire Jun 17, 2015	<b>2,208</b>	<b>1,100</b>	<b>0.4</b>
Goldrush Resources Ltd.	(ii, iii)	8,000,000 common shares 1,000,000 warrants expire Mar 11, 2012	<b>1,609</b>	<b>1,080</b>	<b>0.4</b>
Stroud Resources Ltd.	(iii)	10,200,000 common shares 1,500,000 warrants expire Oct 15, 2012 2,500,000 warrants expire Dec 14, 2012	<b>896</b>	<b>1,071</b>	<b>0.4</b>
UC Resources Ltd.	(ii, iii)	16,000,000 common shares 500,000 warrants expire Aug 26, 2011 500,000 warrants expire Feb 15, 2012 750,000 warrants expire Sep 27, 2012 1,500,000 warrants expire Dec 21, 2012	<b>4,216</b>	<b>1,040</b>	<b>0.3</b>

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## Notes to the Interim Condensed Consolidated Financial Statements

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### 3. Investments at fair value (continued):

As at June 30, 2011:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Paget Minerals Corp.	(iii)	6,000,000 common shares 5,000,000 warrants expire Jan 6, 2013 1,000,000 warrants expire May 16, 2013	1,230	1,039	0.3
Ansue Capital Corp.	(iii)	2,500,000 common shares 1,250,000 warrants expire May 31, 2013	1,125	1,038	0.3
Ginguro Exploration Inc.	(ii, iii)	6,050,000 common shares 625,000 warrants expire Dec 11, 2011	1,513	1,029	0.3
Colt Resources Inc.	(ii)	1,728,571 common shares	555	1,018	0.3
Goldeye Explorations Limited	(ii, iii)	22,250,000 common shares 1,000,000 warrants expire Dec 16, 2011 2,000,000 warrants expire May 19, 2012 5,000,000 warrants expire Sep 29, 2012	2,535	1,001	0.3
Total of 153 other investments – Resources (Precious Metals) sector (iv)			131,396	76,852	26.1
			302,586	299,705	100.0
<b>Sector: Resources (Base Metals)</b>					
Macarthur Minerals Ltd.	(i, ii, iii)	6,500,000 common shares 500,000 warrants expire Jan 3, 2013	8,648	16,570	14.1
Exploration Orbite VSPA Inc.	(i)	4,100,000 common shares 750,000 warrants expire Nov 5, 2011	10,377	15,200	13.0
Coro Mining Corp.	(i, iii)	11,600,000 common shares	5,718	8,120	6.9
Probe Mines Ltd.	(i, ii, iii)	5,130,500 common shares 500,000 warrants expire Feb 2, 2012 750,000 warrants expire Apr 21, 2013	4,427	6,025	5.1
Solitario Exploration & Royalty Corp.	(i, iii)	1,992,000 common shares	4,061	5,239	4.5
Woulfe Mining Corp.	(iii)	19,417,000 common shares 2,500,000 warrants expire Dec 17, 2011	8,077	4,090	3.5
Canadian Orebodies Inc.	(iii)	10,000,000 common shares 500,000 warrants expire Dec 18, 2011 500,000 warrants expire Nov 19, 2012 1,000,000 warrants expire Dec 15, 2012	2,392	3,434	2.9
Duran Ventures Inc.	(iii)	11,000,000 common shares 1,500,000 warrants expire Dec 23, 2012	2,708	2,388	2.0
MacDonald Mines Exploration Ltd.	(ii, iii)	16,000,000 common shares 3,075,000 warrants expire Oct 29, 2011	7,268	1,920	1.6
Beaufield Resources Inc.	(iii)	6,600,000 common shares	3,346	1,848	1.6
Western Troy Capital Resources Inc.	(ii, iii)	6,639,166 common shares 500,000 warrants expire Nov 29, 2012	3,391	1,560	1.3
Central Iron Ore Limited	(ii, iii)	8,800,000 common shares 2,500,000 warrants expire May 16, 2013	1,575	1,316	1.1

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 3. Investments at fair value (continued):

As at June 30, 2011:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Base Metals) (continued)</b>					
Bridgeport Ventures Inc.	(ii, iii)	2,935,500 common shares 500,000 warrants expire Dec 1, 2012 250,000 warrants expire Dec 20, 2012	1,821	1,292	1.1
African Metals Corporation	(ii, iii)	5,032,000 common shares 1,250,000 warrants expire Oct 22, 2011 1,000,000 warrants expire Aug 27, 2012	1,240	1,132	1.0
Terreno Resources Corp. (formerly Mega Moly Inc.)	(ii, iii, 10(d))	7,234,834 common shares 2,333,334 warrants expire Nov 1, 2012	1,775	1,085	0.9
Happy Creek Minerals Ltd.	(ii, iii)	6,000,000 common shares 500,000 warrants expire Dec 21, 2012	2,373	1,080	0.9
Total of 84 other investments – Resources (Base Metals) sector (iv)			100,001	44,815	38.5
			169,198	117,114	100.0
<b>Sector: Resources (Oil and Gas)</b>					
Brownstone Energy Inc.	(i, ii, iii, 10(d))	11,122,720 common shares 1,369,110 warrants expire Apr 13, 2012 337,500 warrants expire Sep 11, 2012	9,069	8,836	15.8
Primary Petroleum Corp.	(i, ii, iii)	15,000,000 common shares	4,482	7,125	12.7
Talon Metals Corp.	(i)	3,937,700 common shares 205,000 warrants expire Oct 29, 2012	3,301	5,907	10.5
Donnybrook Energy Inc. (formerly Coastport Capital Inc.)	(i, iii)	11,500,000 common shares	4,132	5,693	10.2
Canadian Spirit Resources Inc.	(i, ii)	3,000,000 common shares	3,157	3,750	6.7
Shoal Point Energy Ltd.	(iii)	8,150,500 common shares 250,000 warrants expire Sep 3, 2012 250,000 warrants expire Oct 25, 2012 1,000,000 warrants expire Apr 29, 2013	2,315	2,254	4.0
Vanoil Energy Ltd.	(iii)	2,400,000 common shares	1,200	1,824	3.3
Simba Energy Inc.	(iii)	11,000,000 common shares 5,000,000 warrants expire Jan 20, 2012	989	1,375	2.5
Portal Resources Ltd.	(ii, iii)	6,000,500 common shares 1,000,000 warrants expire May 20, 2012	2,559	1,290	2.3
Vulcan Minerals Inc.	(iii)	4,882,500 common shares 500,000 warrants expire Nov 3, 2011 100,000 warrants expire Nov 26, 2011	2,915	1,050	1.9
Total of 42 other investments – Resources (Oil and Gas) sector (iv)			33,498	16,945	30.1
			67,617	56,049	100.0

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 3. Investments at fair value (continued):

As at June 30, 2011:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Potash, Lithium and Rare Earths)</b>					
Western Potash Corp.	(i, ii, iii)	10,000,000 common shares 500,000 warrants expire Jun 21, 2013	<b>8,023</b>	<b>14,200</b>	<b>23.2</b>
Stans Energy Corp.	(i, iii)	8,395,000 common shares 250,000 warrants expire Apr 28, 2013	<b>3,517</b>	<b>12,305</b>	<b>20.1</b>
Lithium Americas Corp.	(i, iii)	4,875,000 common shares 125,000 warrants expire May 13, 2012	<b>6,999</b>	<b>8,141</b>	<b>13.3</b>
Matamec Explorations Inc.	(i, iii)	11,750,001 common shares 750,000 warrants expire Jun 16, 2012	<b>3,933</b>	<b>4,935</b>	<b>8.1</b>
Montero Mining and Exploration Ltd.	(i, iii)	3,318,668 common shares 188,500 warrants expire Feb 4, 2013	<b>966</b>	<b>2,091</b>	<b>3.4</b>
Mesa Exploration Corp.	(ii, iii)	3,226,651 common shares 500,000 warrants expire Nov 20, 2011 181,818 warrants expire Mar 11, 2013	<b>1,406</b>	<b>2,085</b>	<b>3.4</b>
Rare Earth Metals Inc.	(ii, iii)	8,010,500 common shares 250,000 warrants expire Nov 10, 2011 2,000,000 warrants expire Dec 16, 2011	<b>2,519</b>	<b>1,842</b>	<b>3.0</b>
New World Resource Corp.	(ii, iii)	5,000,000 common shares	<b>2,221</b>	<b>1,750</b>	<b>2.9</b>
IBC Advanced Alloys Corp.	(iii)	9,500,500 common shares 1,500,000 warrants expire Mar 23, 2012 750,000 warrants expire Jun 22, 2014	<b>1,663</b>	<b>1,663</b>	<b>2.7</b>
Silver Spruce Resources Inc.	(ii, iii)	16,000,000 common shares 2,500,000 warrants expire Sep 7, 2012 1,000,000 warrants expire Dec 23, 2012	<b>4,540</b>	<b>1,440</b>	<b>2.4</b>
Sparton Resources Inc.	(ii, iii)	12,000,000 common shares	<b>2,953</b>	<b>1,320</b>	<b>2.2</b>
Fieldex Exploration Inc.	(ii, iii)	8,360,778 common shares 1,388,889 warrants expire Oct 29, 2011	<b>1,435</b>	<b>1,003</b>	<b>1.6</b>
Total of 21 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv)			<b>14,737</b>	<b>8,457</b>	<b>13.7</b>
			<b>54,912</b>	<b>61,232</b>	<b>100.0</b>
<b>Sector: Resources (Uranium)</b>					
Rockgate Capital Corp.	(i, ii, 10(d))	5,000,000 common shares	<b>5,275</b>	<b>6,100</b>	<b>14.1</b>
Mega Uranium Ltd.	(i, ii, iii)	12,000,000 common shares 165,000 warrants expire Feb 22, 2012 764,712 warrants expire Jun 6, 2012 1,500,000 warrants expire Oct 26, 2014	<b>35,106</b>	<b>4,305</b>	<b>9.9</b>
U308 Corp.	(i, ii, iii, 10(d))	10,085,771 common shares 750,000 warrants expire Oct 14, 2012 441,250 warrants expire Feb 15, 2013	<b>5,369</b>	<b>2,874</b>	<b>6.6</b>
Pele Mountain Resources Inc.	(i, ii, iii)	13,750,000 common shares	<b>4,992</b>	<b>2,544</b>	<b>5.9</b>
Energy Fuels Inc.	(i, iii)	7,000,000 common shares 500,000 warrants expire Mar 31, 2015	<b>5,007</b>	<b>2,520</b>	<b>5.8</b>

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### 3. Investments at fair value (continued):

As at June 30, 2011:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium) (continued)</b>					
Southern Andes Energy Inc.	(ii, iii)	11,607,667 common shares 1,458,333 warrants expire Sep 12, 2011 2,000,000 warrants expire Dec 17, 2011	<b>7,318</b>	<b>2,438</b>	<b>5.6</b>
Tournigan Energy Ltd.	(iii)	20,750,000 common shares 500,000 warrants expire Jul 14, 2012 1,250,000 warrants expire Dec 30, 2012	<b>5,670</b>	<b>2,386</b>	<b>5.5</b>
Virginia Energy Resources Inc.	(iii)	10,500,000 common shares 750,000 warrants expire Apr 21, 2012 100,000 warrants expire Jul 21, 2014	<b>6,746</b>	<b>1,733</b>	<b>4.0</b>
Tigris Uranium Corp.	(iii)	6,030,000 common shares 750,000 warrants expire Jun 30, 2012 250,000 warrants expire Aug 22, 2012	<b>2,138</b>	<b>1,357</b>	<b>3.1</b>
Macusani Yellowcake Inc.	(iii)	7,000,000 common shares 1,500,000 warrants expire Nov 4, 2012 500,000 warrants expire Mar 25, 2013	<b>3,308</b>	<b>1,275</b>	<b>2.9</b>
Forum Uranium Corp.	(ii, iii)	10,500,000 common shares 1,000,000 warrants expire May 4, 2014	<b>2,327</b>	<b>1,247</b>	<b>2.9</b>
Uranium North Resources Corp.	(iii)	7,750,000 common shares 750,000 warrants expire Aug 8, 2012	<b>2,692</b>	<b>1,046</b>	<b>2.4</b>
Crossland Uranium Ltd.	(iii)	8,000,000 common shares	<b>2,441</b>	<b>1,035</b>	<b>2.4</b>
Powertech Uranium Corp.	(iii)	5,750,000 common shares 750,000 warrants expire Mar 15, 2013	<b>3,222</b>	<b>1,006</b>	<b>2.3</b>
Total of 20 other investments – Resources (Uranium) sector (iv)			<b>27,155</b>	<b>11,403</b>	<b>26.6</b>
			<b>118,766</b>	<b>43,269</b>	<b>100.0</b>
<b>Sector: Resources (Coal)</b>					
Hodges Resources Limited	(i, iii)	8,949,294 common shares	<b>2,872</b>	<b>3,149</b>	<b>39.1</b>
Erdene Resource Development Company	(i)	2,779,500 common shares	<b>1,458</b>	<b>2,875</b>	<b>35.7</b>
Weststar Resources Corp.	(i, iii)	808,600 common shares 83,333 warrants expire Sep 2, 2011 600,000 warrants expire Oct 27, 2012	<b>681</b>	<b>1,045</b>	<b>13.0</b>
Total of 3 other investments – Resources (Coal) sector (iv)			<b>996</b>	<b>991</b>	<b>12.2</b>
			<b>6,007</b>	<b>8,060</b>	<b>100.0</b>

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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### 3. Investments at fair value (continued):

As at June 30, 2011:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Technology and Other</b>					
Opel International Inc.	(i, ii, iii)	8,528,300 common shares 750,000 warrants expire Dec 13, 2011 500,000 warrants expire Jul 21, 2012	<b>6,717</b>	<b>6,882</b>	<b>28.3</b>
Titanium Corporation Inc.	(i)	1,775,000 common shares 250,000 warrants expire Jun 15, 2012	<b>2,038</b>	<b>3,966</b>	<b>16.3</b>
Landrill International Inc.	(i, ii, iii)	10,000,000 common shares 750,000 warrants expire Aug 10, 2012	<b>2,888</b>	<b>2,700</b>	<b>11.1</b>
APIC Petroleum Corporation (formerly Marketvision Direct Inc.)	(i, iii)	4,250,000 common shares	<b>1,995</b>	<b>1,700</b>	<b>7.0</b>
Diagnos Inc.	(i, ii, iii)	5,250,000 common shares 1,500,000 warrants expire Nov 11, 2011 500,000 warrants expire Nov 26, 2012	<b>1,552</b>	<b>1,372</b>	<b>5.6</b>
Total of 29 other investments –Technology and Other sector (iv)			<b>33,558</b>	<b>7,730</b>	<b>31.7</b>
			<b>48,748</b>	<b>24,350</b>	<b>100.0</b>
<b>Total investments (v)</b>			<b>\$ 767,834</b>	<b>\$ 609,779</b>	

- (i) These investments are in the top five of their respective sector, by fair value, are publicly traded and these investments have a fair value greater than \$1,000 as at June 30, 2011.
- (ii) The Company has filed an “early warning report” pursuant to applicable Canadian securities legislation for these investments and these investments have a fair value greater than \$1,000 as at June 30, 2011.
- (iii) The Company owns, on a partially diluted basis, at least a 5% interest in the publicly-traded company and these investments have a fair value greater than \$1,000 as at June 30, 2011.
- (iv) Total other investments in each sector include all equity investments, warrants, promissory notes, and convertible debentures which are not individually listed in their respective sector, held by the Company as at June 30, 2011.
- (v) As at June 30, 2011, included in total investments were securities of private companies with a fair value totaling \$32,739 (cost of \$42,402) measured in accordance with the Company’s accounting policy for private company investments.
- (vi) Certain investments are held as collateral. See notes 8(a) and 10(a)(i).

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 3. Investments at fair value (continued):

(b) Investments presented for at fair value consist of the following as at December 31, 2010 by sector:

As at December 31, 2010:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals)</b>					
Queenston Mining Inc.	(i, ii, iii)	5,650,000 common shares 50,000 warrants expire Nov 26, 2011	\$ 15,159	\$ 33,341	10.5
Gold Canyon Resources Inc.	(i, ii, iii)	11,543,748 common shares 1,000,000 warrants expire Sep 29, 2011 1,000,000 warrants expire Feb 8, 2012 531,252 warrants expire Jun 17, 2012 475,000 warrants expire Sep 23, 2012 300,000 warrants expire Oct 29, 2012	6,147	31,912	10.1
Continental Gold Ltd.	(i)	2,000,000 common shares	4,118	19,760	6.2
Colossus Minerals Inc.	(i, ii)	1,500,000 common shares	1,946	13,230	4.2
African Gold Group Inc.	(i, ii, iii)	14,702,500 common shares 282,500 warrants expire Jun 16, 2011 650,000 warrants expire Dec 17, 2012	5,466	12,837	4.1
Auryx Gold Corp.	(ii, iii)	10,500,000 common shares	5,250	9,600	3.0
Valley High Ventures Ltd.	(iii)	4,250,000 common shares 250,000 warrants expire Jun 21, 2011 500,000 warrants expire Apr 8, 2012	2,857	9,503	3.0
Mega Precious Metals Inc. (formerly Mega Silver Inc.)	(ii, iii) 10(d))	10,130,600 common shares 600,000 warrants expire Feb 25, 2012	5,643	7,598	2.4
Caledonia Mining Corporation	(iii)	43,401,500 common shares	6,453	6,510	2.1
Goldstone Resources Inc.	(iii)	5,000,000 common shares 441,667 warrants expire Feb 24, 2011	3,576	5,200	1.6
Azimuth Resources Limited	(iii)	21,000,000 common shares 4,000,000 warrants expire Dec 31, 2012	1,953	5,054	1.6
Benton Resources Corp.	(iii)	4,000,000 common shares	2,526	4,760	1.5
Apogee Minerals Ltd.	(iii)	13,000,000 common shares 1,175,000 warrants expire Apr 30, 2011 500,000 warrants expire Dec 18, 2011 625,000 warrants expire May 12, 2012 2,500,000 warrants expire Dec 3, 2012	2,070	4,422	1.4
Temex Resources Corp.	(ii, iii)	12,510,000 common shares 440,000 warrants expire May 26, 2011 625,000 warrants expire Nov 19, 2012	5,945	4,363	1.4
Slam Exploration Ltd.	(ii, iii)	16,395,000 common shares 5,000,000 warrants expire Sep 22, 2011 1,000,000 warrants expire Mar 31, 2012 2,500,000 warrants expire Aug 18, 2012	1,727	4,348	1.4

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### 3. Investments at fair value (continued):

As at December 31, 2010:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Latin American Minerals Inc.	(ii, iii, 10(d))	15,850,000 common shares 500,000 warrants expire Feb 18, 2011 1,000,000 warrants expire Oct 5, 2011 1,000,000 warrants expire Sep 10, 2012	6,511	3,923	1.2
Cream Minerals Ltd.	(iii)	16,000,000 common shares 2,000,000 warrants expire Apr 13, 2011 5,000,000 warrants expire Dec 21, 2012	3,071	3,922	1.2
Bear Gold Lake Ltd. (formerly NFX Gold Inc.)	(ii, iii)	12,750,000 common shares 750,000 warrants expire Jun 4, 2011 1,000,000 warrants expire Oct 23, 2011	8,603	3,379	1.1
Nortec Ventures Corp.	(ii, iii)	16,000,000 common shares 1,500,000 warrants expire Jun 15, 2011	2,469	3,375	1.1
Currie Rose Resources Inc.	(ii, iii)	8,500,000 common shares 1,250,000 warrants expire Mar 10, 2012	1,555	3,228	1.0
Pele Mountain Resources Inc. Niogold Mining Corp.	(ii, iii) (ii, iii)	10,000,000 common shares 8,500,000 common shares 900,000 warrants expire Dec 22, 2011 750,000 warrants expire Dec 23, 2012	3,233	3,192	1.0
Nuinsco Resources Ltd.	(iii)	15,000,000 common shares 5,000,000 warrants expire Oct 1, 2012	2,996	3,135	1.0
Goldrush Resources Ltd.	(ii, iii)	8,500,000 common shares 1,000,000 warrants expire Mar 11, 2012	1,285	2,747	0.9
Silver Quest Resources Ltd.	(iii)	4,085,615 common shares 415,307 warrants expire Aug 26, 2012	1,710	2,414	0.8
Soltoro Ltd.	(ii, iii)	3,751,000 common shares 500,000 warrants expire Jun 21, 2011 250,000 warrants expire Aug 12, 2011	1,555	2,411	0.8
AM Gold Inc. (formerly Acero-Martin Exploration Inc.)	(iii)	4,500,000 common shares 500,000 warrants expire Jul 14, 2011 250,000 warrants expire Apr 30, 2012	1,770	2,406	0.8
Creso Exploration Inc.	(iii)	3,500,000 common shares 2,000,000 warrants expire Jun 1, 2012 300,000 warrants expire Oct 8, 2012	2,350	2,385	0.8
ICN Resources Ltd.	(iii)	3,250,000 common shares 750,000 warrants expire Dec 2, 2011	2,218	2,170	0.7
Castillian Resources Corp.	(iii)	18,793,265 common shares 1,666,667 warrants expire Jul 16, 2012 1,500,000 warrants expire Dec 30, 2012	856	2,134	0.7
Visible Gold Mines Inc.	(ii, iii)	3,500,000 common shares 1,000,000 warrants expire Oct 21, 2011	5,111	2,065	0.7
			1,046	1,997	0.6



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### 3. Investments at fair value (continued):

As at December 31, 2010:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
EMC Metals Corp.	(iii)	5,000,000 common shares 250,000 warrants expire Feb 17, 2011 899,500 warrants expire Aug 15, 2011	1,977	1,924	0.6
Goldeye Explorations Limited	(ii, iii)	22,250,000 common shares 1,000,000 warrants expire Dec 16, 2011 2,000,000 warrants expire May 19, 2012 5,000,000 warrants expire Sep 29, 2012	2,535	1,881	0.6
Valencia Ventures Inc.	(ii, iii)	14,884,000 common shares 4,700,000 warrants expire Nov 25, 2011	4,580	1,880	0.6
AMI Resources Inc.	(ii, iii)	11,888,000 common shares 1,500,000 warrants expire Apr 28, 2011 500,000 warrants expire Nov 22, 2011 500,000 warrants expire Dec 10, 2011	1,600	1,820	0.6
Unigold Inc.	(ii, iii)	10,821,500 common shares 1,500,000 warrants expire Dec 1, 2011	4,138	1,786	0.6
Golden Tag Resources Ltd.	(iii)	2,820,500 common shares 2,000,000 warrants expire Nov 30, 2011	1,389	1,740	0.5
Redstar Gold Corp.	(ii, iii)	7,000,000 common shares	1,477	1,715	0.5
Resinco Capital Partners Inc.	(ii, iii)	11,114,000 common shares 6,250,000 warrants expire Nov 17, 2011	1,211	1,667	0.5
UC Resources Ltd.	(ii, iii)	16,000,000 common shares 500,000 warrants expire Feb 15, 2011 1,250,000 warrants expire Mar 9, 2011 500,000 warrants expire Aug 26, 2011 750,000 warrants expire Sep 27, 2012 1,500,000 warrants expire Dec 21, 2012	4,216	1,583	0.5
Caldera Resources Inc.	(ii, iii)	8,500,000 common shares 2,000,000 warrants expire Jan 6, 2012 1,500,000 warrants expire Apr 16, 2012	928	1,561	0.5
Lago Dourado Minerals Ltd.	(ii)	2,350,000 common shares	575	1,498	0.5
Erin Ventures Inc.	(ii, iii)	9,125,000 common shares 1,000,000 warrants expire Mar 9, 2011 1,875,000 warrants expire Apr 30, 2011 1,000,000 warrants expire Dec 2, 2011	1,098	1,449	0.5
Metals Creek Resources Corp.	(ii, iii)	4,000,000 common shares 1,000,000 warrants expire Oct 2, 2011	495	1,425	0.4
Colt Resources Inc.	(ii, iii)	1,392,857 common shares 1,099,774 warrants expire Jun 29, 2011 271,429 warrants expire Feb 25, 2012	377	1,406	0.4

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## Notes to the Interim Condensed Consolidated Financial Statements

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### 3. Investments at fair value (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Ginguro Exploration Inc.	(ii, iii)	4,888,000 common shares 1,250,000 warrants expire Jun 17, 2011 625,000 warrants expire Dec 11, 2011	1,349	1,347	0.4
Oroco Resource Corp.	(ii, iii)	4,000,000 common shares 500,000 warrants expire Jun 3, 2011 500,000 warrants expire Apr 14, 2012	1,220	1,337	0.4
Alexander Nubia International Inc.	(iii)	3,750,000 common shares 1,250,000 warrants expire Oct 1, 2011	582	1,313	0.4
RJK Explorations Ltd.	(ii, iii)	9,000,000 common shares 5,000,000 warrants expire Dec 15, 2012	861	1,242	0.4
African Queen Mines Ltd.	(iii)	2,000,000 common shares 500,000 warrants expire Apr 20, 2011 250,000 warrants expire Dec 23, 2011 250,000 warrants expire Nov 1, 2012	961	1,211	0.4
Shoreham Resources Ltd.	(ii)	3,250,000 common shares 250,000 warrants expire May 14, 2011	858	1,203	0.4
Pacific Ridge Exploration Ltd.	(ii, iii)	4,250,000 common shares 1,250,000 warrants expire Dec 22, 2011	1,804	1,145	0.4
Northern Lion Gold Corp.	(ii, iii)	4,523,500 common shares 500,000 warrants expire May 24, 2012	1,775	1,091	0.3
Abcourt Mines Inc.	(iii)	6,750,000 common shares 4,000,000 warrants expire Dec 13, 2011 1,500,000 warrants expire Dec 23, 2011	926	1,013	0.3
Valgold Resources Ltd.	(ii, iii)	4,000,000 common shares 1,000,000 warrants expire Nov 23, 2012 1,000,000 warrants expire Mar 3, 2015	3,172	1,008	0.3
Commander Resources Ltd.	(iii)	5,000,000 common shares	1,901	1,000	0.3
Total of 121 other investments – Resources (Precious Metals) sector (iv)			83,984	63,101	19.8
			243,164	316,667	100.0
<b>Sector: Resources (Uranium)</b>					
Rockgate Capital Corp.	(i, ii, iii 10(d))	6,927,500 common shares 250,000 warrants expire Jul 28, 2011 322,500 warrants expire Sep 16, 2011	6,536	17,052	15.5
Mega Uranium Ltd.	(i, ii, iii, 10(d))	12,500,000 common shares 165,000 warrants expire Feb 22, 2012 764,712 warrants expire Jun 6, 2012 1,500,000 warrants expire Oct 26, 2014	36,087	14,218	13.0
Mawson Resources Ltd.	(i, iii)	4,398,000 common shares 750,000 warrants expire May 6, 2011 375,000 warrants expire Oct 25, 2012	2,982	11,208	10.2

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### 3. Investments at fair value (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium) (continued)</b>					
U308 Corp.	(i, ii, iii, 10(d))	8,251,271 common shares 750,000 warrants expire Oct 14, 2012	3,946	8,770	8.0
Tournigan Energy Ltd.	(iii)	17,500,000 common shares 500,000 warrants expire Jul 14, 2012 1,250,000 warrants expire Dec 30, 2012	4,651	5,480	5.0
Energy Fuels Inc.	(iii)	6,000,000 common shares	4,170	5,280	4.8
Forum Uranium Corp.	(ii, iii)	10,000,000 common shares 3,000,000 warrants expire Apr 22, 2011	2,384	3,235	2.9
Silver Spruce Resources Inc.	(ii, iii)	15,000,000 common shares 2,500,000 warrants expire Sep 7, 2012 1,000,000 warrants expire Dec 23, 2012	4,282	3,226	2.9
Virginia Energy Resources Inc.	(iii)	6,100,000 common shares 750,000 warrants expire Apr 21, 2012 100,000 warrants expire Jul 21, 2014	4,696	2,964	2.7
Mesa Uranium Corp.	(ii, iii)	2,294,833 common shares 500,000 warrants expire Nov 20, 2011 750,000 warrants expire Dec 6, 2012	944	2,829	2.6
Southern Andes Energy Inc.	(ii, iii)	6,052,683 common shares 1,458,333 warrants expire Sep 12, 2011 2,000,000 warrants expire Dec 17, 2011	3,935	2,754	2.5
Cue Resources Ltd.	(ii, iii)	12,999,300 common shares 2,500,000 warrants expire Jul 11, 2011 4,000,000 warrants expire Nov 10, 2012	5,318	2,505	2.3
Sparton Resources Inc.	(ii, iii)	12,000,000 common shares	2,953	2,280	2.1
Dios Exploration Inc.	(ii, iii)	5,942,500 common shares	3,252	1,902	1.7
Calypso Uranium Corp.	(ii, iii)	6,000,000 common shares	2,678	1,710	1.6
Crossland Uranium Mines Ltd.	(iii)	8,000,000 common shares	2,441	1,710	1.6
RPT Resources Ltd.	(iii)	6,000,000 common shares	1,808	1,260	1.1
Tigris Uranium Corp.	(iii)	2,000,000 common shares	200	1,260	1.1
Kirrin Resources Inc.	(ii, iii)	8,234,166 common shares 1,500,000 warrants expire Sep 12, 2011 250,000 warrants expire Oct 30, 2011 1,750,000 warrants expire Dec 20, 2011 1,000,000 warrants expire May 30, 2012	1,182	1,063	1.0
Pacific Bay Minerals Ltd.	(ii, iii)	7,900,000 common shares 2,500,000 warrants expire Nov 19, 2011 2,400,000 warrants expire Dec 3, 2011	1,290	1,020	0.9
Total of 29 other investments – Resources (Uranium) sector (iv)			27,698	17,994	16.5
			123,433	109,720	100.0

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 3. Investments at fair value (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Coal)</b>					
Cline Mining Corporation	(i, ii, iii)	15,000,000 common shares	15,562	60,450	98.5
Total of 3 other investments – Resources (Coal) sector (iv)			1,150	942	1.5
			16,712	61,392	100.0
<b>Sector: Resources (Base Metals)</b>					
Macarthur Minerals Ltd.	(i, ii, iii)	6,340,700 common shares			
		500,000 warrants expire Jan 3, 2013	8,175	19,933	13.0
Coro Mining Corp.	(i, iii)	10,000,000 common shares	3,498	11,700	7.6
Solitario Exploration & Royalty Corp.	(i, iii)	2,500,000 common shares	5,097	8,775	5.7
Erdene Resource Development Corp.	(i, iii)	7,000,000 common shares	3,428	8,680	5.7
Probe Mines Ltd.	(i, ii, iii)	4,387,400 common shares			
		500,000 warrants expire Feb 2, 2012	2,903	7,499	4.9
Woulfe Mining Corp.	(iii)	18,000,000 common shares			
		2,500,000 warrants expire Dec 17, 2011	7,665	5,440	3.6
Advanced Explorations Inc.	(iii)	5,585,000 common shares			
		1,500,000 warrants expire Sep 22, 2011	1,807	5,222	3.4
Terreno Resources Corp. (formerly Mega Moly Inc.)	(ii, iii, 10(d))	7,234,834 common shares			
		2,333,334 warrants expire Nov 1, 2012	1,775	5,158	3.4
Western Troy Capital Resources Inc	(ii, iii)	6,539,166 common shares			
		500,000 warrants expire Nov 29, 2012	3,326	4,668	3.0
MacDonald Mines Exploration Ltd.	(ii, iii)	16,000,000 common shares			
		3,075,000 warrants expire Oct 29, 2011	7,268	3,040	2.0
Bolero Resources Corp.	(ii, iii)	4,019,500 common shares			
		1,000,000 warrants expire Oct 28, 2011			
		2,000,000 warrants expire Oct 4, 2012	4,298	2,534	1.7
International PBX Ventures Ltd.	(iii)	4,500,000 common shares			
		500,000 warrants expire Nov 30, 2011	1,646	2,283	1.5
Duran Ventures Inc.	(iii)	8,500,000 common shares			
		1,000,000 warrants expire Apr 17, 2011			
		1,500,000 warrants expire Dec 23, 2012	2,002	2,226	1.5
MBMI Resources Inc.	(ii, iii)	11,826,574 common shares			
		1,000,000 warrants expire May 28, 2011			
		2,500,000 warrants expire Apr 19, 2013	6,821	2,151	1.4
Castle Resources Inc.	(iii)	4,400,000 common shares			
		500,000 warrants expire Apr 15, 2011			
		500,000 warrants expire Oct 7, 2012	1,206	2,139	1.4
Beaufield Resources Inc.	(iii)	5,000,000 common shares	2,630	2,125	1.4

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 3. Investments at fair value (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Base Metals) (continued)</b>					
Halo Resources Ltd.	(ii, iii)	3,300,000 common shares 200,000 warrants expire May 26, 2011 200,000 warrants expire Jun 29, 2011 200,000 warrants expire Nov 4, 2011 1,000,000 warrants expire Oct 4, 2012 500,000 warrants expire Dec 23, 2012	2,473	2,107	1.4
African Metals Corporation	(ii, iii)	4,282,000 common shares 1,250,000 warrants expire Oct 22, 2011 1,000,000 warrants expire Aug 27, 2012	993	2,060	1.3
Bridgeport Ventures Inc.	(ii, iii)	2,250,000 common shares 500,000 warrants expire Dec 1, 2012 250,000 warrants expire Dec 20, 2012	1,381	2,025	1.3
Happy Creek Minerals Ltd.	(ii, iii)	6,000,000 common shares 500,000 warrants expire Dec 21, 2012	2,373	1,891	1.2
Rio Cristal Resources Corp.	(iii)	4,805,000 common shares 1,750,000 warrants expire Aug 30, 2012	715	1,638	1.1
Southern Silver Exploration Corp.	(ii, iii)	4,500,000 common shares 1,500,000 warrants expire Oct 27, 2012	992	1,500	1.0
Zenyatta Ventures Ltd.	(iii)	2,580,000 common shares 1,180,000 warrants expire Dec 23, 2012	685	1,403	0.9
Infrastructure Materials Corp.	(ii, iii)	8,177,174 common shares	3,032	1,383	0.9
Sultan Minerals Inc.	(ii, iii)	13,000,000 common shares 4,000,000 warrants expire Nov 24, 2012	2,848	1,082	0.7
Canadian Arrow Mines Ltd.	(ii, iii)	13,071,430 common shares 1,000,000 warrants expire Mar 17, 2011 1,500,000 warrants expire Apr 29, 2011 3,571,430 warrants expire Oct 18, 2012	2,290	1,034	0.7
Newport Exploration Ltd.	(ii, iii)	5,500,000 common shares	1,249	1,018	0.7
Total of 66 other investments – Resources (Base Metals) sector (iv)			82,877	42,507	27.6
			165,453	153,221	100.0
<b>Sector: Resources (Oil and Gas)</b>					
Primary Petroleum Corp.	(i, ii, iii)	14,681,800 common shares	4,228	13,507	18.7
Brownstone Energy Inc. (formerly Brownstone Ventures Inc.)	(i, ii, iii, 10(d))	10,197,720 common shares 500,000 warrants expire May 28, 2011 1,369,110 warrants expire Apr 13, 2012	8,189	10,544	14.6
Talon Metals Corp.	(i, iii)	4,000,500 common shares	2,219	6,561	9.1
Canadian Spirit Resources Inc.	(i, ii)	3,000,000 common shares	3,157	5,520	7.6
Centric Energy Corp.	(i, ii, iii)	7,500,000 common shares	2,321	4,425	6.1
Contact Exploration Inc.	(iii)	5,250,000 common shares 1,250,000 warrants expire May 10, 2012 500,000 warrants expire Oct 15, 2012	907	2,969	4.1

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 3. Investments at fair value (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Oil and Gas) (continued)</b>					
Donnybrook Energy Inc. (formerly Coastport Capital Inc.)	(iii)	6,403,000 common shares 1,250,000 warrants expire Feb 13, 2011 500,000 warrants expire Feb 25, 2011	1,599	2,861	4.0
Anglo Canadian Oil Corp.	(iii)	6,225,000 common shares 500,000 warrants expire May 16, 2011	739	2,397	3.3
Vulcan Minerals Inc.	(iii)	4,882,500 common shares 500,000 warrants expire Nov 3, 2011 100,000 warrants expire Nov 26, 2011	2,915	2,002	2.8
Greencastle Resources Inc.	(ii, iii)	5,000,000 common shares	1,520	1,675	2.3
Total of 38 other investments – Resources (Oil and Gas) sector (iv)			31,096	19,802	27.4
			58,890	72,263	100.0
<b>Sector: Resources (Potash, Lithium and Rare Earths)</b>					
Stans Energy Corp.	(i, iii)	9,500,000 common shares 500,000 warrants expire Aug 2, 2011	1,996	12,675	19.1
Canada Lithium Corp.	(i)	4,500,000 common shares 2,022,500 warrants expire Sep 30, 2011	5,176	11,297	17.0
IC Potash Corp. (formerly Trigon Uranium Corp.)	(i, ii, iii)	6,562,500 common shares 937,500 warrants expire Dec 2, 2011 500,000 warrants expire Sep 15, 2013	5,582	9,205	13.8
Lithium Americas Corp.	(i, iii)	4,600,000 common shares 125,000 warrants expire May 13, 2012	6,410	8,740	13.1
Matamec Explorations Inc.	(i, iii)	9,600,001 common shares 750,000 warrants expire Jun 16, 2012	2,847	6,054	9.1
Western Potash Corp.	(ii, iii)	1,000,000 common shares 8,500,000 warrants expire Apr 15, 2011 500,000 warrants expire Jun 21, 2013	1,618	4,539	6.8
Rare Earth Metals Inc.	(ii, iii)	6,500,000 common shares 250,000 warrants expire Nov 10, 2011 2,000,000 warrants expire Dec 16, 2011	1,862	2,646	4.0
New World Resource Corp.	(ii, iii)	6,236,852 common shares 1,000,000 warrants expire Jun 26, 2011	3,074	2,464	3.7
Ucore Uranium Inc.	(ii)	2,431,250 common shares 1,250,000 warrants expire Jul 24, 2011 318,750 warrants expire Dec 9, 2012	1,103	2,092	3.1
Strategic Resources Inc.	(ii, iii)	11,000,000 common shares 2,500,000 warrants expire Jan 7, 2012 3,000,000 warrants expire Nov 17, 2012	2,838	2,020	3.0
Fieldex Exploration Inc.	(ii, iii)	7,610,778 common shares 1,388,889 warrants expire Oct 29, 2011	1,315	1,446	2.2
Total of 9 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv)			3,503	3,346	5.1
			37,324	66,524	100.0

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 3. Investments at fair value (continued):

As at December 31, 2010:					
Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Technology and Other</b>					
Titanium Corporation Inc.	(i)	1,775,000 common shares 250,000 warrants expire Jun 15, 2012	1,972	3,221	16.7
Opel Solar International Inc.	(i, ii, iii)	8,500,000 common shares 750,000 warrants expire Dec 13, 2011 500,000 warrants expire Jul 21, 2012	6,822	2,720	14.1
Landrill International Inc.	(i, ii, iii)	8,057,000 common shares	2,296	2,296	11.9
Diagnos Inc.	(i, ii, iii)	4,988,500 common shares 1,500,000 warrants expire Nov 11, 2011	1,481	1,422	7.4
Fiber Optic Systems Technology, Inc.	(i, ii, iii, 10(d))	11,882,112 common shares \$100,000 12% convertible debenture 1,825,000 warrants expire Mar 5, 2011 1,111,111 warrants expire May 7, 2011 3,000,000 warrants expire Sep 23, 2012	4,494	1,164	6.1
REBgold Corporation	(ii, iii)	10,787,500 common shares 2,000,000 warrants expire May 10, 2011 1,000,000 warrants expire Aug 6, 2013 1,537,500 warrants expire Jun 17, 2015	1,287	1,025	5.3
Total of 32 other investments – Technology and Other sector (iv)			29,095	7,387	38.5
			47,447	19,235	100.0
<b>Total investments (v)</b>			<b>\$ 692,423</b>	<b>\$ 799,022</b>	

- (i) These investments are in the top five of their respective sector, by fair value, are publicly traded and these investments have a fair value greater than \$1,000 as at December 31, 2010.
- (ii) The Company has filed an “early warning report” pursuant to applicable Canadian securities legislation for these investments and these investments have a fair value greater than \$1,000 as at December 31, 2010.
- (iii) The Company owns, on a partially diluted basis, at least a 5% interest in the publicly-traded company and these investments have a fair value greater than \$1,000 as at December 31, 2010.
- (iv) Total other investments in each sector include all equity investments, warrants, promissory notes, and convertible debentures which are not individually listed in their respective sector, held by the Company as at December 31, 2010.

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# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

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### 3. Investments at fair value (continued):

(v) As at December 31, 2010, included in total investments were securities of private companies with a fair value totaling \$23,428 (cost of \$34,006) measured in accordance with the Company's accounting policy for private company investments.

(vi) Certain investments are held as collateral. See notes 8(a) and 10(a)(i).

### 4. Financial instruments hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

(b) 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).

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

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The following table presents the Company's financial instruments measured at fair value on the consolidated statements of financial position and categorized into levels of the fair value hierarchy:

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	Level 1	Level 2	Level 3	Total
	Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
<b>Assets</b>				
Investments at fair value				
June 30, 2011	\$ 531,942	\$ 45,098	\$ 32,739	\$ 609,779
December 31, 2010	\$ 665,299	\$ 110,295	\$ 23,428	\$ 799,022

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**4. Financial instruments hierarchy (continued):**

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	Level 1 Quoted market price	Level 2 Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs	Total
<b>Liabilities</b>				
Class C preferred share liabilities, at fair value				
June 30, 2011	\$ -	\$ 293	\$ -	\$ 293
December 31, 2010	\$ -	\$ 529	\$ -	\$ 529

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There were no significant transfers from Level 1 to 2 during the periods ended June 30, 2011 and December 31, 2010. During the six months ended June 30, 2011, \$75,919 of the investments which were held in Level 2 as at December 31, 2010, were transferred to Level 1. During the year ended December 31, 2010, \$43,412 of the investments which were held in Level 2 as at January 1, 2010, were transferred to Level 1 in the six month period to June 30, 2010. The transfer out of Level 2 to Level 1 consists of restricted investments which became unrestricted during the period.

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 realized gains/losses and net unrealized gains/losses are recognized in the consolidated statements of comprehensive loss.

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	Opening balance, January 1,	Net purchases	Realized losses	Net unrealized losses	Net transfer out of Level 3	Ending balance
Investments at fair value						
June 30, 2011	\$ 23,428	\$ 11,627	\$ -	\$ 1,418	\$ (3,734)	\$ 32,739
December 31, 2010	32,731	15,556	(2,804)	(1,963)	(20,092)	23,428

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

## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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#### 5. Securities lending:

The Company has entered into a security lending agreement ("SLA") in Canada in accordance with established market conventions. The majority of the Company's stock lending transactions occur in Canada, where securities in the portfolio are lent to regulated, locally-domiciled counterparties and governed by agreements written under Canadian law.

The Company receives collateral in order to reduce the credit risk of these arrangements. Collateral must be in a readily realizable form, such as listed securities, and is held in segregated accounts. Transfer of title always occurs for collateral received, although no market risk or economic benefit is taken. The level of collateral held is monitored regularly, with further collateral obtained where this is considered necessary to manage the Company's risk exposure. The Company's appointed security lending managers obtain legal ownership of the collateral received and can sell it outright in the absence of default.

The details of the security lending arranging positions are:

	June 30, 2011	December 31, 2010
Investments at fair value lent under SLA – carrying amount	\$ 19,496	\$ 5,355
Fair value of collateral held for investments lent under SLA	19,585	4,012

#### 6. Financial assets other than investments at fair value:

	June 30, 2011	December 31, 2010
Cash and cash equivalents	\$ 119	\$ 158
Due from brokers	14	14
Other receivables	389	509

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

#### 7. Property, plant and equipment:

	June 30, 2011			December 31, 2010		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 105	\$ 75	\$ 30	\$ 97	\$ 67	\$ 30
Computer software	22	15	7	22	12	10
Leasehold improvements	996	603	393	946	528	418
Furniture and equipment	496	282	214	476	258	218
	\$ 1,619	\$ 975	\$ 644	\$ 1,541	\$ 865	\$ 676

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**8. Financial liabilities:**

	<b>June 30, 2011</b>	December 31, 2010
Due to brokers (a)	\$ 38,020	\$ 85,570
Accounts payable and accrued liabilities	1,285	34,094
Class C preferred share liabilities (b)	293	529
Convertible debentures, due May 31, 2016 (c)	67,199	-
	<b>\$ 106,797</b>	<b>\$ 120,193</b>

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

During the six months ended June 30, 2011, 2,800 Class C Shares were cancelled by PCIC following their retraction by the holders at prices of between \$17.65 per share and \$21.22 per share plus accrued and unpaid dividends. As at June 30, 2011, 24,700 Class C Shares (December 31, 2010 – 27,500 Class C Shares) were issued and outstanding.

The Class C Shares are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter. During the six months ended June 30, 2011, \$10 (six months ended June 30, 2010 - \$9) in dividends were declared and paid.

The Class C Shares' redemption and retraction prices are linked to the market price of the Company's common shares, subject to a minimum redemption price (at any time) and minimum retraction price of \$10 per share. As at June 30, 2011, both the redemption price and the retraction price in effect was \$11.87 per share (December 31, 2010 - \$19.25 per share).

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## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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#### 8. Financial liabilities (continued):

Accordingly, as at June 30, 2011, the Company recorded a decrease in the fair value of the Class C Shares of \$182 (six months ended June 30, 2010 - \$54) which was recognized in operating, general and administrative expenses in the consolidated statements of comprehensive loss. As at June 30, 2011, the Company had Class C preferred share liabilities of \$293 (December 31, 2010 - \$529).

- (c) On May 17, 2011, the Company issued \$75,000 principal amount of 8% convertible unsecured subordinated debentures maturing May 31, 2016. The convertible 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 convertible debentures, the Company paid cash commissions, legal costs and other expenses of \$4,088 (issue costs).

For accounting purposes, the convertible 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 convertible debentures and the fair value of the liability component.

After May 31, 2014, the Company may redeem the convertible 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 convertible 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 June 30, 2011, the Company was in compliance with the terms of its convertible debenture.

The following table summarizes the movement in the convertible debenture:

<b>Principal</b>	
Opening principal balance, December 31, 2010	\$ -
Issued	75,000
Ending principal balance, June 30, 2011	75,000
<b>Liability</b>	
Opening liability balance, December 31, 2010	-
Issued - fair value of the convertible debenture	70,916
Finance expense (issue costs) allocated to the liability portion	(3,865)
Accretion of discount on convertible debentures	56
Amortization of the finance expenses on the convertible debentures	92
Ending liability balance, June 30, 2011	67,199

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**8. Financial liabilities (continued):**

<b>Equity component</b>	
Opening equity component balance, December 31, 2010	-
Issued	4,084
Finance expense (issue costs) allocated to the equity component	(223)
Net deferred income tax	(979)
Ending equity component balance, June 30, 2011	<b>\$ 2,882</b>

**9. Deferred taxes:**

	<b>June 30, 2011</b>	December 31, 2010
Deferred tax assets	<b>\$ 5,500</b>	\$ 21,167
Deferred tax liabilities	<b>\$ 13,568</b>	\$ 55,199

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

	<b>June 30, 2011</b>	December 31, 2010
<b>Deferred tax assets</b>		
Non-capital losses	<b>\$ 10,801</b>	\$ 22,358
Tax on future capital gains dividend	<b>(15,609)</b>	(12,011)
Corporate minimum tax credit	<b>4,103</b>	4,103
Investments – differences in carrying value and tax cost	<b>4,096</b>	3,106
Ontario transitional tax credits	<b>2,492</b>	2,593
Share issuance costs	<b>520</b>	897
Property, plant and equipment	<b>118</b>	121
Convertible debentures	<b>(1,021)</b>	-
<b>Total deferred tax assets</b>	<b>5,500</b>	21,167
<b>Deferred tax liabilities</b>		
Investments – differences in carrying value and tax cost	<b>13,568</b>	55,199
<b>Total deferred tax liabilities</b>	<b>\$ 13,568</b>	\$ 55,199

- (b) At June 30, 2011, the Company has approximately \$41,100 (December 31, 2010 - \$78,200) 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	\$	28,100
2030		13,000
	<b>\$</b>	<b>41,100</b>

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## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

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#### 10. 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 six months ended June 30:

Type of service	Nature of relationship	2011	2010
Salaries	Director and officer	\$ 515	\$ 563
Consulting fees	Officers	232	250
Director fees	Directors	75	81
Stock-based compensation expense	Directors and officers	1,658	1,212
Finance expense (i)	Director, shareholder, and officer	47	90
Other income (ii)	Affiliated companies	302	293

(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 (note 8(a)).

The Credit Facility matures on December 31, 2011, 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. Included in the consolidated statements of comprehensive loss is \$47 (six months ended June 30, 2010 - \$90) of standby fee expense relating to the Credit Facility. As at June 30, 2011 and December 31, 2010, there was nil outstanding under the Credit Facility.

(ii) Other income relates to sublease and services agreements of approximately \$302 (six months ended June 30, 2010 - \$293) from companies in which Pinetree has a common director and common officers. The Company has a cost sharing arrangement with certain of its affiliated companies covering specific operating, general and administrative expenses, including lease commitments and salaries.

(b) During the six months ended June 30, 2011, the Company issued \$75,000 principal amount of 8% convertible unsecured subordinated debentures maturing May 31, 2016 (note 8(c)). Of the \$75,000 principal amount of convertible debentures, the Company issued \$1,425 to directors and officers of the Company. Included in accounts payable and accrued liabilities is \$14 of interest payable relating to the convertible debentures issued to related parties.

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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

- (c) Advances to related parties:

<b>Related parties:</b>	<b>June 30, 2011</b>	<b>December 31, 2010</b>
Starting balance (i)	\$ -	\$ 75
Advances	-	282
Repayments	-	(75)
Interest charged	-	10
Reclassification (ii)	-	(292)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

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- (i) As at January 1, 2010, the Company had a loan receivable from an officer of the Company totaling \$75 which was repaid in full on January 29, 2010. The loan bore interest at RBC's prime rate plus 1% per annum, compounded monthly. The loan was used by the officer to purchase investments and was collateralized by those investments.
- (ii) On March 10, 2010, the Company entered into an agreement with AlphaNorth 2010 Flow-Through Limited Partnership (the "Fund"), a limited partnership established under the laws of Ontario, pursuant to which the Company agreed to provide funds to the Fund from time to time, of up to \$500 principal amount in the form of a revolving term loan. Funds provided by Pinetree under the loan bear interest at a rate equal to prime plus 2% and are secured by a general security agreement over the Fund's assets. During the year ended December 31, 2010, the Company advanced \$282 and accrued interest of \$10 to the Fund. At the time of the agreement, the Company had a common director and owned a 20% interest in the Fund's general partner, AlphaNorth General Partner Inc. ("AGP"). As at December 31, 2010, the Company no longer has a common director with AGP and as result, reclassified its loan to the Fund as a receivable.

No provision for impairment has been made on any of the loans.

- (d) The Company has investments in companies with a common director and/or common officers of the Company. See note 3.
- (e) During the six months ended June 30, 2011, the Company granted to directors and officers the following options:

<b>Date Granted</b>	<b>Options Granted</b>	<b>Exercise Price</b>	<b>Expiry</b>
March 31, 2011	1,170,000	\$ 3.17	March 30, 2016
May 31, 2011	250,000	2.93	May 30, 2016
Total granted	<u>1,420,000</u>		

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# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

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### 11. Share capital:

Authorized: Unlimited number of common shares, no par value

Issued and outstanding common shares:

	# of Shares	Amount
Balance, January 1, 2010	135,229,653	\$ 274,725
Issued pursuant to exercise of stock options (a)	1,146,020	1,891
Balance, December 31, 2010	136,375,673	\$ 276,616
Issued pursuant to exercise of stock options (a)	<b>171,600</b>	<b>380</b>
<b>Balance, June 30, 2011</b>	<b>136,547,273</b>	<b>\$ 276,996</b>

- (a) During the six months ended June 30, 2011, 171,600 options were exercised at prices between \$1.29 per share and \$1.46 per share for total proceeds of \$231. Pursuant to the exercise of stock options, amounts of \$149 in contributed surplus were reallocated to share capital.

During the year ended December 31, 2010, 1,146,020 options were exercised at prices between \$0.53 per share and \$1.75 per share for total proceeds of \$1,190. Pursuant to the exercise of stock options, amounts of \$701 in contributed surplus were reallocated to share capital.

- (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"). The 2007 Plan was established during the Company's fiscal year ended December 31, 2007 and replaced all other stock option plans of the Company (which were concurrently terminated). Options granted under these other plans which remain outstanding are now governed by the 2007 Plan.

Under the terms of the 2007 Plan, the number of common shares which may be issued pursuant to the exercise of options granted under or otherwise governed by the 2007 Plan may not exceed 10% of the number of common shares outstanding at the time of grant; however, the number of options that have been cancelled or expired unexercised (whether in full or in part) will once again be issuable under the 2007 Plan.

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



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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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

## (c) Stock options:

The following table summarizes stock options granted during the six months ended June 30, 2011:

<b>Date Granted</b>	<b>Options Granted</b>	<b>Exercise Price</b>	<b>Expiry</b>
March 31, 2011	1,705,000	\$ 3.17	March 30, 2016
May 31, 2011	250,000	2.93	May 30, 2016
Total granted	1,955,000		

Stock options granted during the six months ended June 30, 2011 vest at the rate of 1/6<sup>th</sup> 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 six months ended June 30, 2011 was estimated at the date of grant using the following assumptions:

Black-Scholes assumptions used	
Expected volatility	<b>79.2% - 117.5%</b>
Expected dividend yield	<b>0.0%</b>
Risk-free interest rate	<b>1.7% - 2.3%</b>
Expected option life in years	<b>2.4 - 3.7</b>
Expected forfeiture rate	<b>3.7% - 9.3%</b>
Fair value per stock option granted on March 31, 2011	<b>\$ 1.98</b>
Fair value per stock option granted on May 31, 2011	<b>\$ 1.74</b>

The fair value of the options granted during the year ended December 31, 2010 was estimated at the date of grant using the following assumptions:

Black-Scholes assumptions used	
Expected volatility	<b>102.6% - 109.7%</b>
Expected dividend yield	<b>0.0%</b>
Risk-free interest rate	<b>2.25% - 3.0%</b>
Expected option life in years	<b>3.5</b>
Expected forfeiture rate	<b>3.3% - 10.2%</b>

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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

Fair value per stock option granted on April 1, 2010	<b>\$ 1.24</b>
Fair value per stock option granted on June 1, 2010	<b>\$ 0.99</b>
Fair value per stock option granted on September 1, 2010	<b>\$ 0.96</b>
Fair value per stock option granted on December 1, 2010	<b>\$ 2.30</b>

For the six months ended June 30, 2011, included in operating, general and administrative expenses is stock-based compensation of \$2,105 (six months ended June 30, 2010 - \$1,342) 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 June 30, 2011 and December 31, 2010 and changes during the periods then ended is presented below:

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	<b>June 30, 2011</b>		December 31, 2010	
	<b># of Options</b>	<b>Weighted Average Exercise Price</b>	<b># of Options</b>	<b>Weighted Average Exercise Price</b>
<b>Stock Options</b>				
Outstanding, at beginning of period	<b>9,877,420</b>	<b>\$ 3.19</b>	10,312,740	\$ 3.79
Granted	<b>1,955,000</b>	<b>3.14</b>	2,017,500	1.72
Exercised	<b>(171,600)</b>	<b>1.35</b>	(1,146,020)	1.04
Cancelled	-	-	(500,000)	13.02
Expired/terminated	<b>(60,420)</b>	<b>3.09</b>	(806,800)	4.09
Outstanding, at end of period	<b>11,600,400</b>	<b>\$ 3.21</b>	9,877,420	\$ 3.19
Exercisable, at end of period	<b>9,187,586</b>	<b>\$ 3.33</b>	8,074,204	\$ 3.51

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements**

June 30, 2011

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

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

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2011:

<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
50,000	50,000	\$ 5.25	October 15, 2011
100,000	100,000	9.74	February 4, 2012
311,500	311,500	13.02	April 26, 2012
50,000	50,000	9.50	July 2, 2012
25,000	25,000	4.08	September 3, 2012
2,347,000	2,347,000	5.45	September 16, 2012
1,307,500	1,307,500	3.14	April 10, 2013
1,155,000	1,155,000	1.29	March 31, 2014
50,000	50,000	1.73	June 29, 2014
2,323,490	2,323,490	1.46	August 31, 2014
85,000	85,000	2.07	November 30, 2014
265,000	176,400	1.83	March 31, 2015
1,075,910	714,410	1.46	May 31, 2015
250,000	124,800	1.41	August 31, 2015
250,000	83,332	3.23	November 30, 2015
1,705,000	284,154	3.17	March 30, 2016
250,000	-	2.93	May 31, 2016
<b>11,600,400</b>	<b>9,187,586</b>		

## (d) Warrants and broker warrants:

A summary of the status of the Company's warrants and broker warrants as at June 30, 2011 and December 31, 2010 and the changes during the periods then ended is presented below:

	<b>June 30, 2011</b>		December 31, 2010	
	<b># of Warrants and Broker Warrants</b>	<b>Weighted Average Exercise Price</b>	<b># of Warrants and Broker Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Warrants and Broker Warrants</b>				
Outstanding, at beginning of period	<b>20,513,650</b>	<b>\$ 7.31</b>	21,236,421	\$ 7.15
Expired	-	-	(722,771)	2.72
Outstanding, at end of period	<b>20,513,650</b>	<b>\$ 7.31</b>	20,513,650	\$ 7.31

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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

The following table summarizes the warrants and broker warrants outstanding as at June 30, 2011:

<b>Number of Warrants and Broker Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Warrants/Broker Warrants Value</b>
5,000,000	\$ 15.00	April 16, 2012	\$ 37,100
6,875,000	6.50	October 23, 2012	19,662
8,638,650	3.50	July 11, 2013	9,762
<b>20,513,650</b>			<b>\$ 66,524</b>

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

	<b>Amount</b>
Balance, January 1, 2010	\$ 28,045
Stock-based compensation	2,600
Exercise of stock options	(701)
Reallocation of expired broker warrants	615
Balance, December 31, 2010	30,559
Stock-based compensation (note 11(c))	2,105
Exercise of stock options (note 11(a))	(149)
<b>Balance, June 30, 2011</b>	<b>\$ 32,515</b>

As at June 30, 2011 and December 31, 2010, contributed surplus is comprised of the following:

	<b>June 30, 2010</b>	<b>December 31, 2010</b>
Fair value of stock-based compensation	\$ 26,771	\$ 24,815
Fair value of expired broker warrants	5,744	5,744
	<b>\$ 32,515</b>	<b>\$ 30,559</b>

(f) Normal course issuer bid:

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

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**12. Commitments:**

As at June 30, 2011, future minimum annual lease payments under operating leases for equipment and premises are approximately as follows:

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2011	\$	307
2012		587
2013		583
2014		583
2015		583
2016		583
2017		508
2018		613
2019		613
2020		613
2021		613
2022		613
2023		306
	\$	7,105

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As at June 30, 2011, the Company had commitments to purchase investments totaling \$1,200 (December 31, 2010 - \$4,917).

**13. Other income:**

Other income is comprised of the following for the six months ended June 30:

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	2011	2010
Income from sublease and services agreements (note 10(a)(ii))	\$ 302	\$ 293
Income from securities lending (note 5)	484	-
	\$ 786	\$ 293

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**14. Expenses by nature:**

Included in general, administrative and operating expenses for the six months ended June 30:

	<b>2011</b>	2010
Stock-based compensation expense	\$ <b>2,105</b>	\$ 1,342
Salaries	<b>1,076</b>	950
Consulting fees	<b>323</b>	295
Other employment benefits	<b>93</b>	203
Transaction costs	<b>1,443</b>	482
Other office and general	<b>727</b>	115
Exploration and evaluation expenditures (a)	<b>661</b>	-
Transfer agent and filing fees	<b>382</b>	200
Professional fees	<b>303</b>	653
Travel and promotion	<b>250</b>	220
Operating lease payments, net	<b>238</b>	222
Amortization	<b>110</b>	67
Foreign exchange loss (gain)	<b>(173)</b>	186
Change in fair value of Class C preferred shares	<b>(182)</b>	(54)
	<b>\$ 7,356</b>	\$ 4,881

- (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. During the six months ended June 30, 2011, the consortium commenced seismic testing on the property.

**15. Finance expenses:**

Finance expenses for the six months ended June 30 are:

	<b>2011</b>	2010
Interest on margin borrowings	\$ <b>396</b>	\$ 167
Interest expense accrued on convertible debentures	<b>780</b>	-
Amortization of the finance expenses on the convertible debentures	<b>92</b>	-
Standby fee and interest on Credit Facility (note 10(a)(i))	<b>47</b>	90
	<b>\$ 1,315</b>	\$ 257

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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### 16. Income tax benefit:

- (a) The income tax benefit attributable to profit or loss before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 28.25% (six months ended June 30, 2010 – 31%) of pre-tax profits as a result of the following for the six months ended June 30:

	2011	2010
Loss before income taxes	\$ (182,801)	\$ (55,950)
Computed expected income tax benefit	(51,641)	(17,344)
Non-taxable portion of capital gains	(25,287)	(3,498)
Non-taxable portion of unrealized losses	37,317	9,750
Non-taxable stock-based compensation expense	595	416
Taxable capital gains dividend	16,743	4,978
Tax rate differential	(4,525)	(1,923)
Permanent and other differences	(147)	310
Income tax benefit	\$ (26,945)	\$ (7,311)

- (b) Significant components of the income tax benefit for the six months ended June 30 are as follows:

	2011	2010
Current tax expense	\$ -	\$ -
Deferred tax benefit relating to origination and reversal of temporary differences	(26,945)	(7,311)
	\$ (26,945)	\$ (7,311)

### 17. Management of capital:

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

	June 30, 2011	December 31, 2010
Due to brokers	\$ 38,020	\$ 85,570
Class C preferred share liabilities, at fair value	293	529
Convertible debentures, due May 31, 2016	67,199	-
Shareholders' equity comprised of:		
Share capital	276,996	276,616
Warrants and broker warrants	66,524	66,524
Contributed surplus	32,515	30,559
Equity component of convertible debentures	2,882	-
Foreign currency translation reserve	(33)	(22)
Retained earnings	117,196	273,052
	\$ 601,592	\$ 732,828

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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#### **17. Management of capital (continued):**

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. There were no changes to the Company's objectives in managing and maintaining capital during the six months ended June 30, 2011.

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

The Company maintains or adjusts its capital level to enable it to meet its objectives by:

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

The Company is not subject to any capital requirements imposed by a regulator. When using margin for its investing activities, however, Pinetree is subject to the margin requirements applicable thereto, which can require, at any time and from time to time, that the Company provide additional funds to its brokers depending upon the then-value of its investments purchased on margin. The Company's convertible debentures are also subject to certain covenants, including maintenance of certain financial ratios, restrictions on the redemption, and restrictions on the prepayment and payment of interest on such convertible debentures.

In August 2010, the Company's operating line of credit with RBC was reduced to \$250 from \$1,000. 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 June 30, 2011 and December 31, 2010, the Company had nil outstanding on the line of credit.



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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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#### **17. Management of capital (continued):**

The payment of cash dividends does not form part of Pinetree's current capital management program and, to date, the Company has not declared any cash dividends on its common shares. However, the holders of the Class C Shares issued by PCIC are entitled to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter. During the six months June 30, 2011, PCIC declared and paid to Class C shareholders dividends totaling \$10 (six months ended June 30, 2010 - \$9).

The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at June 30, 2011.

#### **18. 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.

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**18. Risk management (continued):**

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

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

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

There were no changes to the way the Company manages liquidity risk since December 31, 2010. The Company manages liquidity risk by reviewing the amount of margin available on a daily basis, and managing its cash flow given its daily margin availability. The Company holds investments which can be converted into cash when required.

As at June 30, 2011, the Company had used margin of \$38,020 and had additional margin available of \$23,894. 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 June 30, 2011.

<b>Percentage of change in closing bid price</b>	<b>Margin available with a % increase in closing bid price</b>	<b>Margin available with a % decrease in closing bid price</b>
2%	\$ 25,082	\$ 22,707
4%	26,269	21,519
6%	27,457	20,331
8%	28,644	19,144
10%	29,832	17,956

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**18. Risk management (continued):**

As at December 31, 2010, the Company had used margin of \$85,570 and had additional margin available of \$7,214. As at December 31, 2010, there would be no change to the Company's available margin from a change in the closing bid price of the Company's investments by -10% to 10% with all other variables held constant as at December 31, 2010.

As at June 30, 2011, the Company also had Class C preferred share liabilities of \$293 (December 31, 2010 - \$529) related to the potential redemption and/or retraction of Class C Shares. The prices at which redemption/retraction rights may be exercised are based on the volume weighted average trading ("VWAT") price per share of the Company's common shares on the TSX for the applicable 20-day trading period (note 8(b)), subject to a minimum redemption price of \$10 per Class C Share. The redemption/retraction price in effect as at June 30, 2011 was \$11.87 per share (December 31, 2010 - \$19.25 per share).

The following table shows the estimated sensitivity of the Company's Class C preferred share liability amounts based on different 20-day VWAT prices of the Company's common shares as at June 30, 2011:

<b>Pinetree's 20-day VWAT trading price</b>	<b>Redemption/retraction value per Class C Share</b>	<b>Total Class C preferred share liabilities related to the redemption/retraction of Class C Shares</b>	<b>Increase in Class C preferred share liabilities</b>
\$ 1.87	\$ 10.00	\$ 247	\$ -
2.00	10.71	265	18
2.25	12.05	298	51
2.50	13.39	331	84
2.75	14.73	364	117
3.00	16.06	397	150
3.25	17.40	430	183
3.50	18.74	463	216
3.75	20.08	496	249
4.00	21.42	529	282
4.25	22.76	562	315
4.50	24.10	595	348

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 18. Risk management (continued):

The following table shows the estimated sensitivity of the Company's Class C preferred share liability amounts based on different 20-day VWAT prices of the Company's common shares as at December 31, 2010:

Pinetree's 20-day VWAT trading price	Redemption/retraction value per Class C Share	Total Class C preferred share liabilities related to the redemption/retraction of Class C Shares	Increase in Class C preferred share liabilities
\$ 1.87	\$ 10.00	\$ 275	\$ -
2.00	10.71	295	20
2.25	12.05	331	56
2.50	13.39	368	93
2.75	14.73	405	130
3.00	16.06	442	167
3.25	17.40	479	204
3.50	18.74	515	240
3.75	20.08	552	277
4.00	21.42	589	314
4.25	22.76	626	351
4.50	24.10	663	388

The following table shows the Company's liabilities on the statement of financial position and potential due dates related to liquidity risk as at June 30, 2011:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	\$ 38,020	\$ 38,020	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	1,285	1,285	-	-	-
Class C preferred share liabilities	293	293	-	-	-
Convertible debentures, due May 16, 2016	67,199	-	-	67,199	-
Deferred tax liabilities	13,568	-	13,568	-	-
	\$ 120,365	\$ 39,598	\$ 13,568	\$ 67,199	\$ -

The following table shows the Company's liabilities on the statement of financial position and potential due dates related to liquidity risk as at December 31, 2010:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	\$ 85,570	\$ 85,570	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	34,094	34,094	-	-	-
Class C preferred share liabilities	529	529	-	-	-
Deferred tax liabilities	55,199	-	55,199	-	-
	\$ 175,392	\$ 120,193	\$ 55,199	\$ -	\$ -

## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

#### 18. Risk management (continued):

The following table shows the Company's source of liquidity by assets as at June 30, 2011:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash and cash equivalents	\$ 119	\$ 119	\$ -	\$ -	\$ -
Due from brokers	14	14	-	-	-
Prepays and other receivables	389	90	299	-	-
Investments at fair value	609,779	577,040	32,739	-	-
Property, plant and equipment	644	-	-	-	644
Deferred tax assets	5,500	-	-	-	5,500
	<u>\$ 616,445</u>	<u>\$ 577,263</u>	<u>\$ 33,038</u>	<u>\$ -</u>	<u>\$ 6,144</u>

The following table shows the Company's source of liquidity by assets as at December 31, 2010:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash and cash equivalents	\$ 158	\$ 158	\$ -	\$ -	\$ -
Due from brokers	14	14	-	-	-
Prepays and other receivables	1,084	792	292	-	-
Investments at fair value	799,022	775,594	23,428	-	-
Property, plant and equipment	676	-	-	-	676
Deferred tax assets	21,167	-	-	-	21,167
	<u>\$ 822,121</u>	<u>\$ 776,558</u>	<u>\$ 23,720</u>	<u>\$ -</u>	<u>\$ 21,843</u>

(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 mark-to-market its held-for-trading investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Pinetree's financial position.

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**18. Risk management (continued):**

There were no changes to the way the Company manages market risk since December 31, 2010. 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.

The following table shows the estimated sensitivity of the Company's after-tax loss for the six months ended June 30, 2011 from a change in the closing bid price of the Company's investments with all other variables held constant as at June 30, 2011:

<b>Percentage of change in closing bid price</b>	<b>Change in net after-tax loss from % increase in closing bid price</b>	<b>Change in net after-tax loss from % decrease in closing bid price</b>
2%	\$ 10,534	\$ (10,534)
4%	21,068	(21,068)
6%	31,602	(31,602)
8%	42,136	(42,136)
10%	52,670	(52,670)

The following table shows the estimated sensitivity of the Company's after-tax profit (loss) for the year ended December 31, 2010 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2010:

<b>Percentage of change in closing bid price</b>	<b>Change in net after-tax profit from % increase in closing bid price</b>	<b>Change in net after-tax profit from % decrease in closing bid price</b>
2%	\$ 13,703	\$ (13,703)
4%	27,406	(27,406)
6%	41,110	(41,110)
8%	54,813	(54,813)
10%	68,516	(68,516)

**(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 June 30, 2011, the Company had due to brokers (margin) which bears interest at rates fluctuating with the prime rate or overnight lending rate.

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**18. Risk management (continued):**

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 8(c)). There were no changes to the way the Company manages interest rate risk since December 31, 2010. Pinetree does not hedge against any interest rate risk.

The following table shows the estimated sensitivity of the Company's net after-tax loss for the six months ended June 30, 2011 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at June 30, 2011:

<b>Change in interest rate</b>	<b>Change in net after-tax loss from an increase in interest rate</b>	<b>Change in net after-tax loss from a decrease in interest rate</b>
0.25%	\$ (27)	\$ 27
0.50%	(55)	55
0.75%	(82)	82
1.00%	(109)	109

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

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

(d) Currency risk:

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time.

The Company may have margin borrowings or financial instruments denominated in U.S. dollars, Australian dollars, and British pounds. A change in the foreign exchange rate of the Canadian dollar versus another currency may increase or decrease the Company's obligations due to brokers and increase or decrease the value of its financial instruments.

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**18. Risk management (continued):**

There were no changes to the way the Company manages currency risk since December 31, 2010. The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency exposure, although Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments.

The following assets and liabilities were denominated in foreign currencies:

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	<b>June 30, 2011</b>	December 31, 2010
Denominated in U.S. dollars:		
Investments	\$ 8,028	\$ 8,364
Cash and cash equivalents	13	9
Due from brokers	14	14
Prepays and other receivables	5	591
Due to brokers	(12)	(2,632)
Accounts payable and accrued liabilities	(17)	(14)
Net assets denominated in U.S. dollars	<b>8,031</b>	6,332
Denominated in Australian dollars:		
Investments	16,245	14,533
Due from brokers	983	2,004
Net assets denominated in Australian dollars	<b>17,228</b>	16,537
Denominated in British pounds:		
Investments	1,378	2,942
Due from (to) brokers	3,815	(1,091)
Net assets denominated in British pounds	<b>5,193</b>	1,851

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The following table shows the estimated sensitivity of the Company's net after-tax loss for the six months ended June 30, 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 June 30, 2011:

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Percentage of change in U.S. dollar	Change in net after-tax loss from an increase in % in the U.S. dollar exchange rate	Change in net after-tax loss from a decrease in % in the U.S. dollar exchange rate
2%	\$ 115	\$ (115)
4%	230	(230)
6%	346	(346)
8%	461	(461)
10%	576	(576)

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**18. Risk management (continued):**

The following table shows the estimated sensitivity of the Company's net after-tax loss for the six months ended June 30, 2011 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at June 30, 2011:

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<b>Percentage of change in Australian dollar</b>	<b>Change in net after-tax loss from an increase in % in the Australian dollar exchange rate</b>	<b>Change in net after-tax loss from a decrease in % in the Australian dollar exchange rate</b>
2%	\$ 247	\$ (247)
4%	494	(494)
6%	742	(742)
8%	989	(989)
10%	1,236	(1,236)

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

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<b>Percentage change in U.S. dollar</b>	<b>Change in net after-tax loss from an increase in % in the U.S. dollar exchange rate</b>	<b>Change in net after-tax loss from a decrease in % in the U.S. dollar exchange rate</b>
2%	\$ 126	\$ (126)
4%	251	(251)
6%	377	(377)
8%	502	(502)
10%	628	(624)

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**18. Risk management (continued):**

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

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

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**(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, 2010.

The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. As at June 30, 2011, the total fair value of these investments was \$219 (December 31, 2010 - \$506). The Company believes it is not significantly exposed to credit risk as these investments comprise 0.04% (December 31, 2010 - 0.1%) of the Company's total investments.

The Company entered into a securities lending agreement with its prime brokers in order to earn additional revenue, which is included in other income in the consolidated statements of comprehensive loss (note 5). 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 June 30, 2011, the total fair value of investments loaned to third parties was \$19,496 (December 31, 2010 - \$5,355), which comprise 3.2% (December 31, 2010 - 0.7%) of the Company's total investments.

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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#### **19. 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. During the six months ended June 30, 2011, the consortium commenced seismic testing on the property and the Company has expensed \$661 relating to the cash calls associated with the seismic testing.

The internal reporting provided to the 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 six months ended June 30, 2011. As at June 30, 2011, 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.

#### **20. Transition to IFRS:**

For all periods up to and including the year ended December 31, 2010, the Company prepared its interim condensed consolidated financial statements in accordance with CGAAP. The unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2011 were the first the Company has prepared in accordance with IFRS which contain certain disclosures not included in these unaudited interim condensed consolidated financial statements. Accordingly, these interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2011 should be read in conjunction with the unaudited interim consolidated financial statements as at and for the three months ended March 31, 2011.

Reconciliations:

The reconciliations between the previously reported financial results under CGAAP and the current reported financial results under IFRS are provided as follows:

- (i) reconciliation of the consolidated statement of financial position and equity as at June 30, 2010; and
- (ii) reconciliation of the consolidated statement of comprehensive loss for the three and six months ended June 30, 2010;

No reconciliation is required for the consolidated statement of cash flows as there are no significant differences.

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 20. Transition to IFRS (continued):

- (i) The following is a reconciliation of the consolidated statement of financial position as at June 30, 2010:

	Notes	As at June 30, 2010		
		CGAAP	IFRS adjust.	IFRS
<b>Assets</b>				
Cash and cash equivalents		\$ 286	\$ -	\$ 286
Due from brokers		15	-	15
Prepays and other receivables		206	-	206
Advances to affiliated company		285	-	285
Investments at fair value	1.	317,944	2,665	320,609
Equity accounted investments	1.	1,392	(1,392)	-
Property, plant and equipment		473	-	473
Deferred tax assets	4.	17,711	2,136	19,847
		<u>\$ 338,312</u>	<u>\$ 3,409</u>	<u>\$ 341,721</u>
<b>Liabilities and Equity</b>				
<b>Liabilities</b>				
Due to brokers		\$ 33,170	\$ -	\$ 33,170
Accounts payable and accrued liabilities		3,320	-	3,320
Advances from officer		4,490	-	4,490
Class C preferred share liabilities, at fair value		317	-	317
Deferred tax liabilities	1., 4.	-	2,136	2,136
		<u>41,297</u>	<u>2,136</u>	<u>43,433</u>
<b>Equity</b>				
Share capital	2.	\$ 275,149	(1)	275,148
Warrants and broker warrants		67,139	-	67,139
Contributed surplus	2.	28,225	1,007	29,232
Foreign currency translation reserve	3.	-	(1)	(1)
Retained earnings	1., 2., 3.	(73,498)	268	(73,230)
		<u>297,015</u>	<u>1,273</u>	<u>298,288</u>
		<u>\$ 338,312</u>	<u>\$ 3,409</u>	<u>\$ 341,721</u>

1. Adjustment required to apply the fair value of investments in associates as permitted under IAS 28, *Investment in Associates*. Under CGAAP, the Company accounted for its investments in associates under the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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#### **20. Transition to IFRS (continued):**

from the investment. The Company's share of profits or losses of such investments is included in the consolidated statements of operations.

Under IAS 28, the Company's 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. IAS 28 permits investments held by venture capital or similar organizations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9, with changes in fair value recognized in the consolidated statement of comprehensive income (loss) within unrealized gains or losses on investments in the period of the change.

As at June 30, 2010, the adjustment was to decrease equity accounted investments by \$1,392 and the corresponding entry to increase investments at fair value. To fair value the investments in associates, the Company also increased investments at fair value by \$1,273 with a corresponding entry to increase retained earnings.

2. Adjustment required to retrospectively apply the valuation methods under IFRS 2 for outstanding and non-vested options under the stock option plan. Under CGAAP, the Company was permitted to elect to treat the stock options issued as a pool and determine fair value using the average life of the instruments, provided that compensation was then recognized on a straight-line basis and the Company was not required to use estimated future forfeitures of the options. Under IFRS 2, the Company is required to use the graded method in valuing stock options and use an estimated forfeiture rate, resulting in an accelerated compensation expense for these awards under IFRS.

As at June 30, 2010, the adjustment was to increase contributed surplus by \$1006 and the corresponding entry to decrease retained earnings. As a result of the exercise of stock options (note 11(a)), there was an adjustment to increase contributed surplus by \$1 and a corresponding entry to decrease share capital.

3. Under CGAAP, the Company translates one subsidiary using the temporal method which is not permitted under IAS 21. The translation of foreign subsidiaries and the exchange differences on long-term monetary balances between the Company and the foreign subsidiary under IAS 21 must be shown under exchange differences on translation of foreign operations in other comprehensive income (loss).

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**20. Transition to IFRS (continued):**

A summary of the movement for the six months ended June 30, 2010 is as follows:

Exchange gains transferred from retained earnings due to change from temporal method	\$ (419)
Exchange losses on long-term monetary assets considered as part of a net investment in a foreign operation	420
Net increase to retained earnings	1

4. Under CGAAP, the Company offsets its future tax assets and liabilities among its subsidiaries taking into account consolidated tax-planning strategies that would change the particular future years in which temporary differences result in taxable or deductible amounts. Under IAS 12, *Income Taxes*, the Company is not permitted to offset its deferred tax assets and liabilities among its subsidiaries unless a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

As at December 31, 2010, the adjustment on transition to IFRS was to reclassify \$21,167 from deferred tax liabilities to deferred tax assets.

As at June 30, 2010, the adjustment on transition to IFRS was to reclassify \$2,136 from deferred tax liabilities to deferred tax assets.

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

### 20. Transition to IFRS (continued):

- (ii) The following is a reconciliation of the consolidated statement of comprehensive loss for the three and six months ended June 30, 2010:

	Notes	Three months ended June 30, 2010			Six months ended June 30, 2010		
		CGAAP	IFRS adjust.	IFRS	CGAAP	IFRS adjust.	IFRS
<b>Net investment losses</b>							
Realized gains on disposal of investments, net		\$ 5,844	\$ -	\$ 5,844	11,046	\$ -	\$ 11,046
Net change in unrealized losses on investments	1.	(78,274)	(669)	(78,943)	(61,416)	(1,713)	(63,129)
Losses from equity accounted investments	1.	(149)	149	-	(360)	360	-
		(72,579)	(520)	(73,099)	(50,730)	(1,353)	(52,083)
<b>Other income</b>							
Interest and dividend income		763	-	763	978	-	978
Other income		147	-	147	293	-	293
		(71,669)	(520)	(72,189)	(49,459)	(1,353)	(50,812)
<b>Expenses</b>							
Operating, general and administrative	2.	567	(51)	516	4,177	(31)	4,146
Transaction costs		248	-	248	482	-	482
Foreign exchange gain	3.	250	2	252	187	(1)	186
Amortization		34	-	34	67	-	67
Finance expenses		158	-	158	257	-	257
		1,257	(49)	1,208	5,170	(32)	5,138
<b>Profit before income taxes</b>		(72,926)	(471)	(73,397)	(54,629)	(1,321)	(55,950)
<b>Income tax recovery</b>		(11,280)	-	(11,280)	(7,311)	-	(7,311)
<b>Loss for the period</b>		\$ (61,646)	\$ (471)	\$ (62,117)	(47,318)	\$ (1,321)	\$ (48,639)
<b>Other comprehensive income (loss)</b>							
Exchange differences on translation of foreign operations	3.	-	2	2	-	(1)	(1)
<b>Total comprehensive loss for the period</b>		\$ (61,646)	\$ (469)	\$ (62,115)	(47,318)	\$ (1,322)	\$ (48,640)
<b>Loss per common share</b>							
Basic and diluted		\$ (0.45)	\$ (0.46)		(0.35)	\$ (0.36)	
<b>Weighted average number of common shares outstanding</b>							
Basic and diluted		135,550,312		135,550,312	135,485,896		135,485,896

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## **PINETREE CAPITAL LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

**June 30, 2011**

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

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#### **20. Transition to IFRS (continued):**

1. Adjustment required to apply the fair value of investments in associates as permitted under IAS 28. Under CGAAP, the Company accounted for its investments in associates under the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of profits or losses of such investments is included in the consolidated statements of operations. Under IAS 28, the Company's 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. IAS 28 permits investments held by venture capital or similar organizations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9, with changes in fair value recognized in the consolidated statement of comprehensive loss within unrealized gains or losses on investments in the period of the change.

For the three months ended June 30, 2010, the adjustment was to reverse the losses from equity accounted investments of \$149 and increase the net change in unrealized losses by \$669.

For the six months ended June 30, 2010, the adjustment was to reverse the losses from equity accounted investments of \$360 and increase the net change in unrealized losses by \$1,713.

2. Adjustment required to retrospectively apply the valuation methods under IFRS 2 for outstanding and non-vested options under the stock option plan. Under CGAAP, the Company was permitted to elect to treat the stock options issued as a pool and determine fair value using the average life of the instruments, provided that compensation was then recognized on a straight-line basis and the Company was not required to use estimated future forfeitures of the options. Under IFRS 2, the Company is required to use the graded method in valuing stock options and use an estimated forfeiture rate, resulting in accelerated compensation expense for these awards under IFRS.

For the three months ended June 30, 2010, the adjustment was to decrease the stock-based compensation expense by \$51.

For the six months ended June 30, 2010, the adjustment was to decrease the stock-based compensation expense by \$31.



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## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

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#### 20. Transition to IFRS (continued):

3. Under CGAAP, the Company translates one subsidiary using the temporal method which is not permitted under IAS 21. The translation of foreign subsidiaries and the exchange differences on long-term monetary balances between the Company and the foreign subsidiary under IAS 21 must be shown under exchange differences on translation of foreign operations in other comprehensive income (loss).

The summary of the amounts for the three months ended June 30, 2010 is as follows:

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Exchange gains due to change from temporal method	\$ 1,382
Exchange losses on long-term monetary assets considered as part of a net investment in a foreign operation	(1,380)
<b>Net adjustment to foreign exchange differences on translation of foreign operations</b>	<b>2</b>

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The summary of the amounts for the six months ended June 30, 2010 is as follows:

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Exchange gains due to change from temporal method	\$ 419
Exchange losses on long-term monetary assets considered as part of a net investment in a foreign operation	(420)
<b>Net adjustment to foreign exchange differences on translation of foreign operations</b>	<b>(1)</b>

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#### 21. Future changes in accounting policies:

- (b) *IAS 32, Financial Instruments: Presentation – Amendment Regarding Classification of Rights Issues*

This amendment addresses the accounting for rights issues including rights, options and warrants that are denominated in a currency other than the functional currency of the issuer. In particular, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency other than the entity's functional currency, would be equity instruments, provided that the entity offers the rights pro rata to all of its existing owners of the same class in its own non-derivative equity instrument. This amendment is effective for annual periods beginning on or after February 1, 2011.

- (c) *IFRS 10, Consolidation ("IFRS 10")*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so

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## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2011

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

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#### 21. Future changes in accounting policies (continued):

as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(d) *IFRS 11, Joint Arrangements* ("IFRS 11")

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operative. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(e) *IFRS 12, Disclosure of Interests in Other Entities* ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(f) *IFRS 13, Fair Value Measurement* ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(g) Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Venture* ("IAS 28"). The amended IAS 27 addresses accounting for

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2011****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**21. Future accounting changes not yet effective (continued):**

subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 1.

(h) Implication of New and Amended Standards to the Company

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its interim condensed consolidated financial statements or whether to early adopt any of the new requirements.