Consolidated Financial Statements of

PINETREE

(Prepared in Canadian dollars)
For the years ended December 31, 2011 and 2010

Contents

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pinetree Capital Ltd.

We have audited the accompanying consolidated financial statements of **Pinetree Capital Ltd.**, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Pinetree Capital Ltd.** as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 8, 2012

PINETREE CAPITAL LTD.
Consolidated Statements of Financial Position
As at December 31, 2011 and 2010, and January 1, 2010
(In thousands of Canadian dollars)

	Notes	December 31, 2011	December 31, 2010 [1]	January 1, 2010 [1]
Assets				
Cash and cash equivalents	7	**$ 202**	$ 158	$ 404
Due from brokers	7	**15**	14	24
Prepaids and other receivables	7	**168**	1,084	312
Investments at fair value	4, 5	**427,669**	799,022	371,261
Income taxes receivable		**-**	-	3,307
Property, plant and equipment	8	**812**	676	517
Deferred tax assets	10	**14,753**	21,167	23,306
		$ 443,619	$ 822,121	$ 399,131
Liabilities and Equity				
Liabilities				
Due to brokers	9(a)	**$ 18,778**	$ 85,570	$ 33,673
Accounts payable and accrued liabilities		**1,129**	34,094	6,824
Class C preferred share liabilities, at fair value	5, 9(b)	**241**	529	373
Convertible debentures	9(c)	**67,839**	-	-
Deferred tax liabilities	10	**-**	55,199	12,943
		87,987	175,392	53,813
Commitments	13			
Equity				
Share capital	12	**$ 276,797**	$ 276,616	$ 274,725
Warrants and broker warrants	12(d)	**66,524**	66,524	67,139
Contributed surplus	12(e)	**34,740**	30,559	28,045
Equity component of convertible debentures	9(c)	**2,882**	-	-
Foreign currency translation reserve		**(22)**	(22)	-
Retained earnings (deficit)		**(25,289)**	273,052	(24,591)
		355,632	646,729	345,318
		$ 443,619	$ 822,121	$ 399,131

1. Refer to Note 21 for the effects of the adoption of IFRS.

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Gerry Goldberg" Director

"Sheldon Inwentash" Director

PINETREE CAPITAL LTD.

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

	Notes		2011		2010 [1]
Net investment gains (losses)					
Net realized gains on disposal of investments		**$**	**94,779**	$	43,091
Net change in unrealized gains (losses) on investments			**(425,697)**		341,422
			(330,918)		384,513
Other income	14		**1,840**		1,639
			(329,078)		386,152
Expenses					
Operating, general and administrative	9(b), 11, 12(c), 15		**13,816**		43,414
Finance expenses	16		**5,248**		662
			19,064		44,076
Profit (loss) before income taxes			**(348,142)**		342,076
Income tax expense (benefit)	17		**(49,801)**		44,433
Profit (loss) for the year		**$**	**(298,341)**	$	297,643
Other comprehensive loss					
Exchange differences on translation of foreign operations			**-**		(22)
Total comprehensive income (loss) for the year		**$**	**(298,341)**	$	297,621
Earnings (loss) per common share					
based on profit (loss) for the year	12(g)				
Basic		**$**	**(2.19)**	$	2.19
Diluted		**$**	**(2.19)**	$	2.16
Weighted average number of common shares outstanding	12(g)				
Basic			**136,499,479**		135,664,918
Diluted			**136,499,479**		137,544,401

1. Refer to Note 21 for the effects of the adoption of IFRS.

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Changes in Equity
Years Ended December 31, 2011 and 2010
(In thousands of Canadian dollars)

	Share capital	Warrants and broker warrants	Contributed surplus	Equity component of convertible debentures	Foreign currency translation reserve	Retained earnings (deficit)	Total equity
Balance at January 1, 2010 [1]	$ 274,725	$ 67,139	$ 28,045	$ -	$ -	$ (24,591)	$ 345,318
Profit for the year	-	-	-	-	-	297,643	297,643
Exchange differences on translation of foreign operations	-	-	-	-	(22)	-	(22)
Total comprehensive income for the year	-	-	-	-	(22)	297,643	297,621
Stock-based compensation value of services	-	-	2,600	-	-	-	2,600
Issued pursuant to exercise of stock options	1,891	-	(701)	-	-	-	1,190
Reallocation of expired warrants	-	(615)	615		-	-	-
Balance at December 31, 2010 [1]	$ 276,616	$ 66,524	$ 30,559	$ -	$ (22)	$ 273,052	$ 646,729
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(298,341)**	**(298,341)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(298,341)**	**(298,341)**
Stock-based compensation value of services	**-**	**-**	**4,287**	**-**	**-**	**-**	**4,287**
Issued pursuant to exercise of stock options	**380**	**-**	**(149)**	**-**	**-**	**-**	**231**
Purchase of shares under normal course issuer bid	**(199)**	**-**	**43**	**-**	**-**	**-**	**(156)**
Issued pursuant to private placement of convertible debentures	**-**	**-**	**-**	**2,882**	**-**	**-**	**2,882**
Balance at December 31, 2011	**$ 276,797**	**$ 66,524**	**$ 34,740**	**$ 2,882**	**$ (22)**	**$ (25,289)**	**$ 355,632**

1. Refer to Note 21 for the effects of the adoption of IFRS.

See accompanying notes to the consolidated financial statements.

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

	2011	2010
Cash flows used in operating activities		
Profit (loss) for the year	**$ (298,341)**	$ 297,643
Items not affecting cash:		
Net realized gains on disposal of investments	**(94,779)**	(43,091)
Net change in unrealized losses (gains) on investments	**425,697**	(341,422)
Investment dividend-in-kind	**-**	(778)
Unrealized loss (gain) on Class C preferred share liabilities	**(228)**	211
Amortization	**235**	134
Stock-based compensation expense	**4,287**	2,600
Accretion of discount on convertible debentures	**310**	-
Amortization of finance expenses on convertible debentures	**478**	-
Decrease in deferred tax assets	**6,472**	2,139
Increase (decrease) in deferred tax liabilities	**(56,235)**	42,256
	(12,104)	(40,308)
Adjustments for:		
Due from brokers	**(1)**	10
Prepaids and other receivables	**916**	(772)
Income taxes receivable	**-**	3,307
Accounts payable and accrued liabilities	**(32,965)**	26,994
Net cash used in operating activities	**(44,154)**	(10,769)
Cash flows from financing activities		
Proceeds pursuant to exercise of stock options	**231**	1,190
Purchased of shares under normal course issuer bid	**(156)**	-
Proceeds from issue of convertible debentures	**75,000**	-
Convertible debenture issue costs	**(4,088)**	-
Increase (decrease) in due to brokers	**(66,792)**	51,897
Redemption of Class C preferred share liabilities	**(60)**	(55)
Net cash from financing activities	**4,135**	53,032
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment, net	**(371)**	(17)
Purchase of investments	**(284,572)**	(229,707)
Proceeds on disposal of investments	**325,006**	187,237
Net cash from (used in) investing activities	**40,063**	(42,487)
Net increase (decrease) in cash and cash equivalents during the year	**44**	(224)
Exchange differences on translation of foreign operations	**-**	(22)
Cash and cash equivalents, beginning of year	**158**	404
Cash and cash equivalents, end of year	**$ 202**	$ 158
Supplemental cash flow information		
Income taxes paid	**$ -**	$ 37
Income taxes received	**-**	3,307
Dividends paid on Class C Shares	**19**	16
Finance expense paid	**4,261**	662
Non-cash investing activities	**-**	778

See accompanying notes to the consolidated financial statements.

1. Nature of business:

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated in 1962 under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". The Company is domiciled in the Province of Ontario, Canada and its registered office address is at 130 King St. West, Suite 2500, Toronto, Canada, M5X 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 consolidated financial statements were approved by the Company's board of directors on March 8, 2012.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") which the Company has adopted in its annual consolidated financial statements as at and for the year ended December 31, 2011. Previously, the Company prepared its annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP"). The significant accounting policies are presented in Note 3 and have been consistently applied in each of the years presented. Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these consolidated financial statements are presented below.

The Company's date of transition to IFRS and its opening IFRS consolidated statement of financial position are as at January 1, 2010 (the ''Transition Date''). An explanation of how the transition to IFRS on the Transition Date has affected the reported financial position and financial performance of the Company is provided in Note 21, which includes reconciliations of Pinetree's consolidated statements of financial position, comprehensive income and equity for comparative periods prepared and previously reported in accordance with CGAAP, to those prepared and reported in these consolidated financial statements in accordance with IFRS.

2. Basis of preparation (continued):

(b) Basis of presentation:

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

(c) Basis of consolidation:

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

The effective date of IFRS 9, *Financial Instruments* ("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. Specifically, the Company has adopted the recognition, derecognition, and measurement of financial assets and liabilities. The Company's significant class of financial assets is investments (designated at fair value through profit or loss) and the differences in the accounting between International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement* and IFRS 9 for these financial instruments do not have any material impact on the Company's consolidated financial statements.

(e) Critical accounting judgments, estimates and assumptions:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Basis of preparation (continued):

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

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

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

(ii) Fair value of financial derivatives:

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

(iii) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Refer to Note 10(d) for further details.

(iv) Convertible debentures:

Convertible debentures are separated into their liability and equity components on the consolidated statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt with similar terms at the time of issue. Refer to Note 9(c) for further details.

2. Basis of preparation (continued):

(v) Stock-based compensation expense:

The Company uses the Black-Scholes option pricing model to fair value options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense. Refer to Note 12(c) for further details.

(f) Going concern:

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

3. Significant accounting policies:

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

(a) Foreign currency:

(i) Functional currency:

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

(ii) Transactions and balances:

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

3. Significant accounting policies (continued):

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences are recorded in the consolidated statement of comprehensive income (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 in a foreign operation 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 reclassified to profit or loss in the consolidated statement of comprehensive income (loss) as part of the gain or loss on sale.

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

(i) Classification:

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

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

3. Significant accounting policies (continued):

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

(ii) Recognition, derecognition and measurement:

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

Investments at fair value through profit or loss are initially recognized at fair value where reliable basis for determination exists. Transaction costs are expensed as incurred in the consolidated statement of comprehensive 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 9(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 convertible debentures are allocated to the liability and equity components in proportion to their allocation of proceeds on initial recognition.

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

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

3. Significant accounting policies (continued):

(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 consolidated financial 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 5).

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

   a. Securities, including shares, options, and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply are presented at fair value based on quoted closing bid prices at the consolidated statement of financial position date or the closing bid price on the last day the security traded if there were no trades at the consolidated statement of financial position date. These are included in Level 1 in Note 5.

   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 5.

3. Significant accounting policies (continued):

c. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing bid price at the consolidated statement of financial position date of the underlying security less the exercise price of the warrant or option, and zero. These are included in Level 2 in Note 5.

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 5. 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.

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.

3. Significant accounting policies (continued):

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.

3. 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 project(s);

   iii. the investee company releases negative exploration results; and

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

3. 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 IAS 28, *Investment in Associates* ("IAS 28"), which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in the consolidated statement of comprehensive income (loss) within unrealized gains or losses on investments.

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

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

3. Significant accounting policies (continued):

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

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

(d) Cash and cash equivalents:

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

(e) Property, plant and equipment:

Property, plant and equipment are recorded at cost, less accumulated amortization. Amortization is provided at rates designed to depreciate the cost over their estimated useful lives as follows:

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

(f) Revenue recognition:

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

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

3. Significant accounting policies (continued):

(g) Offsetting of financial instruments:

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

(h) Leases:

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

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

(i) Income taxes:

(i) Current income tax:

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

(ii) Deferred tax:

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

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

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company 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.

(j) Stock-based compensation plans:

The Company has a stock option plan which is described in Note 12(b). Employees (including officers), directors, and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Any consideration received on the exercise of stock options is credited to share capital. The cost of options is recognized, together with a corresponding increase in contributed surplus, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award (“the vesting date”). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company’s best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that period.

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

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

3. Significant accounting policies (continued):

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

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

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

(k) Earnings (loss) per common share:

Basic earnings (loss) per common share is determined by dividing net profit (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the 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 based on the weighted average number of common shares and dilutive common share equivalents outstanding.

(l) Cost of private placement financing:

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

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

(m) Financial liabilities:

Financial liabilities are presented at amortized cost except for financial derivatives and certain financial liabilities that from inception were designated at fair value through profit or loss. All financial liabilities are recognized initially at fair value net of directly attributable transaction costs, except for those designated at fair value through profit or loss. Financial liabilities at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of comprehensive income (loss).

3. Significant accounting policies (continued):

Other financial liabilities are subsequently recognized at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

(n) Due 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, respectively, as reflected on the consolidated statement of financial position date. Due to brokers also consists of margin borrowings collateralized by the Company's investments held at the brokers.

(o) Securities lending:

Securities lent by the Company under a securities lending agreement 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 separately in its consolidated statement of financial position and identifies the asset as pledged. Where the transferee does not have the right to sell or repledge, disclosure of the securities provided is made in the notes to the consolidated financial statements.

(p) Financial derivatives – options and warrants:

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

(q) Segment reporting:

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

3. Significant accounting policies (continued):

(r) Jointly controlled assets:

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

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

(i) Pre-license costs:

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

(ii) Exploration and evaluation costs:

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

(t) Impairment of non-financial assets:

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

Impairment review is at the level of cash-generating units. This generally results in the Company evaluating its non-financial assets on a geographical or license basis. If the carrying amount of the asset exceeds its recoverable amount, the asset is deemed impaired and an impairment loss is charged to the consolidated statement of comprehensive 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.

(In thousands of Canadian dollars, except for securities and per share amounts)

3. Significant accounting policies (continued):

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

4. Investments at fair value:

(a) Investments by sector presented at fair value consist of the following as at December 31, 2011:

As at December 31, 2011: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals)					
Gold Canyon Resources Inc.	(i, ii, iii)	13,645,348 common shares			
		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	**9,389**	**28,053**	**12.0**
Queenston Mining Inc.	(i, ii, iii)	5,400,000 common shares	**14,754**	**26,136**	**11.2**
Azimuth Resources Limited	(i, iii)	20,625,000 common shares			
		6,000,000 warrants expire Dec 31, 2012	**4,542**	**12,612**	**5.4**
Prodigy Gold Inc.	(i)	11,750,000 common shares	**6,256**	**9,753**	**4.2**
Roxgold Inc.	(i, iii)	5,550,000 common shares			
		700,000 warrants expire Oct 27, 2012			
		750,000 warrants expire May 10, 2013	**5,126**	**9,742**	**4.2**
Probe Mines Ltd.	(ii, iii)	4,000,000 common shares			
		500,000 warrants expire Feb 2, 2012			
		750,000 warrants expire Apr 21, 2013	**3,737**	**9,029**	**3.9**
Mawson Resources Limited	(ii, iii)	5,000,000 common shares			
		375,000 warrants expire Oct 25, 2012	**3,514**	**8,150**	**3.5**
B2Gold Corp.	(ii)	2,529,999 common shares	**5,603**	**7,740**	**3.3**
Mega Precious Metals Inc.	(ii, iii)	11,825,600 common shares			
		600,000 warrants expire Feb 25, 2012			
		250,000 warrants expire Oct 9, 2013	**6,396**	**5,191**	**2.2**
African Gold Group Inc.	(ii, iii)	15,427,500 common shares			
		650,000 warrants expire Dec 17, 2012	**5,785**	**4,937**	**2.1**
Cream Minerals Ltd.	(ii, iii)	23,500,000 common shares			
		5,000,000 warrants expire Dec 21, 2012	**4,511**	**4,935**	**2.1**
Redstar Gold Corp.	(ii, iii)	10,584,000 common shares			
		1,000,000 warrants expire Jul 14, 2013	**2,797**	**4,869**	**2.1**
Soltoro Ltd.	(ii, iii)	4,750,000 common shares			
		500,000 warrants expire Jun 21, 2012	**3,258**	**4,195**	**1.8**

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2011:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
Latin American Minerals Inc.	(ii, iii)	16,700,000 common shares			
		1,000,000 warrants expire Sep 10, 2012			
		1,000,000 warrants expire Oct 5, 2012	**6,763**	**4,137**	**1.8**
Caledonia Mining Corporation	(iii)	48,500,000 common shares	**7,073**	**3,880**	**1.7**
Apogee Silver Ltd. (formerly	(iii)	18,275,000 common shares			
Apogee Minerals Ltd.)		625,000 warrants expire May 12, 2012			
		2,500,000 warrants expire Dec 3, 2012	**3,262**	**2,559**	**1.1**
Temex Resources Corp.	(ii, iii)	11,000,000 common shares			
		625,000 warrants expire Nov 19, 2012	**5,078**	**2,200**	**0.9**
Unigold Inc.	(ii, iii)	15,321,500 common shares			
		750,000 warrants expire Nov 17, 2013	**4,588**	**2,132**	**0.9**
Nortec Minerals Corp.	(ii, iii)	18,250,000 common shares	**3,040**	**2,099**	**0.9**
Tinka Resources Limited	(ii, iii)	4,860,000 common shares			
		760,000 warrants expire Jul 8, 2012	**1,559**	**1,580**	**0.7**
Golden Tag Resources Ltd.	(ii, iii)	5,600,000 common shares			
		2,000,000 warrants expire Nov 30, 2012			
		909,091 warrants expire Apr 20, 2013	**2,927**	**1,540**	**0.7**
Oroco Resource Corp.	(ii, iii)	6,500,000 common shares			
		500,000 warrants expire Apr 14, 2012			
		500,000 warrants expire Oct 26, 2012			
		500,000 warrants expire May 23, 2013	**1,923**	**1,415**	**0.6**
Sanatana Resources Inc.	(iii)	6,129,000 common shares			
		500,000 warrants expire Jan 14, 2012	**4,146**	**1,410**	**0.6**
Castillian Resources Corp.	(iii)	15,896,265 common shares			
		1,666,667 warrants expire Jul 16, 2012			
		1,500,000 warrants expire Dec 30, 2012	**4,299**	**1,272**	**0.5**
Dios Exploration Inc.	(ii, iii)	6,242,500 common shares	**3,371**	**1,249**	**0.5**
Goldrush Resources Ltd.	(ii, iii)	8,301,500 common shares			
		1,000,000 warrants expire Mar 11, 2012	**1,645**	**1,245**	**0.5**
Lago Dourado Minerals Ltd.	(ii)	3,200,000 common shares			
		250,000 warrants expire Jan 18, 2013	**1,060**	**1,136**	**0.5**
Bear Lake Gold Ltd.	(ii, iii)	16,220,658 common shares			
		2,000,000 warrants expire Aug 23, 2013	**9,036**	**1,135**	**0.5**
Valencia Ventures Inc.	(ii, iii)	14,884,000 common shares	**4,580**	**1,116**	**0.5**
Nuinsco Resources Ltd.	(iii)	14,000,000 common shares			
		5,000,000 warrants expire Oct 1, 2012	**1,255**	**1,050**	**0.4**
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	**3,982**	**1,015**	**0.4**
Total of 169 other investments – Resources (Precious Metals) sector (iv)			**164,123**	**66,259**	**28.3**
			309,378	**233,771**	**100.0**

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2011: **Issuer**	**Notes**	**Security Description**	**Cost**	**Fair Value**	**% of Sector (FV)**
Sector: Resources (Base Metals)					
Macarthur Minerals Ltd.	(i, ii, iii)	6,861,000 common shares			
		500,000 warrants expire Jan 3, 2013	**9,125**	**7,547**	**12.4**
Coro Mining Corp.	(i, iii)	12,850,000 common shares	**6,181**	**4,176**	**6.8**
Woulfe Mining Corp.	(i, iii)	20,045,500 common shares	**7,598**	**3,608**	**5.9**
Canadian Orebodies Inc.	(i, ii, iii)	12,750,000 common shares			
		1,000,000 warrants expire Dec 15, 2012			
		500,000 warrants expire May 18, 2013	**3,063**	**2,918**	**4.8**
Castle Resources Inc.	(i, iii)	5,100,000 common shares			
		2,609,375 warrants expire Oct 7, 2012	**2,038**	**2,346**	**3.8**
Duran Ventures Inc.	(iii)	11,222,000 common shares			
		1,500,000 warrants expire Dec 23, 2012	**2,733**	**1,908**	**3.1**
Beaufield Resources Inc.	(iii)	6,695,000 common shares	**3,363**	**1,573**	**2.6**
Bridgeport Ventures Inc.	(ii, iii)	4,475,000 common shares			
		500,000 warrants expire Dec 1, 2012			
		250,000 warrants expire Dec 20, 2012	**2,313**	**1,365**	**2.2**
Happy Creek Minerals Ltd.	(ii, iii)	6,912,500 common shares			
		500,000 warrants expire Dec 21, 2012			
		500,000 warrants expire May 14, 2013	**2,589**	**1,336**	**2.2**
MacDonald Mines Exploration Ltd.	(ii, iii)	16,000,000 common shares	**7,268**	**1,280**	**2.1**
Total of 83 other investments – Resources (Base Metals) sector (iv)			**102,909**	**32,993**	**54.1**
			149,180	**61,050**	**100.0**
Sector: Resources (Oil and Gas)					
Primary Petroleum Corp.	(i, ii, iii)	15,250,000 common shares	**4,619**	**7,930**	**18.4**
Americas Petrogas Inc.	(i)	2,250,000 common shares	**4,248**	**6,615**	**15.3**
Donnybrook Energy Inc.	(i, iii)	13,295,500 common shares	**5,003**	**4,786**	**11.1**
Brownstone Energy Inc.	(i, ii, iii)	11,722,720 common shares			
		1,369,110 warrants expire Apr 13, 2012			
		337,500 warrants expire Sep 11, 2012	**9,509**	**4,220**	**9.8**
Shoal Point Energy Ltd.	(i, iii)	11,000,500 common shares			
		250,000 warrants expire Sep 3, 2012			
		250,000 warrants expire Oct 25, 2012			
		1,000,000 warrants expire Apr 24, 2013			
		1,000,000 warrants expire Apr 29, 2013	**2,758**	**2,182**	**5.1**
Talon Metals Corp.	(iii)	5,175,000 common shares			
		205,000 warrants expire Oct 29, 2012	**4,224**	**2,018**	**4.7**
Canadian Spirit Resources Inc.	(ii)	3,000,000 common shares	**3,157**	**1,650**	**3.8**
Vanoil Energy Ltd.	(ii, iii)	3,400,000 common shares			
		500,000 warrants expire Oct 6, 2013	**1,700**	**1,348**	**3.1**
Total of 38 other investments – Resources (Oil and Gas) sector (iv)			**38,705**	**12,376**	**28.7**
			73,923	**43,125**	**100.0**

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2011: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Potash, Lithium and Rare Earths)					
Lithium Americas Corp.	(i, iii)	5,748,900 common shares			
		125,000 warrants expire May 13, 2012	**7,893**	**7,129**	**18.4**
Stans Energy Corp.	(i)	6,270,500 common shares			
		250,000 warrants expire Apr 28, 2013	**3,387**	**4,389**	**11.3**
Matamec Explorations Inc.	(i, ii, iii)	12,000,001 common shares			
		750,000 warrants expire Jun 16, 2012	**4,075**	**4,320**	**11.1**
Western Potash Corp.	(i, ii)	3,800,000 common shares			
		500,000 warrants expire Jun 21, 2013	**3,691**	**4,180**	**10.8**
Rio Verde Minerals Development	(i, iii)	4,249,975 common shares			
Corp.		1,000,000 warrants expire Jun 27, 2016	**1,593**	**1,268**	**3.3**
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	**4,540**	**1,200**	**3.1**
Total of 20 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv)			**27,300**	**16,354**	**42.0**
			52,479	**38,840**	**100.0**
Sector: Resources (Uranium)					
U308 Corp.	(i, ii, iii)	10,085,771 common shares			
		750,000 warrants expire Oct 14, 2012			
		441,250 warrants expire Feb 15, 2013	**5,369**	**3,530**	**12.5**
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	**35,106**	**2,490**	**8.8**
Energy Fuels Inc.	(i, iii)	7,000,000 common shares			
		500,000 warrants expire Mar 31, 2015	**5,007**	**1,960**	**6.9**
Virginia Energy Resources Inc.	(i, iii)	11,000,000 common shares			
		750,000 warrants expire Apr 21, 2012			
		100,000 warrants expire Jul 21, 2014	**6,868**	**1,870**	**6.6**
Southern Andes Energy Inc.	(i, ii, iii)	11,607,667 common shares			
		1,458,333 warrants expire Sep 12, 2012			
		2,000,000 warrants expire Dec 17, 2012	**7,318**	**1,799**	**6.4**
Pele Mountain Resources Inc.	(ii, iii)	13,750,000 common shares	**4,992**	**1,650**	**5.8**
Titan Uranium Inc.	(iii)	4,649,342 common shares			
		$800,000 promissory note			
		1,500,000 warrants expire Nov 30, 2012	**4,351**	**1,544**	**5.5**
Tournigan Energy Ltd.	(ii, iii)	23,250,000 common shares			
		500,000 warrants expire Jul 14, 2012			
		1,250,000 warrants expire Dec 30, 2012	**5,882**	**1,511**	**5.3**
Tigris Uranium Corp.	(ii, iii)	7,695,000 common shares			
		750,000 warrants expire Jun 30, 2012			
		250,000 warrants expire Aug 22, 2012	**2,531**	**1,462**	**5.2**

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2011: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium) (continued)					
Macusani Yellowcake Inc.	(iii)	7,650,500 common shares			
		1,500,000 warrants expire Nov 4, 2012			
		500,000 warrants expire Mar 25, 2013	**3,408**	**1,035**	**3.7**
Total of 18 other investments – Resources (Uranium) sector (iv)			**32,310**	**9,421**	**33.3**
			113,142	**28,272**	**100.0**
Sector: Resources (Coal)					
Hodges Resources Limited	(i, ii, iii)	7,922,395 common shares	**2,542**	**2,147**	**40.4**
Total of 6 other investments – Resources (Coal) sector (iv)			**3,385**	**3,173**	**59.6**
			5,927	**5,320**	**100.0**
Sector: Technology and Other					
Titanium Corporation Inc.	(i)	1,644,300 common shares			
		250,000 warrants expire Jun 15, 2012	**2,010**	**3,129**	**18.1**
Opel International Inc.	(i, ii, iii)	6,900,000 common shares			
		500,000 warrants expire Jul 21, 2012	**5,634**	**2,277**	**13.2**
Innovative Composites International Inc.	(i)	3,000,000 common shares	**2,739**	**2,070**	**12.0**
Diagnos Inc.	(i, ii, iii)	5,250,000 common shares			
		500,000 warrants expire Nov 26, 2012	**1,552**	**1,628**	**9.4**
Landdrill International Inc.	(i, ii, iii)	10,000,000 common shares			
		750,000 warrants expire Aug 10, 2012	**2,888**	**1,550**	**9.0**
Total of 29 other investments –Technology and Other sector (iv)			**27,917**	**6,637**	**38.3**
			42,740	**17,291**	**100.0**
Total investments (v)			**$ 746,769**	**$ 427,669**	

(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, 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 December 31, 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 December 31, 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 December 31, 2011.

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

(v) As at December 31, 2011, included in total investments were securities of private companies with a fair value totaling $29,076 (cost of $32,996) measured in accordance with the Company's accounting policy for private company investments.

(vi) Certain investments are held as collateral. See Notes 9(a) and 11(a)(i).

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

As at December 31, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals)					
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.	(ii, iii)	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

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2010:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
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
Latin American Minerals Inc.	(ii, iii)	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 Lake Gold Ltd.	(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.	(ii, iii)	10,000,000 common shares	3,233	3,192	1.0
Niogold Mining Corp.	(ii, iii)	8,500,000 common shares			
		900,000 warrants expire Dec 22, 2011			
		750,000 warrants expire Dec 23, 2012	2,996	3,135	1.0
Nuinsco Resources Ltd.	(iii)	15,000,000 common shares			
		5,000,000 warrants expire Oct 1, 2012	1,285	2,747	0.9
Goldrush Resources Ltd.	(ii, iii)	8,500,000 common shares			
		1,000,000 warrants expire Mar 11, 2012	1,710	2,414	0.8
Silver Quest Resources Ltd.	(iii)	4,085,615 common shares			
		415,307 warrants expire Aug 26, 2012	1,555	2,411	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	1,770	2,406	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	2,350	2,385	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	2,218	2,170	0.7

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2010:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
ICN Resources Ltd.	(iii)	3,250,000 common shares			
		750,000 warrants expire Dec 2, 2011	856	2,134	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	5,111	2,065	0.7
Visible Gold Mines Inc.	(ii, iii)	3,500,000 common shares			
		1,000,000 warrants expire Oct 21, 2011	1,046	1,997	0.6
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

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
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
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

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium)					
Rockgate Capital Corp.	(i, ii, iii)	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)	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
U308 Corp.	(i, ii, iii)	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	4,282	3,226	2.9
		1,000,000 warrants expire Dec 23, 2012			
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

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium) (continued)					
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
Sector: Resources (Coal)					
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
Sector: Resources (Base Metals)					
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)	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

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Base Metals) (continued)					
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
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

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Oil and Gas)					
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)	10,197,720 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
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
Sector: Resources (Potash, Lithium and Rare Earths)					
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

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at December 31, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Potash, Lithium and Rare Earths) (continued)					
New World Resource Corp.	(ii, iii)	6,236,852 common shares			
		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
Sector: Technology and Other					
Titanium Corporation Inc.	(i)	1,775,000 common shares			
		250,000 warrants expire Jun 15, 2012	1,972	3,221	16.7
Opel 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
Landdrill 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)	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
Total investments (v)			$ 692,423	$ 799,022	

(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.

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

(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.

(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 9(a) and 11(a)(i).

(c) Investments by sector presented at fair value consist of the following as at January 1, 2010:

As at January 1, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals)					
Queenston Mining Inc.	(i, ii, iii)	5,248,200 common shares	14,035	28,970	18.3
Colossus Minerals Inc.	(i, ii)	3,000,000 common shares	3,583	17,160	10.9
Evolving Gold Corp.	(i, ii, iii)	9,500,000 common shares			
		500,000 warrants expire Nov 24, 2011	4,572	10,374	6.6
African Gold Group Inc.	(i, ii, iii)	9,079,500 common shares			
		3,000,000 warrants expire Jan 23, 2011			
		282,500 warrants expire Jun 16, 2011	3,167	6,888	4.4
Solitario Exploration & Royalty Corp	(i, iii)	2,508,053 common shares	5,107	6,019	3.8
Latin American Minerals Inc.	(ii, iii)	13,500,000 common shares			
		500,000 warrants expire Feb 19, 2010			
		1,000,000 warrants expire Oct 5, 2011	6,119	3,158	2.0
Mega Precious Metals Inc.	(ii, iii)	4,980,836 common shares			
		375,000 warrants expire Nov 2, 2010	2,847	2,957	1.9
Unigold Inc.	(ii, iii)	10,516,000 common shares			
		1,500,000 warrants expire Dec 1, 2011	4,049	2,778	1.8
Valencia Ventures Inc.	(ii, iii)	14,884,000 common shares			
		4,700,000 warrants expire Nov 25, 2011	4,580	2,686	1.7

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at January 1, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
Bear Lake Gold Ltd.	(ii, iii)	10,327,000 common shares			
		1,000,000 warrants expire Oct 23, 2010			
		750,000 warrants expire Jun 4, 2011	8,024	2,582	1.6
Niogold Mining Corp.	(ii, iii)	7,171,500 common shares			
		900,000 warrants expire Dec 22, 2010	2,588	2,242	1.4
Silver Quest Resources Ltd.	(ii, iii)	4,250,000 common shares			
		1,250,000 warrants expire Sep 16, 2010			
		1,250,000 warrants expire Oct 6, 2010	877	2,163	1.4
Caledonia Mining Corporation	(iii)	35,910,000 common shares	5,740	2,155	1.4
Temex Resources Corp.	(ii, iii)	8,977,000 common shares			
		440,000 warrants expire May 26, 2011	4,818	2,020	1.3
TNR Gold Corp.	(iii)	6,575,000 common shares			
		500,000 warrants expire Apr 17, 2010	1,493	1,874	1.2
Commander Resources Ltd.	(iii)	5,000,000 common shares	1,934	1,700	1.1
Redstar Gold Corp.	(ii, iii)	6,750,000 common shares	1,433	1,688	1.1
Nortec Ventures Corp.	(ii)	16,080,000 common shares			
		540,000 warrants expire Feb 14, 2010			
		1,500,000 warrants expire Jun 15, 2011	2,482	1,675	1.1
Goldstone Resources Inc. (formerly	(iii)	1,458,333 common shares			
Ontex Resources Limited)		416,666 warrants expire Sept 5, 2010			
		833,333 warrants expire Nov 22, 2010			
		441,666 warrants expire Feb 24, 2011	1,404	1,240	0.8
AMI Resources Inc.	(ii, iii)	7,638,000 common shares			
		2,000,000 warrants expire May 4, 2010			
		1,500,000 warrants expire Apr 28, 2011	1,055	1,224	0.8
Shoreham Resources Ltd.	(ii, iii)	3,600,000 common shares			
		750,000 warrants expire May 14, 2010			
		250,000 warrants expire May 14, 2011	950	1,044	0.7
Gold Canyon Resources Inc.	(ii, iii)	5,550,000 common shares			
		1,000,000 warrants expire Sep 29, 2011	2,036	1,022	0.6
Treasury Metals Inc.	(iii)	2,186,055 common shares			
		500,000 warrants expire Nov 22, 2010	645	1,016	0.6
Pacific North West Capital Corp.	(ii, iii)	5,500,000 common shares			
		250,000 warrants expire Dec 30, 2010	2,498	1,008	0.6
Total of 120 other investments – Resources (Precious Metals) sector (iv)			91,636	52,384	32.9
			177,672	158,027	100.0

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at January 1, 2010:

Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Base Metals)					
Noront Resources Ltd.	(i, ii)	3,600,000 common shares	6,965	7,452	9.8
Macarthur Minerals Ltd.	(i, ii, iii)	4,465,200 common shares			
		500,000 warrants expire Jan 3, 2010	5,372	3,751	4.9
Bridgeport Ventures Inc.	(i, ii, iii)	1,602,600 common shares			
		500,000 warrants expire Dec 1, 2012	698	3,158	4.2
Coro Mining Corp.	(i, iii)	5,000,000 common shares	900	2,800	3.7
International Nickel Ventures Corp.	(i, ii)	2,800,000 common shares	3,615	2,464	3.2
Probe Mines Ltd.	(ii, iii)	4,500,000 common shares	3,080	2,430	3.2
Western Troy Capital Resources Inc.	(ii, iii)	5,639,166 common shares	2,524	2,199	2.9
MacDonald Mines Exploration Ltd.	(ii, iii)	14,916,000 common shares			
		3,075,000 warrants expire Oct 29, 2011	7,012	2,163	2.8
Creston Moly Corp.	(iii)	10,409,900 common shares			
		2,500,000 warrants expire May 9, 2010	8,370	2,147	2.8
Terreno Resources Corp. (formerly Mega Moly Inc.)	(ii, iii)	4,901,500 common shares	1,425	2,138	2.8
MBMI Resources Inc.	(ii, iii)	7,617,074 common shares			
		1,000,000 warrants expire Dec 29, 2010			
		1,000,000 warrants expire May 28, 2011	6,266	1,809	2.4
Uranium Star Corp.	(iii)	3,000,000 common shares			
		1,500,000 warrants expire Jun 16, 2011	786	1,533	2.0
Infrastructure Materials Corporation	(ii, iii)	7,525,000 common shares	2,877	1,529	2.0
Tribute Minerals Inc.	(iii)	9,450,000 common shares			
		1,000,000 warrants expire Jun 24, 2011			
		2,500,000 warrants expire Dec 21, 2011	1,612	1,317	1.7
Bolero Resources Corp.	(ii, iii)	1,665,500 common shares			
		1,000,000 warrants expire Oct 28, 2011	3,637	1,050	1.4
Copper Mesa Mining Corporation	(ii, iii)	20,787,270 common shares	3,601	1,039	1.4
Total of 91 other investments – Resources (Base Metals) sector (iv)			100,785	37,069	48.8
			159,525	76,048	100.0
Sector: Resources (Uranium)					
Mega Uranium Ltd.	(i, ii, iii)	13,400,000 common shares			
		914,712 warrants expire Feb 22, 2012			
		1,500,000 warrants expire Oct 26, 2014	39,747	10,356	24.6
Rockgate Capital Corp.	(i, ii, iii)	8,500,000 common shares			
		500,000 warrants expire Mar 27, 2010			
		250,000 warrants expire Jul 28, 2011	8,296	5,550	13.2
Tournigan Energy Ltd.	(i, iii)	10,000,000 common shares	2,913	2,250	5.3
Continental Precious Minerals Inc.	(i, ii, iii)	2,000,000 common shares			
		1,000,000 warrants expire May 6, 2012	1,091	1,920	4.6

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at January 1, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium) (continued)					
Sparton Resources Inc.	(ii, iii)	8,236,500 common shares			
		2,500,000 warrants expire Oct 5, 2010	2,323	1,542	3.7
Pele Mountain Resources Inc.	(ii, iii)	8,000,000 common shares			
		1,000,000 warrants expire Feb 22, 2010	2,823	1,520	3.6
Forum Uranium Corp.	(ii, iii)	10,496,500 common shares			
		3,000,000 warrants expire Apr 22, 2011	2,708	1,381	3.3
U308 Corp.	(ii, iii)	2,550,100 common shares	996	1,224	2.9
Energy Fuels Inc.	(iii)	4,500,000 common shares	3,456	1,125	2.7
Total of 43 other investments – Resources (Uranium) sector (iv)			53,678	15,301	36.4
			118,031	42,169	100.0
Sector: Resources (Oil and Gas)					
Brownstone Ventures Inc.	(i, ii, iii)	7,647,000 common shares			
		500,000 warrants expire May 28, 2011	6,797	6,143	17.8
Southern Pacific Resources Corp.	(i, ii)	5,488,500 common shares	4,724	5,300	15.3
Canadian Spirit Resources Inc.	(i, ii, iii)	2,121,300 common shares			
		500,000 warrants expire Feb 19, 2010	1,870	3,532	10.2
Vulcan Minerals Inc.	(i, iii)	3,782,500 common shares			
		100,000 warrants expire Nov 26, 2011	2,246	2,487	7.2
Red Maple Energy Inc.	(i)	5,400,000 common shares	750	1,557	4.5
Quetzal Energy Ltd.	(ii, iii)	9,110,000 common shares			
		5,000,000 warrants expire Oct 26, 2011			
		600,000 warrants expire Apr 21, 2012	4,085	1,508	4.4
Changfeng Energy Inc.	(iii)	3,346,500 common shares	1,329	1,088	3.1
Talon Metals Corp.	(iii)	2,504,000 common shares	1,699	1,014	2.9
Total of 39 other investments – Resources (Oil and Gas) sector (iv)			29,568	11,975	34.6
			53,068	34,604	100.0
Sector: Resources (Potash, Lithium and Rare Earths)					
Ucore Uranium Inc.	(i, ii, iii)	10,000,000 common shares			
		1,250,000 warrants expire Jul 24, 2011	4,549	5,081	18.7
Stans Energy Corp.	(i, iii)	6,000,000 common shares			
		2,000,000 warrants expire Nov 30, 2010	934	2,767	10.2
Orocobre Ltd.	(i)	2,500,000 common shares	2,573	2,689	9.9
Rare Earth Metals Inc.	(i, iii)	4,000,000 common shares			
		2,000,000 warrants expire Dec 16, 2011	1,000	2,019	7.4
Lithium Americas Corp.	(i)	1,250,000 common shares	700	1,875	6.9
IC Potash Corp. (formerly Trigon	(iii)	4,285,500 common shares			
Uranium Corp.)		937,500 warrants expire Dec 2, 2011	4,701	1,564	5.8
49 North Resources Inc.	(ii, iii)	815,000 common shares			
		815,000 warrants expire Jun 18, 2011	2,241	1,557	5.7

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

As at January 1, 2010: Issuer	Notes	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Potash, Lithium and Rare Earths) (continued)					
Fieldex Exploration Inc.	(ii, iii)	6,879,278 common shares			
		1,388,889 warrants expire Oct 29, 2011	1,146	1,450	5.3
New World Resource Corp.	(ii, iii)	6,236,852 common shares			
		925,926 warrants expire Sep 25, 2010			
		1,000,000 warrants expire Jun 26, 2011	3,074	1,363	5.0
Total of 19 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv)			9,318	6,738	25.1
			30,236	27,103	100.0
Sector: Resources (Coal)					
Cline Mining Corp.	(i, ii, iii)	13,500,000 common shares	10,409	4,725	68.5
Total of 7 other investments – Resources (Coal) sector (iv)			4,372	2,172	31.5
			14,781	6,897	100.0
Sector: Technology and Other					
Enghouse Systems Ltd.	(i)	750,000 common shares	5,217	6,450	24.4
Diagnos Inc.	(i, ii, iii)	5,767,500 common shares			
		1,500,000 warrants expire Nov 11, 2011	1,683	2,730	10.3
Antisense Therapeutics Limited	(i, iii)	37,500,000 common shares	2,055	1,938	7.3
Opel International Inc.	(i, ii, iii)	6,150,000 common shares			
		1,000,000 warrants expire May 11, 2010			
		750,000 warrants expire Dec 13, 2011	6,037	1,476	5.6
Cyber Bay Corp.	(i)	100,000,000 common shares	1,165	1,266	4.8
Total of 41 other investments – Technology and Other sector (iv)			36,461	12,553	47.6
			52,618	26,413	100.0
Total investments (v)			$ 605,931	$ 371,261	

(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 January 1, 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 January 1, 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 January 1, 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 January 1, 2010.

(In thousands of Canadian dollars, except for securities and per share amounts)

4. Investments at fair value (continued):

(v) As at January 1, 2010, included in total investments were securities of private companies with a fair value totaling $32,731 (cost of $41,346) measured in accordance with the Company's accounting policy for private company investments.

(vi) Certain investments are held as collateral. See Notes 9(a) and 11(a)(i).

5. 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 in the consolidated statements of financial position and categorized into levels of the fair value hierarchy:

	Level 1 Quoted market price	Level 2 Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs	Total
Assets				
Investments at fair value				
December 31, 2011	**$ 382,386**	**$ 16,207**	**$ 29,076**	**$ 427,669**
December 31, 2010	$ 665,299	$ 110,295	$ 23,428	$ 799,022
January 1, 2010	$ 285,894	$ 52,636	$ 32,731	$ 371,261

(In thousands of Canadian dollars, except for securities and per share amounts)

5. Financial instruments hierarchy (continued):

	Level 1 Quoted market price	Level 2 Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs	Total
Liabilities				
Class C preferred share liabilities, at fair value				
December 31, 2011	**$ -**	**$ 241**	**$ -**	**$ 241**
December 31, 2010	$ -	$ 529	$ -	$ 529
January 1, 2010	$ -	$ 373	$ -	$ 373

There were no significant transfers from Level 1 to 2 during the year ended December 31, 2011 or 2010. During the year ended December 31, 2011, $86,466 of the investments which were held in Level 2 as at December 31, 2010 were transferred to Level 1. 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. The transfer out of Level 2 to Level 1 consists of restricted investments which became unrestricted during the year.

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

	Opening balance, January 1,	Purchases	Realized losses	Net unrealized gains (losses)	Transfer out of Level 3	Ending balance
Investments, at fair value						
December 31, 2011	**$ 23,428**	**$ 16,371**	**$ (5,936)**	**$ 7,162**	**$ (11,949)**	**$ 29,076**
December 31, 2010	32,731	15,556	(2,804)	(1,963)	(20,092)	23,428

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

6. Securities lending:

The Company has entered into a security lending agreement ("SLA") in Canada. 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.

(In thousands of Canadian dollars, except for securities and per share amounts)

6. Securities lending (continued):

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:

	December 31, 2011	December 31, 2010	January 1, 2010
Investments at fair value lent under SLA – carrying amount	**$ 5,860**	$ 5,355	$ -
Fair value of collateral held for investments lent under SLA	**5,901**	4,012	-

7. Financial assets other than investments at fair value:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	**$ 202**	$ 158	$ 404
Due from brokers	**15**	14	24
Other receivables	**6**	509	294

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

8. Property, plant and equipment:

	December 31, 2011			December 31, 2010		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Computer equipment	**$ 116**	**$ 84**	**$ 32**	$ 97	$ 67	$ 30
Computer software	**49**	**19**	**30**	22	12	10
Leasehold improvements	**1,201**	**688**	**513**	946	528	418
Furniture and equipment	**546**	**309**	**237**	476	258	218
	$ 1,912	**$ 1,100**	**$ 812**	$ 1,541	$ 865	$ 676

(In thousands of Canadian dollars, except for securities and per share amounts)

8. Property, plant and equipment (continued):

	January 1, 2010		
	Cost	Accumulated amortization	Net book value
Computer equipment	$ 76	$ 55	$ 21
Computer software	20	1	19
Leasehold improvements	347	133	214
Furniture and equipment	465	202	263
	$ 908	$ 391	$ 517

9. Financial liabilities:

	December 31, 2011	December 31, 2010	January 1, 2010
Due to brokers (a)	**$ 18,778**	$ 85,570	$ 33,673
Accounts payable and accrued liabilities	**1,129**	34,094	6,824
Class C preferred share liabilities (b)	**241**	529	373
Convertible debentures, due May 31, 2016 (c)	**67,839**	-	-
	$ 87,987	$ 120,193	$ 40,870

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 year ended December 31, 2011, 3,400 Class C Shares were cancelled by PCIC following their retraction by the holders at prices of between $7.49 per share and $21.22 per share plus accrued and unpaid dividends. As at December 31, 2011, 24,100 Class C Shares (December 31, 2010 – 27,500 Class C Shares; January 1, 2010 – 31,900 Class C Shares) were issued and outstanding.

9. Financial liabilities (continued):

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 30, 2010 and at a rate of 8% per annum thereafter. During the year ended December 31, 2011, $19 (2010 - $16) 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 of $10 per share. As at December 31, 2011, the redemption price was $10 per share and the retraction price in effect was $7.87 per share (December 31, 2010 - $19.25 per share; January 1, 2010 - $11.69 per share). Accordingly, as at December, 2011, the Company recorded a decrease in the fair value of the Class C Shares of $228 (2010 – increase in fair value of $211) which was recognized in operating, general and administrative expenses in the consolidated statements of comprehensive income (loss).

As at December 31, 2011, the Company had Class C preferred share liabilities of $241 (December 31, 2010 - $529; January 1, 2010 - $373).

(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 December 31, 2011, the Company was in compliance with the terms of its convertible debentures.

(In thousands of Canadian dollars, except for securities and per share amounts)

9. Financial liabilities (continued):

The following table summarizes the movement in the convertible debentures:

Principal		
Opening principal balance, December 31, 2010	**$**	**-**
Issued		**75,000**
Ending principal balance, December 31, 2011		**75,000**
Liability		
Opening liability balance, December 31, 2010		**-**
Issued - fair value of the convertible debentures		**70,916**
Finance expense (issue costs) allocated to the liability portion		**(3,865)**
Accretion of discount on convertible debentures		**310**
Amortization of the finance expenses on convertible debentures		**478**
Ending liability balance, December 31, 2011		**67,839**
Equity component		
Opening equity component balance, December 31, 2010	**$**	**-**
Issued		**4,084**
Finance expense (issue costs) allocated to the equity component		**(223)**
Net deferred income tax		**(979)**
Ending equity component balance, December 31, 2011	**$**	**2,882**

10. Deferred taxes:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets	**$ 14,753**	$ 21,167	$ 23,306
Deferred tax liabilities	**$ -**	$ 55,199	$ 12,943

(a) At December 31, 2011, the Company has approximately $50,100 (December 31, 2010 - $78,200; January 1, 2010 - $49,000) 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	$	37,100
2030		13,000
	$	50,100

(In thousands of Canadian dollars, except for securities and per share amounts)

10. Deferred taxes (continued):

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

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets			
Non-capital losses	**$ 13,175**	$ 22,358	$ 19,400
Tax on future capital gains dividend	**(19,257)**	(12,011)	(8,526)
Investments – differences in carrying value and tax cost	**14,991**	3,106	3,624
Corporate minimum tax credit	**4,103**	4,103	4,103
Ontario transitional tax credits	**2,427**	2,593	2,619
Share issuance costs	**167**	897	1,867
Property, plant and equipment	**102**	121	219
Convertible debentures	**(955)**	-	-
Total deferred tax assets (10(d))	**14,753**	21,167	23,306
Deferred tax liabilities			
Investments – differences in carrying value and tax cost	**-**	55,199	12,943
Total deferred tax liabilities	**$ -**	$ 55,199	$ 12,943

(c) The following are the components of the income tax expense (benefit) in the statements of comprehensive income (loss) for the year ended December 31:

	2011	2010
Non-capital losses	**$ 9,183**	$ (2,920)
Investments – differences in carrying value and tax cost	**(67,084)**	42,774
Ontario transitional tax credits	**166**	26
Share issuance costs	**730**	970
Property, plant and equipment	**19**	98
Convertible debentures	**(61)**	-
Tax on future capital gains dividend	**7,246**	3,485
	$ (49,801)	$ 44,433

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

(In thousands of Canadian dollars, except for securities and per share amounts)

11. 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 year ended December 31:

Type of service	Nature of relationship	2011	2010
Salaries, consulting fees and other benefits	Officers	**$ 1,563**	$ 1,997
Bonuses	Officers	**-**	32,593
Director fees	Directors	**151**	159
Stock-based compensation expense	Directors and officers	**3,239**	2,385
Finance expense (i)	Officer	**78**	183

(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 9(a)). The Credit Facility matures on December 31, 2012, 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 income (loss) is $78 (2010 - $183) of standby fee expense relating to the Credit Facility. As at December 31, 2011 and 2010 and January 1, 2010, there was nil outstanding under the Credit Facility.

(b) In May 2011, the Company issued $75,000 principal amount of 8% convertible unsecured subordinated debentures maturing May 31, 2016 (Note 9(c)). Of the $75,000 principal amount of convertible debentures, $1,425 was issued to directors and officers of the Company.

(c) Advances to related parties:

Related parties:	December 31, 2011	December 31, 2010	January 1, 2010
Starting balance (i)	**$ -**	$ 75	$ 75
Advances	**-**	282	-
Repayments	**-**	(75)	-
Interest charged	**-**	10	-
Reclassification (ii)	**-**	(292)	-
Ending balance	**-**	-	75

(In thousands of Canadian dollars, except for securities and per share amounts)

11. Related party transactions (continued):

(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 had a common director with AGP and, as a result, reclassified its loan to the Fund as a receivable.

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

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

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

During the year ended December 31, 2010, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
April 1, 2010	250,000	$ 1.83	March 31, 2015
June 1, 2010	1,165,000	1.46	May 31, 2015
September 1, 2010	250,000	1.41	August 31, 2015
December 1, 2010	250,000	3.23	November 30, 2015
Total granted	1,915,000		

(In thousands of Canadian dollars, except for securities and per share amounts)

12. 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)	**171,600**	**380**
Purchase of shares for cash under NCIB (f)	**(100,000)**	**(199)**
Balance, December 31, 2011	**136,447,273**	**$ 276,797**

(a) During the year ended December 31, 2011, 171,600 options were exercised at prices between $1.29 per share and $1.46 per share for total proceeds of $231. As a result of the exercise of the options, $149 in contributed surplus was 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. As a result of the exercise of the options, $701 in contributed surplus was 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.

(In thousands of Canadian dollars, except for securities and per share amounts)

12. Share capital (continued):

(c) Stock options:

The following table summarizes stock options granted during the year ended December 31, 2011:

Date Granted	Options Granted	Exercise Price	Expiry
March 31, 2011	1,705,000	$ 3.17	March 30, 2016
May 31, 2011	250,000	2.93	May 30, 2016
August 31, 2011	250,000	1.92	August 30, 2016
November 30, 2011	1,840,000	1.61	November 29, 2016
Total granted	4,045,000		

Stock options granted during the year ended December 31, 2011 vest at the rate of 1/6th of the grant at the end of each three-month period over an 18-month period. Options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense over the vesting period and credits contributed surplus for all options granted.

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

Black-Scholes assumptions used	
Expected volatility (i)	**71.1% - 117.5%**
Expected dividend yield	**0.0%**
Risk-free interest rate	**1.1% - 2.3%**
Expected option life in years	**2.4 - 3.8**
Expected forfeiture rate	**3.4% - 9.3%**
Fair value per stock option granted on March 31, 2011	**$ 1.98**
Fair value per stock option granted on May 31, 2011	**$ 1.74**
Fair value per stock option granted on August 31, 2011	**$ 1.13**
Fair value per stock option granted on November 30, 2011	**$ 0.92**

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

(In thousands of Canadian dollars, except for securities and per share amounts)

12. Share capital (continued):

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 (i)	102.6% - 109.7%
Expected dividend yield	0.0%
Risk-free interest rate	2.25% - 3.0%
Expected option life in years	3.5
Expected forfeiture rate	3.3% - 10.2%
Fair value per stock option granted on April 1, 2010	$ 1.24
Fair value per stock option granted on June 1, 2010	$ 0.99
Fair value per stock option granted on September 1, 2010	$ 0.96
Fair value per stock option granted on December 1, 2010	$ 2.30

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

For the year ended December 31, 2011, included in operating, general and administrative expenses is stock-based compensation of $4,287 (2010 - $2,600) relating to the stock options granted to directors, officers, employees, and consultants of the Company.

A summary of the status of the Company's stock options as at December 31, 2011, December 31, 2010, and January 1, 2010 and changes during the periods then ended is presented below:

	December 31, 2011		December 31, 2010	
Stock Options	**# of Options**	**Weighted Average Exercise Price**	# of Options	Weighted Average Exercise Price
Outstanding, at beginning of period	**9,877,420**	**$ 3.19**	10,312,740	$ 3.79
Granted	**4,045,000**	**2.37**	2,017,500	1.72
Exercised (i)	**(171,600)**	**1.35**	(1,146,020)	1.04
Cancelled	**-**	**-**	(500,000)	13.02
Expired/forefeited	**(117,920)**	**3.97**	(806,800)	4.09
Outstanding, at end of period	**13,632,900**	**$ 2.97**	9,877,420	$ 3.19
Exercisable, at end of period	**10,442,739**	**$ 3.21**	8,074,204	$ 3.51

(i) The weighted-average share price of exercises was $3.20 per share during the year ended December 31, 2011 (2010 - $2.48 per share).

(In thousands of Canadian dollars, except for securities and per share amounts)

12. Share capital (continued):

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2011:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
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
2,320,990	2,320,990	1.46	August 31, 2014
85,000	85,000	2.07	November 30, 2014
265,000	265,000	1.83	March 31, 2015
1,075,910	1,075,910	1.46	May 31, 2015
250,000	208,200	1.41	August 31, 2015
250,000	166,664	3.23	November 30, 2015
1,700,000	849,977	3.17	March 30, 2016
250,000	83,332	2.93	May 30, 2016
250,000	41,666	1.92	August 30, 2016
1,840,000	-	1.61	November 29, 2016
13,632,900	**10,442,739**		

(d) Warrants and broker warrants:

A summary of the status of the Company's warrants and broker warrants as at December 31, 2011 and 2010, and January 1, 2010 and the changes during the periods then ended is presented below:

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

(In thousands of Canadian dollars, except for securities and per share amounts)

12. Share capital (continued):

The following table summarizes the warrants outstanding as at December 31, 2011:

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

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

	Amount
Balance, January 1, 2010	$ 28,045
Stock-based compensation (Note 12(c))	2,600
Exercise of stock options	(701)
Reallocation of expired broker warrants	615
Balance, December 31, 2010	30,559
Stock-based compensation (Note 12(c))	**4,287**
Purchase of shares for cash under normal course issuer bid	**43**
Exercise of stock options (Note 12(a))	**(149)**
Balance, December 31, 2011	**$ 34,740**

As at December 31, 2011 and 2010, and January 1, 2010, contributed surplus is comprised of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Fair value of stock-based compensation	**$ 28,953**	$ 24,815	$ 22,916
Fair value of expired broker warrants	**5,744**	5,744	5,129
Cancellation of shares under normal course issuer bid	**43**	-	-
	$ 34,740	$ 30,559	$ 28,045

(f) Normal course issuer bid:

During the year ended December 31, 2011, the Company renewed its 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, 2011 and ending on August 31, 2012, the Company may purchase up to 5,000,000 common shares, representing approximately 3.7% of the common shares outstanding as at August 23, 2011.

(In thousands of Canadian dollars, except for securities and per share amounts)

12. Share capital (continued):

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. Security holders of Pinetree may obtain, without charge, a copy of the Company's Notice of Intention to Make a Normal Course Issuer Bid, which was filed with the TSX, by contacting the Company.

During the year ended December 31, 2011, the Company purchased and cancelled 100,000 common shares at $1.55 per share under the NCIB (2010 – nil). As at December 31, 2011, the Company has 4,900,000 common shares available to be repurchased under the NCIB.

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

Numerator:	**2011**	2010
Profit (loss) for the year	**$ (298,341)**	$ 297,643

Denominator:	**2011**	2010
Weighted average number of common shares outstanding - basic	**136,499,479**	135,664,918
Weighted average effect of diluted stock options and warrants (i)	**-**	1,879,483
Weighted average number of common shares outstanding – diluted	**136,499,479**	137,544,401

Earnings (loss) per share based on profit or (loss) for the year:	**2011**	2010
Basic	**$ (2.19)**	$ 2.19
Diluted	**$ (2.19)**	$ 2.16

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 51,793,609 shares related to stock options, warrants, and Debentures that were anti-dilutive for the year ended December 31, 2011 (2010 – 24,989,990 shares)

(h) Maximum share dilution:

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

	2011	2010
Common shares outstanding	**136,447,273**	136,375,673
Stock options outstanding to purchase common shares	**13,632,900**	9,877,420
Warrants to purchase common shares	**20,513,650**	20,513,650
Debentures convertible to common shares	**17,647,059**	-
Fully diluted common shares outstanding	**188,240,882**	166,766,743

(In thousands of Canadian dollars, except for securities and per share amounts)

13. Commitments:

As at December 31, 2011, future minimum annual lease payments under operating leases for equipment and premises are approximately as follows:

2012	$	590
2013		590
2014		590
2015		590
2016		590
2017 to 2023		4,275
	$	**7,225**

As at December 31, 2011, the Company had commitments to purchase investments totaling $1,017 (December 31, 2010 - $4,917; January 1, 2010 - $2,621).

14. Other income:

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

		2011		2010
Income from sublease and service agreements	**$**	**612**	$	585
Income from securities lending (Note 6)		**1,074**		-
Interest and dividend income		**50**		1,054
Other fees		**104**		-
	$	**1,840**	$	1,639

15. Expenses by nature:

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

		2011		2010
Stock-based compensation expense	**$**	**4,287**	$	2,600
Transaction costs		**2,306**		1,532
Salaries, bonuses, and other employment benefits		**2,425**		35,065
Other office and general		**958**		636
Consulting and directors' fees		**782**		1,127
Transfer agent, filing fees, and other information systems		**755**		357
Exploration and evaluation expenditures (a)		**695**		-
Professional fees		**685**		908
Travel and promotion		**578**		357
Operating lease payments		**479**		440
Amortization		**235**		134
Foreign exchange loss (gain)		**(141)**		47
Change in fair value of Class C preferred shares		**(228)**		211
	$	**13,816**	$	43,414

(In thousands of Canadian dollars, except for securities and per share amounts)

15. Expenses by nature (continued):

(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.

16. Finance expenses:

Finance expenses for the year ended December 31 are:

		2011		2010
Interest expense on convertible debentures	$	4,058	$	-
Interest expense on margin borrowings and other		634		479
Amortization of finance expenses on convertible debentures		478		-
Standby fee and interest on Credit Facility (Note 11(a)(i))		78		183
	$	5,248	$	662

17. Income tax benefit:

(a) The income tax expense (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% (2010 – 31%) of pre-tax profits as a result of the following for the year ended December 31:

		2011		2010
Profit (loss) before income taxes	$	(348,142)	$	342,076
Computed expected income tax expense (benefit)		(98,350)		106,044
Non-taxable portion of capital gains		(33,515)		(13,403)
Non-taxable portion of unrealized losses (gains)		57,443		(53,108)
Non-taxable stock-based compensation expense		1,211		806
Taxable capital gains dividend		19,192		8,712
Tax rate differential		3,051		(3,183)
Permanent and other differences		1,167		(1,435)
Income tax expense (benefit)	$	(49,801)	$	44,433

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

		2011		2010
Current tax expense	$	-	$	-
Deferred tax expense (benefit) relating to origination and reversal of temporary differences		(49,801)		44,433
	$	(49,801)	$	44,433

(In thousands of Canadian dollars, except for securities and per share amounts)

18. Management of capital:

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

	December 31, 2011	December 31, 2010	January 1, 2010
Due to brokers	**$ 18,778**	$ 85,570	$ 33,673
Class C preferred share liabilities, at fair value	**241**	529	373
Convertible debentures, due May 31, 2016	**67,839**	-	-
Shareholders' equity comprised of:			
Share capital	**276,797**	276,616	274,725
Warrants and broker warrants	**66,524**	66,524	67,139
Contributed surplus	**34,740**	30,559	28,045
Equity component of convertible debentures	**2,882**	-	-
Foreign currency translation reserve	**(22)**	(22)	-
Retained earnings (deficit)	**(25,289)**	273,052	(24,591)
	$ 442,490	$ 732,828	$ 379,364

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 year ended December 31, 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 Debenture 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

18. Management of capital (continued):

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

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 December 31, 2011 and 2010 and January 1, 2010, the Company had nil outstanding on the line of credit.

The payment of cash dividends does not form part of Pinetree's current capital management program and, to date, the Company has not declared any cash dividends on its common shares. However, the holders of the Class C Shares issued by PCIC are entitled to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter. During the year ended December 31, 2011, PCIC declared and paid to Class C shareholders dividends totaling $19 (2010 - $16).

The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2011.

19. 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.

19. Risk management (continued):

(a) Liquidity risk:

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

The Company uses varying levels of financial leverage (or "margin") when purchasing investments. 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.

(In thousands of Canadian dollars, except for securities and per share amounts)

19. Risk management (continued):

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 December 31, 2011, the Company had used margin of $18,778 and had additional margin available of $16,180. The following table shows the estimated sensitivity of the Company's available margin from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2011.

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

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 January 1, 2010, the Company had used margin of $33,673 and had additional margin available of $1,831. The following table shows the estimated sensitivity of the Company's available margin from a change in the closing bid price of the Company's investments with all other variables held constant as at January 1, 2010:

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

(In thousands of Canadian dollars, except for securities and per share amounts)

19. Risk management (continued):

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

	Payments due by period				
Liabilities and obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Due to brokers	**$ 18,778**	**$ 18,778**	**$ -**	**$ -**	**$ -**
Accounts payable and accrued liabilities	**1,129**	**1,129**	**-**	**-**	**-**
Class C preferred share liabilities	**241**	**241**	**-**	**-**	**-**
Convertible debentures, due May 16, 2016	**67,839**	**-**	**-**	**67,839**	**-**
	$ 87,987	**$ 20,148**	**$ -**	**$ 67,839**	**$ -**

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

	Payments due by period				
Liabilities and obligations	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	$ -	$ -

The following table shows the Company's liabilities on the consolidated statement of financial position and potential due dates related to liquidity risk as at January 1, 2010:

	Payments due by period				
Liabilities and obligations	Total	Less than 1 year	1 – 3 year	4 – 5 years	After 5 years
Due to brokers	$ 33,673	$ 33,673	$ -	$ -	$ -
Accounts payable and accrued liabilities	6,824	6,824	-	-	-
Class C preferred share liabilities	373	373	-	-	-
Deferred tax liabilities	12,943	-	12,943	-	-
	$ 53,813	$ 40,870	$ 12,943	$ -	$ -

(In thousands of Canadian dollars, except for securities and per share amounts)

19. Risk management (continued):

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

	Liquidity by period				
Assets	**Total**	**Less than 1 year**	**1 – 3 years**	**After 4 years**	**Non-liquid assets**
Cash and cash equivalents	**$ 202**	**$ 202**	**$ -**	**$ -**	**$ -**
Due from brokers	**15**	**15**	**-**	**-**	**-**
Prepaids and other receivables	**168**	**168**	**-**	**-**	**-**
Investments at fair value	**427,669**	**398,593**	**29,076**	**-**	**-**
Property, plant and equipment	**812**	**-**	**-**	**-**	**812**
Deferred tax assets	**14,753**	**-**	**-**	**-**	**14,753**
	$ 443,619	**$ 398,978**	**$ 29,076**	**$ -**	**$ 15,565**

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

	Liquidity by period				
Assets	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	-	-	-
Prepaids 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
	$ 822,121	$ 776,558	$ 23,720	$ -	$ 21,843

The following table shows the Company's source of liquidity by assets as at January 1, 2010:

	Liquidity by period				
Assets	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash and cash equivalents	$ 404	$ 404	$ -	$ -	$ -
Due from brokers	24	24	-	-	-
Prepaids and other receivables	312	312	-	-	-
Investments at fair value	371,261	338,530	32,731	-	-
Income taxes receivable	3,307	3,307	-	-	-
Property, plant and equipment	517	-	-	-	517
Deferred tax assets	23,306	-	-	-	23,306
	$ 399,131	$ 342,577	$ 32,731	$ -	$ 23,823

(In thousands of Canadian dollars, except for securities and per share amounts)

19. Risk management (continued):

(b) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

Additionally, in accordance with IFRS 9, Pinetree is required to fair value its investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Pinetree's financial position.

There were no changes to the way the Company manages market risk since December 31, 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 year ended December 31, 2011 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2011:

Percentage of change in closing bid price	Decrease in loss from % increase in closing bid price	Increase in loss from % decrease in closing bid price
2%	$ 7,431	$ (7,431)
4%	14,861	(14,861)
6%	22,292	(22,292)
8%	29,723	(29,723)
10%	37,154	(37,154)

(In thousands of Canadian dollars, except for securities and per share amounts)

19. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax profit 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:

Percentage of change in closing bid price	Increase in profit from % increase in closing bid price	Decrease in profit from % decrease in closing bid price
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 December 31, 2011, the Company had due to brokers (margin) which bears interest at rates fluctuating with the prime rate or overnight lending rate.

The Company's obligations under the Credit Facility and convertible debentures bear interest at a fixed rate.

Due to brokers and the Credit Facility (if any) can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. The convertible debentures are due May 31, 2016 (see Note 9(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 after-tax loss for the year ended December 31, 2011 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2011:

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

(In thousands of Canadian dollars, except for securities and per share amounts)

19. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax profit for the year ended December 31, 2010 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2010:

Change in interest rate	Decrease in profit from an increase in interest rate	Increase in profit from a decrease in interest rate
0.25%	$ (103)	$ 103
0.50%	(206)	206
0.75%	(309)	309
1.00%	(411)	411

(d) Currency risk:

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

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

There were no changes to the way the Company manages currency risk since December 31, 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:

	December 31, 2011	December 31, 2010	January 1, 2010
Denominated in U.S. dollars:			
Investments	**$ 5,406**	$ 8,364	$ 11,885
Cash and cash equivalents	**11**	9	11
Due from brokers	**15**	14	24
Prepaids and other receivables	**1**	591	129
Due to brokers	**(542)**	(2,632)	(139)
Accounts payable and accrued liabilities	**(21)**	(14)	(22)
Net assets denominated in U.S. dollars	**4,870**	6,332	11,888

(In thousands of Canadian dollars, except for securities and per share amounts)

19. Risk management (continued):

	December 31, 2011	December 31, 2010	January 1, 2010
Denominated in Australian dollars:			
Investments	**18,682**	14,533	11,335
Due from (to) brokers	**64**	2,004	(443)
Net assets denominated in Australian dollars	**18,746**	16,537	10,892
Denominated in British pounds:			
Investments	**1,286**	2,942	86
Due from (to) brokers	**329**	(1,091)	-
Net assets denominated in British pounds	**1,615**	1,851	86
Denominated in Israeli shekels:			
Investments	**18**	-	-
Net assets denominated in Israeli shekels	**18**	-	-

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

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

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

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

(In thousands of Canadian dollars, except for securities and per share amounts)

19. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax profit for the year ended December 31, 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 December 31, 2010:

Percentage of change in U.S. dollar	Increase in profit from an increase in % in the U.S. dollar exchange rate	Decrease in profit from a decrease in % in the U.S. dollar exchange rate
2%	$ 87	$ (87)
4%	175	(175)
6%	262	(262)
8%	349	(349)
10%	437	(437)

The following table shows the estimated sensitivity of the Company's after-tax profit for the year ended December 31, 2010 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2010:

Percentage of change in Australian dollar	Increase in profit from an increase in % in the Australian dollar exchange rate	Decrease in profit from a decrease in % in the Australian dollar exchange rate
2%	$ 228	$ (228)
4%	456	(456)
6%	685	(685)
8%	913	(913)
10%	1,141	(1,141)

(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 December 31, 2011, the total fair value of these investments was $844 (December 31, 2010 - $506; January 1, 2010 - $1,498). The Company believes it is not significantly exposed to credit risk as these investments comprise 0.2% (December 31, 2010 – 0.1%; January 1, 2010 – 0.4%) of the Company's total investments.

19. Risk management (continued):

The Company entered into a securities lending agreement with its prime broker in order to earn additional revenue, which is included in other income in the consolidated statement of comprehensive income (loss) (Note 6). 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 statement of financial position. The Company believes it is not significantly exposed to credit risk since the prime broker is required to pay the Company the fair value of the securities loaned if the securities are not returned upon the Company's request. As at December 31, 2011, the total fair value of investments loaned to third parties was $5,860 (December 31, 2010 - $5,355; January 1, 2010 - nil), which comprise 1.4% (December 31, 2010 – 0.7%; January 1, 2010 - nil) of the Company's total investments.

20. 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 year ended December 31, 2011, the consortium commenced seismic testing on the property and the Company has expensed $695 relating to the cash calls associated with the seismic testing.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the year ended December 31, 2011. As at December 31, 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.

21. Transition to IFRS:

For all periods up to and including the year ended December 31, 2010, the Company prepared its consolidated financial statements in accordance with CGAAP. The consolidated financial statements as at and for the year ended December 31, 2011 are the first audited statements which the Company has prepared in accordance with IFRS.

In preparing these consolidated financial statements, the opening consolidated statement of financial position was prepared as at January 1, 2010, the Company's Transition Date.

21. Transition to IFRS (continued):

This note explains the principal adjustments made in restating the previous CGAAP consolidated balance sheet as at January 1, 2010 and its previously published CGAAP consolidated financial statements as at and for the year ended December 31, 2010.

(a) Exemptions applied:

IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1") allows first-time adopters certain exemptions from the retrospective application of IFRS.

The Company has elected to apply the following exemptions:

(i) IFRS 2, *Share-based Payment* ("IFRS 2") has not been applied to the options issued under the Stock Option Plans that were vested prior to January 1, 2010.

(ii) The Company has elected to apply IFRS 3, *Business Combinations* prospectively to business combinations occurring after January 1, 2010. Business combinations occurring prior to the Transition Date have not been restated.

(iii) IFRS 1 offers the first-time adopter of IFRS the option to reset the foreign currency translation reserve that existed at the Transition Date to zero as an alternative to establishing a foreign currency translation reserve as if the accounting and translation principles in IAS 21,*The Effects of Changes in Foreign Exchange Rates* ("IAS 21") had always been used and the measurement of assets and liabilities had been as required by currently implemented IFRS. The Company has elected to utilize this option, and has reset the foreign currency translation reserve for all foreign operations to zero as at January 1, 2010. Future gains or losses on a subsequent disposal of any foreign operation will therefore exclude translation differences that arose before the Transition Date.

(iv) The Company elected to adopt IFRS 9 from the Transition Date rather than January 1, 2015. All previously recognized financial assets and financial liabilities are classified as either at amortized cost or at fair value through profit or loss based upon the facts and circumstances existing at the Transition Date.

(v) Designation of previously recognized financial instruments - IFRS 1 provides an exemption that permits a first-time adopter to designate financial assets and liabilities as at fair value through profit or loss or as available-for-sale at the date of transition to IFRS. The Company has elected to use this option and has classified all its investments and designated Class C preferred share liabilities as carried at fair value through profit or loss.

21. Transition to IFRS (continued):

(b) 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 January 1, 2010;

(ii) reconciliation of the consolidated statement of financial position and equity as at December 31, 2010; and

(iii) reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2010.

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

(In thousands of Canadian dollars, except for securities and per share amounts)

21. Transition to IFRS (continued):

Reconciliations:

(i) The following is a reconciliation of the consolidated statement of financial position as at January 1, 2010:

	Notes	CGAAP	IFRS adjust.	IFRS
Assets				
Cash and cash equivalents		$ 404	-	$ 404
Due from brokers		24	-	24
Prepaids and other receivables		312	-	312
Investments at fair value	1.	366,724	4,537	371,261
Equity accounted investments	1.	1,911	(1,911)	-
Income tax receivable		3,307	-	3,307
Property, plant and equipment		517	-	517
Deferred tax assets	4.	10,363	12,943	23,306
		$ 383,562	$ 15,569	$ 399,131
Liabilities and Equity				
Liabilities				
Due to brokers		$ 33,673	$ -	$ 33,673
Accounts payable and accrued liabilities		6,824	-	6,824
Class C preferred share liabilities, at fair value		373	-	373
Deferred tax liabilities	4.	-	12,943	12,943
		40,870	12,943	53,813
Equity				
Share capital		$ 274,725	-	274,725
Warrants and broker warrants		67,139	-	67,139
Contributed surplus	2.	27,008	1,037	28,045
Foreign currency translation reserve	3.	-	-	-
Deficit	1., 2.	(26,180)	1,589	(24,591)
		342,692	2,626	345,318
		$ 383,562	$ 15,569	$ 399,131

(In thousands of Canadian dollars, except for securities and per share amounts)

21. Transition to IFRS (continued):

(ii) The following is a reconciliation of the consolidated statement of financial position and equity as at December 31, 2010:

	Notes	CGAAP	IFRS adjust.	IFRS
Assets				
Cash and cash equivalents		$ 158	-	$ 158
Due from brokers		14	-	14
Prepaids and other receivables		1,084	-	1,084
Investments at fair value	1.	793,864	$ 5,158	799,022
Equity accounted investments	1.	899	(899)	-
Property, plant and equipment		676	-	676
Deferred tax assets	4.	-	21,167	21,167
		$ 796,695	$ 25,426	$ 822,121
Liabilities and Equity				
Liabilities				
Due to brokers		$ 85,570	$ -	$ 85,570
Accounts payable and accrued liabilities		34,094	-	34,094
Class C preferred share liabilities, at fair value		529	-	529
Deferred tax liabilities	1., 4.	33,921	21,278	55,199
		154,114	21,278	175,392
Equity				
Share capital	2.	$ 276,629	(13)	276,616
Warrants and broker warrants		66,524	-	66,524
Contributed surplus	2.	29,830	729	30,559
Foreign currency translation reserve	3.	-	(22)	(22)
Retained earnings	1., 2., 3.	269,598	3,454	273,052
		642,581	4,148	646,729
		$ 796,695	$ 25,426	$ 822,121

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 statement of comprehensive income (loss).

21. Transition to IFRS (continued):

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 measured 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 January 1, 2010, the adjustment was to decrease equity accounted investments by $1,911 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 $2,626 with a corresponding entry to decrease deficit.

As at December 31, 2010, the adjustment was to decrease equity accounted investments by $899 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 $4,259 with a corresponding entry to increase retained earnings. The tax effect of the fair value of the investments was to increased deferred tax liabilities by $111 with a corresponding entry to decrease 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 January 1, 2010, the adjustment was to increase contributed surplus by $1,037 and the corresponding entry to increase deficit.

   As at December 31, 2010, the adjustment was to increase contributed surplus by $716 and the corresponding entry to decrease retained earnings. As a result of the exercise of stock options (Note 12(a)), there was an adjustment to increase contributed surplus by $13 and a corresponding entry to decrease share capital.

(In thousands of Canadian dollars, except for securities and per share amounts)

21. Transition to IFRS (continued):

3. Under CGAAP, the Company translates one subsidiary using the temporal method. This method is not permitted under IAS 21 and at the Transition Date exchange differences previously recognized in retained earnings must be reclassified to exchange differences on translation of foreign operations in other comprehensive income (loss). 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), meaning that such exchange differences previously recognized must now be reclassified from retained earnings.

   The Company has elected under the option available in IFRS 1 to deem the foreign currency translation reserve at the Transition Date to be zero.

   A summary of the movement for the year ended December 31, 2010 is as follows:

Exchange losses transferred from retained earnings due to change from temporal method	$	1,621
Exchange gains on long-term monetary assets considered as part of a net investment in a foreign operation		(1,599)
Net increase to retained earnings		22

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 January 1, 2010, the adjustment on transition to IFRS was to reclassify $12,943 from deferred tax assets to deferred tax liabilities.

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

(In thousands of Canadian dollars, except for securities and per share amounts)

21. Transition to IFRS (continued):

5. The following is a reconciliation of the deficit balance as at January 1, 2010:

Deficit as reported under CGAAP as at January 1, 2010	$	(26,180)
Adjustment at Transition Date for stock options outstanding and not vested		(1,037)
Adjustment at Transition Date for investments in associates		2,626
Deficit as reported under IFRS as at January 1, 2010	$	(24,591)

The following is a reconciliation of the retained earnings balance as at December 31, 2010:

Retained earnings as reported under CGAAP as at December 31, 2010	$	269,598
Adjustment at Transition Date for stock options outstanding and not vested		(1,037)
Adjustment at Transition Date for investments in associates		2,626
Adjustment for stock options during the year ended December 31, 2010 (i)		321
Exchange losses transferred from retained earnings due to change from temporal method reflected during the year ended December 31, 2010 (i)		1,621
Exchange gains on long-term monetary assets considered as part of a net investment in a foreign operation reflected during the year ended December 31, 2010 (i)		(1,599)
Increase in fair value of investments in associates during the year ended December 31, 2010 (i)		859
Reversal of losses from investments in associates during the year ended December 31, 2010 (i)		774
Tax effect of the increase in fair value of investments in associates during the year ended December 31, 2010 (i)		(111)
Retained earnings as reported under IFRS as at December 31, 2010	$	273,052

(ii) See the reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2010 under Notes 21(b)(iii)(6)(7).

(In thousands of Canadian dollars, except for securities and per share amounts)

21. Transition to IFRS (continued):

(iii) The following is a reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2010:

		Year ended December 31, 2010		
	Notes	CGAAP	IFRS adjust.	IFRS
Net investment gains				
Realized gains on disposal of investments, net		$ 43,091	$ -	$ 43,091
Net change in unrealized gains on investments	6.	340,563	859	341,422
Losses from equity accounted investments	6.	(774)	774	-
		382,880	1,633	384,513
Other income				
Interest and dividend income		1,054	-	1,054
Other income		585	-	585
		384,519	1,633	386,152
Expenses				
Operating, general and administrative	7.	42,021	(321)	41,700
Transaction costs		1,532	-	1,532
Foreign exchange loss	8.	70	(22)	48
Amortization		134	-	134
Finance expenses		662	-	662
		44,419	(343)	44,076
Profit before income taxes		340,100	1,976	342,076
Income tax expense	6.	44,322	111	44,433
Profit for the year		$ 295,778	$ 1,865	$ 297,643
Other comprehensive loss				
Exchange differences on translation of foreign operations	8.	-	(22)	(22)
Total comprehensive income for the year		$ 295,778	$ 1,843	$ 297,621
Earnings per common share				
Basic		$ 2.18		$ 2.19
Diluted		$ 2.15		$ 2.16
Weighted average number of common shares outstanding				
Basic		135,664,918		135,664,918
Diluted		137,544,401		137,544,401

21. Transition to IFRS (continued):

6. 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 statement of comprehensive income (loss). 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 measured 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.

   For the year ended December 31, 2010, the adjustment was to reverse the losses from equity accounted investments of $774 and increase the net change in unrealized gains by $859.

   For the year ended December 31, 2010, the tax effect of the fair value of the investments was to increase income tax expense (deferred tax liabilities) by $111.

7. 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 year ended December 31, 2010, the adjustment was to decrease the stock-based compensation expense by $321.

8. 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).

(In thousands of Canadian dollars, except for securities and per share amounts)

21. Transition to IFRS (continued):

The summary of the amounts for the year ended December 31, 2010 is as follows:

Exchange losses due to change from temporal method	$	(1,621)
Exchange gains on long-term monetary assets considered as part of a net investment in a foreign operation		1,599
Net adjustment to foreign exchange differences on translation of foreign operations		(22)

22. Future changes in accounting policies:

(a) *IFRS 10, Consolidated Financial Statements* ("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 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* ("IAS 27"). This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, provided that IFRS 11, IFRS 12, and related amendments to IAS 27 and IAS 28 are adopted at the same time.

(b) *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 operation. 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 provided that IFRS 10, IFRS 12, and the related amendments to IAS 27 and IAS 28 are adopted at the same time.

(c) *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.

22. Future changes in accounting policies (continued):

(d) *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.

(e) Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. The amended IAS 27 addresses accounting for 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 11. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted provided that IFRS 10, IFRS 11, and IFRS 12 are adopted at the same time.

(f) 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 consolidated financial statements or whether to early adopt any of the new requirements.

23. Subsequent event:

Subsequent to December 31, 2011, 100,000 options exercisable at $9.74 per share expired unexercised.