

**Interim Condensed Consolidated Financial Statements of**



**(Unaudited - prepared in Canadian dollars)  
June 30, 2012**

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**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Financial Position**  
**As at June 30, 2012 and December 31, 2011**  
**(Unaudited - in thousands of Canadian dollars)**

	<u>Notes</u>	<u>June 30, 2012</u>	<u>December 31, 2011</u>
<b>Assets</b>			
Cash and cash equivalents		\$ 239	\$ 202
Due from brokers		15	15
Prepays and other receivables		1,116	168
Investments at fair value	3	290,003	427,669
Property, plant and equipment		849	812
Deferred tax assets	4(a)	23,047	14,753
		<u>\$ 315,269</u>	<u>\$ 443,619</u>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Due to brokers	3(c)	\$ 5,451	\$ 18,778
Accounts payable and accrued liabilities		920	1,129
Class C preferred share liabilities, at fair value		241	241
Income taxes payable		3,418	-
Convertible debentures		68,503	67,839
		<u>78,533</u>	<u>87,987</u>
<b>Equity</b>			
Share capital	5	\$ 276,797	\$ 276,797
Warrants and broker warrants	5(c)	29,424	66,524
Contributed surplus	5(d)	73,625	34,740
Equity component of convertible debentures		2,838	2,882
Foreign currency translation reserve		(16)	(22)
Deficit		(145,932)	(25,289)
		<u>236,736</u>	<u>355,632</u>
		<u>\$ 315,269</u>	<u>\$ 443,619</u>

See accompanying notes to the interim condensed consolidated financial statements.

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

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		<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Notes</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Net investment losses</b>					
Net realized gains (losses) on disposal of investments		\$ (10,229)	\$ 30,044	\$ (4,381)	\$ 89,689
Net change in unrealized losses on investments		(104,656)	(192,183)	(111,151)	(264,622)
		<u>(114,885)</u>	<u>(162,139)</u>	<u>(115,532)</u>	<u>(174,933)</u>
<b>Other income</b>					
		<u>280</u>	<u>503</u>	<u>669</u>	<u>803</u>
		<u>(114,605)</u>	<u>(161,636)</u>	<u>(114,863)</u>	<u>(174,130)</u>
<b>Expenses</b>					
Operating, general and administrative	5(b), 6	3,314	4,969	6,916	7,356
Finance expenses	7	1,857	1,031	3,785	1,315
		<u>5,171</u>	<u>6,000</u>	<u>10,701</u>	<u>8,671</u>
<b>Loss before income taxes</b>					
		<u>(119,776)</u>	<u>(167,636)</u>	<u>(125,564)</u>	<u>(182,801)</u>
<b>Income tax benefit</b>					
	4(b, d)	<u>(3,954)</u>	<u>(22,980)</u>	<u>(4,921)</u>	<u>(26,945)</u>
<b>Net loss for the period</b>					
		<u>(115,822)</u>	<u>(144,656)</u>	<u>(120,643)</u>	<u>(155,856)</u>
<b>Other comprehensive income (loss)</b>					
Exchange differences on translation of foreign operations		6	2	6	(11)
<b>Total comprehensive loss for the period</b>					
		<u>\$ (115,816)</u>	<u>\$ (144,654)</u>	<u>\$ (120,637)</u>	<u>\$ (155,867)</u>
<b>Loss per common share based on net loss for the period</b>					
Basic and diluted	5(e)	<u>\$ (0.85)</u>	<u>\$ (1.06)</u>	<u>\$ (0.88)</u>	<u>\$ (1.14)</u>
<b>Weighted average number of common shares outstanding</b>					
Basic and diluted	5(e)	<u>136,447,273</u>	<u>136,546,172</u>	<u>136,447,273</u>	<u>136,468,020</u>

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See accompanying notes to the interim condensed consolidated financial statements.

**PINETREE CAPITAL LTD.****Consolidated Statements of Changes in Equity****Six Months Ended June 30, 2012 and 2011****(Unaudited - in thousands of Canadian dollars, except for number of shares)**

	Number of shares	Share capital	Warrants and broker warrants	Contributed surplus	Equity component of convertible debentures	Foreign currency translation reserve	Retained earnings (deficit)	Total equity
<b>Balance at January 1, 2011</b>	136,375,673	\$ 276,616	\$ 66,524	\$ 30,559	\$ -	\$ (22)	\$ 273,052	\$ 646,729
Net loss for the period	-	-	-	-	-	-	(155,856)	(155,856)
Exchange differences on translation of foreign operations	-	-	-	-	-	(11)	-	(11)
Total comprehensive loss for the period	-	-	-	-	-	(11)	(155,856)	(155,867)
Stock-based compensation expense	-	-	-	2,105	-	-	-	2,105
Issued pursuant to exercise of stock options	171,600	380	-	(149)	-	-	-	231
Issued pursuant to private placement of Debentures	-	-	-	-	2,882	-	-	2,882
<b>Balance at June 30, 2011</b>	136,547,273	\$ 276,996	\$ 66,524	\$ 32,515	\$ 2,882	\$ (33)	\$ 117,196	\$ 496,080
<b>Balance at January 1, 2012</b>	136,447,273	\$ 276,797	\$ 66,524	\$ 34,740	\$ 2,882	\$ (22)	\$ (25,289)	\$ 355,632
Net loss for the period	-	-	-	-	-	-	(120,643)	(120,643)
Exchange differences on translation of foreign operations	-	-	-	-	-	6	-	6
Total comprehensive loss for the period	-	-	-	-	-	6	(120,643)	(120,637)
Stock-based compensation expense	-	-	-	1,785	-	-	-	1,785
Reallocation of expired warrants	-	-	(37,100)	37,100	-	-	-	-
Tax rate adjustment on private placement of Debentures	-	-	-	-	(44)	-	-	(44)
<b>Balance at June 30, 2012</b>	136,447,273	\$ 276,797	\$ 29,424	\$ 73,625	\$ 2,838	\$ (16)	\$ (145,932)	\$ 236,736

See accompanying notes to the interim condensed consolidated financial statements.

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

	<u>2012</u>	<u>2011</u>
<b>Cash flows used in operating activities</b>		
Net loss for the period	\$ (120,643)	\$ (155,856)
Items not affecting cash:		
Net realized losses (gains) on disposal of investments	4,381	(89,689)
Net change in unrealized losses on investments	111,151	264,622
Unrealized gain on Class C preferred share liabilities	-	(182)
Amortization	128	110
Stock-based compensation expense	1,785	2,105
Accretion of discount on Debentures	282	56
Amortization of finance expenses on Debentures	382	92
Decrease (increase) in deferred tax assets	(8,338)	15,667
Decrease in deferred tax liabilities	-	(41,887)
	<u>(10,872)</u>	<u>(4,962)</u>
Adjustments for:		
Prepays and other receivables	(948)	695
Accounts payable and accrued liabilities	(209)	(33,532)
Income taxes payable	3,418	-
	<u>(8,611)</u>	<u>(37,799)</u>
<b>Net cash used in operating activities</b>	<b>(8,611)</b>	<b>(37,799)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds pursuant to exercise of stock options	-	231
Proceeds from issue of convertible debentures	-	75,000
Convertible debenture issue costs	-	(4,088)
Decrease in due to brokers	(13,327)	(47,550)
Redemption of Class C preferred share liabilities	-	(54)
	<u>(13,327)</u>	<u>23,539</u>
<b>Net cash from (used in) financing activities</b>	<b>(13,327)</b>	<b>23,539</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(165)	(78)
Purchase of investments	(89,038)	(178,661)
Proceeds on disposal of investments	111,172	192,971
	<u>21,969</u>	<u>14,232</u>
<b>Net cash from investing activities</b>	<b>21,969</b>	<b>14,232</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>31</b>	<b>(28)</b>
<b>Exchange differences on translation of foreign operations</b>	<b>6</b>	<b>(11)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>202</b>	<b>158</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 239</b>	<b>\$ 119</b>
<b>Supplemental cash flow information</b>		
Income taxes paid	\$ -	\$ -
Dividends paid on Class C Shares	10	10
Finance expense paid	3,121	479

See accompanying notes to the interim condensed consolidated financial statements.

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# **PINETREE CAPITAL LTD.**

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

**June 30, 2012**

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

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

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated in 1962 under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange under the symbol "PNP". The Company is domiciled in the Province of Ontario, Canada and its registered office address is at 130 King St. West, Suite 2500, Toronto, Canada, M5X 2A2.

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

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

### **2. Basis of preparation:**

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

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

The same accounting policies and methods of computation were followed in the preparation of these interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2011. Accordingly, these interim consolidated statements for the three and six months ended June 30, 2012 and 2011 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2011.

#### **(b) Basis of presentation:**

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

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

### 2. Basis of preparation (continued):

(c) Basis of consolidation:

These interim consolidated statements include the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc., Pinetree (Barbados) Inc., Pinetree Capital Investment Corp., and Emerald Capital Corp., as well as Pinetree Resource Partnership and Pinetree Income Partnership, each a general partnership of which Pinetree indirectly owns a 100% interest. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company account balances and transactions have been eliminated upon consolidation.

### 3. Investments at fair value and financial instruments hierarchy:

(a) Financial hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Investments by sector consist of the following as at June 30, 2012:

		Fair Value				
		Level 1	Level 2 (ii)	Level 3		
		Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	Total fair value	% of total fair value
Sectors:	Cost					
Precious metals	\$ 305,540	\$ 143,210	\$ 5,063	\$ 6,380	\$ 154,653	53.3
Base metals	131,667	29,324	2,192	6,129	37,645	13.0
Oil and gas	76,336	29,301	621	649	30,571	10.5
Potash, lithium and rare earths	53,378	22,200	-	5,625	27,825	9.6
Uranium	107,379	21,151	945	2,074	24,170	8.3
Coal	8,310	4,688	-	955	5,643	1.9
Technology and other	37,671	7,478	674	1,344	9,496	3.4
Total (i)	\$ 720,281	\$ 257,352	\$ 9,495	\$ 23,156	\$ 290,003	100.0
Investments denominated in foreign currencies		\$ 10,916	\$ 1,143	\$ 3,374	\$ 15,433	
% of investments denominated in foreign currencies		4.2%	12.0%	14.6%	5.3%	

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

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

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

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

- (i) As at June 30, 2012, included in total investments were securities of private companies with a fair value totaling \$23,156 (cost of \$30,835) (December 31, 2011 – fair value of \$29,076; cost of \$32,996) measured in accordance with the Company's accounting policy for private company investments.
- (ii) There were no significant transfers from Level 1 to 2 during the three or six months ended June 30, 2012 or for the year ended December 31, 2011. During the six months ended June 30, 2012, \$8,313 (three months ended June 30, 2012 - \$1,212) of the investments which were held in Level 2 as at December 31, 2011 were transferred to Level 1. During the year ended December 31, 2011, \$86,466 of the investments which were held in Level 2 as at December 31, 2010 were transferred to Level 1. The transfer out of Level 2 to Level 1 consists of restricted investments which became unrestricted during the period.



# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

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

(b) Level 3 hierarchy:

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

	Opening balance at January 1	Purchases	Realized losses	Net unrealized gains (losses)	Transfer out of Level 3	Ending balance
Investments at fair value:						
June 30, 2012	\$ 29,076	\$ 1,603	\$ (1,406)	\$ (3,009)	\$ (3,108)	\$ 23,156
December 31, 2011	23,428	16,371	(5,936)	7,162	(11,949)	29,076

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

(c) Due to brokers consists of margin borrowings collateralized by the Company's investments held at the brokers. In the normal course of business, the Company utilizes the margin borrowings to finance its investment activities. Interest is charged on the daily outstanding balance at a tiered rate equal to the brokers' overnight rate plus 0.40%.

(d) Securities lending:

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

The details of the security lending arranging positions are as follows:

	June 30, 2012	December 31, 2011
Investments at fair value lent under SLA – carrying amount	\$ 2,455	\$ 5,860
Fair value of collateral held for investments lent under SLA	2,620	5,901

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

### 4. Income taxes:

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

	June 30, 2012	December 31, 2011
<b>Deferred tax assets</b>		
Non-capital losses	\$ 1	\$ 13,175
Tax on future capital gains dividend	(3,775)	(19,257)
Investments – differences in carrying value and tax cost	22,987	14,991
Corporate minimum tax credit	3,583	4,103
Ontario transitional tax credits	964	2,427
Share issuance costs	103	167
Property, plant and equipment	109	102
Convertible debentures	(925)	(955)
<b>Total deferred tax assets (4(c))</b>	<b>\$ 23,047</b>	<b>\$ 14,753</b>

- (b) The following are the components of the deferred income tax benefit in the consolidated statements of comprehensive loss for the three and six months ended June 30:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Non-capital losses	\$ -	\$ 1,214	\$ 13,174	\$ 11,557
Net reversal of tax on future capital gains dividend	865	3,598	(15,482)	3,598
Investments – differences in carrying value and tax cost	(4,879)	(27,991)	(7,996)	(42,621)
Ontario transitional tax credits	(269)	(3)	1,463	101
Share issuance costs and other	24	160	57	378
Convertible debentures	(39)	42	(75)	42
Corporate minimum tax credit	(31)	-	520	-
	<b>\$ (4,329)</b>	<b>\$ (22,980)</b>	<b>\$ (8,339)</b>	<b>\$ (26,945)</b>

- (c) The realization of deferred tax assets is dependent upon future taxable income during the periods in which those temporary differences become deductible. Management considers the expected reversal of net deferred income tax assets and projected future taxable income in making this assessment. Based upon the level of historical taxable income, management believes it is probable that the Company will realize some of the benefits of these deductible differences. The full deferred tax asset at June 30, 2012 was \$35,648.

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

### 4. Income taxes (continued):

- (d) The income tax benefit attributable to loss before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.50% (2011 – 28.25%) of pre-tax profits as a result of the following for the three and six months ended June 30:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Loss before income taxes	\$ (119,776)	\$ (167,636)	\$ (125,564)	\$ (182,801)
Computed expected income tax benefit	\$ (31,741)	\$ (47,357)	\$ (33,274)	\$ (51,641)
Non-taxable portion of capital losses (gains)	1,334	(8,478)	580	(25,287)
Non-taxable portion of unrealized losses	13,884	27,106	14,723	37,317
Non-taxable stock-based compensation expense	194	463	473	595
Taxable capital gains dividend	153	6,122	93	16,743
Tax rate differential	(402)	(1,313)	(313)	(4,525)
Write-down of deferred tax assets	12,601	-	12,601	-
Permanent and other differences	23	477	196	(147)
Income tax benefit	\$ (3,954)	\$ (22,980)	\$ (4,921)	\$ (26,945)

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Current tax expense	\$ 375	\$ -	\$ 3,418	\$ -
Deferred tax benefit relating to origination and reversal of temporary differences	(4,329)	(22,980)	(8,339)	(26,945)
Income tax benefit	\$ (3,954)	\$ (22,980)	\$ (4,921)	\$ (26,945)

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## PINETREE CAPITAL LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

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#### 5. Share capital:

- (a) Authorized: Unlimited number of common shares, no par value
- (b) Stock options:

The following table summarizes stock options granted during the six months ended June 30, 2012:

Date Granted	Options Granted	Exercise Price	Expiry
March 30, 2012	100,000	\$ 1.38	March 29, 2017
May 31, 2012	250,000	0.88	May 30, 2017
Total granted	350,000		

Stock options granted during the six months ended June 30, 2012 vest at the rate of 1/6<sup>th</sup> of the grant at the end of each three-month period over an 18-month period. Options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense over the vesting period and credits contributed surplus for all options granted.

The fair value of the options granted during the six months ended June 30, 2012 was estimated at the date of grant using the following assumptions:

Black-Scholes option valuation model assumptions used (weighted average)	
Expected volatility (i)	<b>72.2%</b>
Expected dividend yield	<b>0.0%</b>
Risk-free interest rate	<b>1.2%</b>
Expected option life in years	<b>3.1</b>
Expected forfeiture rate	<b>3.1%</b>
Fair value per stock option granted on March 30, 2012	<b>\$ 0.74</b>
Fair value per stock option granted on May 30, 2012	<b>\$ 0.41</b>

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

For the three months ended June 30, 2012, included in operating, general and administrative expenses is stock-based compensation of \$723 (three months ended June 30, 2011 - \$1,637) relating to the stock options granted to directors, officers, employees, and consultants of the Company.

For the six months ended June 30, 2012, included in operating, general and administrative expenses is stock-based compensation of \$1,785 (six months ended June 30, 2011 - \$2,105) relating to the stock options granted to directors, officers, employees, and consultants of the Company.

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

### 5. Share capital (continued):

A summary of the status of the Company's stock options as at June 30, 2012 and December 31, 2011 and changes during the periods then ended is presented below:

	June 30, 2012		December 31, 2011	
	# of Options	Weighted Average Exercise Price	# of Options	Weighted Average Exercise Price
<b>Stock Options</b>				
Outstanding, at beginning of period	13,632,900	\$ 2.97	9,877,420	\$ 3.19
Granted	350,000	1.02	4,045,000	2.37
Exercised	-	-	(171,600)	1.35
Expired/forfeited	(411,500)	12.22	(117,920)	3.97
Outstanding, at end of period	13,571,400	\$ 2.63	13,632,900	\$ 2.97
Exercisable, at end of period	11,519,695	\$ 2.78	10,442,739	\$ 3.21

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2012:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
50,000	50,000	\$ 9.50	July 2, 2012
25,000	25,000	4.08	September 3, 2012
2,347,000	2,347,000	5.45	September 16, 2012
1,307,500	1,307,500	3.14	April 10, 2013
1,155,000	1,155,000	1.29	March 31, 2014
50,000	50,000	1.73	June 29, 2014
2,320,990	2,320,990	1.46	August 31, 2014
85,000	85,000	2.07	November 30, 2014
265,000	265,000	1.83	March 31, 2015
1,075,910	1,075,910	1.46	May 31, 2015
250,000	250,000	1.41	August 31, 2015
250,000	250,000	3.23	November 30, 2015
1,700,000	1,416,656	3.17	March 30, 2016
250,000	166,666	2.93	May 30, 2016
250,000	124,999	1.92	August 30, 2016
1,840,000	613,308	1.61	November 29, 2016
100,000	16,666	1.38	March 29, 2017
250,000	-	0.88	May 30, 2017
13,571,400	11,519,695		

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

### 5. Share capital (continued):

- (c) Warrants and broker warrants:

The following table summarizes the warrants outstanding as at June 30, 2012:

Number of Warrants	Exercise Price	Expiry Date	Warrants Value
6,875,000	\$ 6.50	October 23, 2012	\$ 19,662
8,638,650	3.50	July 11, 2013	9,762
<b>15,513,650</b>			<b>\$ 29,424</b>

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
<b>20,513,650</b>			<b>\$ 66,524</b>

- (d) As at June 30, 2012 and December 31, 2011, contributed surplus is comprised of the following:

	June 30, 2012	December 31, 2011
Fair value of stock-based compensation	\$ 30,738	\$ 28,953
Fair value of expired broker warrants	42,844	5,744
Cancellation of shares under normal course issuer bid	43	43
	<b>\$ 73,625</b>	<b>\$ 34,740</b>

- (e) Basic and diluted loss per common share is based on net loss for the period for the three and six months ended June 30:

Numerator:	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net loss for the period	\$ (115,822)	\$ (144,656)	\$ (120,643)	\$ (155,856)

  

Denominator:	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Weighted average number of common shares outstanding - basic	136,447,273	136,546,172	136,447,273	136,468,020
Weighted average effect of diluted stock options and warrants (i)	-	-	-	-
Weighted average number of common shares outstanding - diluted	136,447,273	136,546,172	136,447,273	136,468,020

# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

### 5. Share capital (continued):

Loss per common share based on net loss for the period:	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Basic and diluted	\$ (0.85)	\$ (1.06)	\$ (0.88)	\$ (1.14)

- (i) The determination of the weighted average number of common shares outstanding – diluted excludes 46,732,109 shares related to stock options, warrants, and convertible debentures (“Debentures”) that were anti-dilutive for the three and six months ended June 30, 2012 (three and six months ended June 30, 2011 – 49,761,109 shares).
- (f) Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised and all outstanding Debentures were converted as at June 30, 2012 and December 31, 2011:

	June 30, 2012	December 31, 2011
Common shares outstanding	136,447,273	136,447,273
Stock options outstanding to purchase common shares	13,571,400	13,632,900
Warrants to purchase common shares	15,513,650	20,513,650
Debentures convertible to common shares	17,647,059	17,647,059
Fully diluted common shares outstanding	183,179,382	188,240,882

- (g) Normal course issuer bid for convertible debentures:

During the six months ended June 30, 2012, the Company instituted a normal course issuer bid in respect of its Debentures (the “Debenture NCIB”). Pursuant to the terms of the Debenture NCIB, and in accordance with the policies of the TSX, during the period commencing May 18, 2012 and ending on May 17, 2013, the Company may purchase up to \$3,750 principal amount of Debentures, representing up to 5% of the Debentures outstanding as at May 18, 2012. Purchases will be made in open market transactions through the facilities of the TSX and on other alternative Canadian trading systems at market prices prevailing at the time of acquisition and otherwise in accordance with the TSX rules. All Debentures purchased under the Debenture NCIB will be cancelled. During the six months ended June 30, 2012, no Debentures were purchased under the Debenture NCIB.

Security holders of the Company may obtain, without charge, a copy of its Notice of Intention to Make a Normal Course Issuer Bid in respect of the Debenture NCIB, which was filed with the TSX, by contacting the Company at its head office in Toronto.

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2012****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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**6. Expenses by nature:**

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

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	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Stock-based compensation expense	\$ 723	\$ 1,637	\$ 1,785	\$ 2,105
Salaries, bonuses, and other employment benefits	701	585	1,382	1,169
Transaction costs	281	459	1,072	1,443
Other office and general	299	438	504	727
Consulting and directors' fees	259	153	473	323
Exploration and evaluation expenditures	456	661	456	661
Transfer agent, filing fees, and other info systems	232	91	453	382
Operating lease payments	120	123	240	238
Travel and promotion	95	146	234	250
Professional fees	100	122	169	303
Amortization	66	57	128	110
Foreign exchange loss (gain)	(18)	598	20	(173)
Change in fair value of Class C preferred shares	-	(101)	-	(182)
	<b>\$ 3,314</b>	<b>\$ 4,969</b>	<b>\$ 6,916</b>	<b>\$ 7,356</b>

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**7. Finance expenses:**

Finance expenses for the three and six months ended June 30 are as follows:

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	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Accretion of discount and interest expense on Debentures	\$ 1,636	\$ 780	\$ 3,265	\$ 780
Interest expense on margin borrowings and other	15	143	107	396
Amortization of finance expenses on Debentures	191	92	382	92
Standby fee on credit facility	15	16	31	47
	<b>\$ 1,857</b>	<b>\$ 1,031</b>	<b>\$ 3,785</b>	<b>\$ 1,315</b>

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# PINETREE CAPITAL LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

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

### 8. Management of capital:

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

	June 30, 2012	December 31, 2011
Due to brokers	\$ 5,451	\$ 18,778
Class C preferred share liabilities, at fair value	241	241
Convertible debentures, due May 31, 2016	68,503	67,839
Equity comprised of:		
Share capital	276,797	276,797
Warrants and broker warrants	29,424	66,524
Contributed surplus	73,625	34,740
Equity component of convertible debentures	2,838	2,882
Foreign currency translation reserve	(16)	(22)
Deficit	(145,932)	(25,289)
	<b>\$ 310,931</b>	<b>\$ 442,490</b>

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. There were no changes to the Company's objectives in managing and maintaining capital during the six months ended June 30, 2012.

### 9. Risk management:

Financial instrument risks:

The investment operations of Pinetree's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets and liabilities are currently comprised of financial instruments.

Market risk:

There were no changes to the way the Company manages market risk since December 31, 2011. The following table shows the estimated sensitivity of the Company's after-tax loss for the three and six months ended June 30, 2012 from a change in the closing bid price of the Company's investments with all other variables held constant as at June 30, 2012:

Percentage of change in closing bid price	Decrease in loss from % increase in closing bid price	Increase in loss from % decrease in closing bid price
2%	\$ 5,032	\$ (5,032)
4%	10,063	(10,063)
6%	15,095	(15,095)
8%	20,126	(20,126)
10%	25,158	(25,158)

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**PINETREE CAPITAL LTD.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2012****(Unaudited - in thousands of Canadian dollars, except for securities and per share amounts)**

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

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

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

**10. Subsequent event:**

Subsequent to June 30, 2012, 50,000 options exercisable at \$9.50 per share expired unexercised.