

Tribute has placed the development of additional natural gas storage with the exception of Bayfield and Stanley on hold pending an improvement in storage market conditions. Profit margins for storage are largely dependent upon volatility in natural gas prices and a wide spread between summer and winter gas prices. Margins have decreased in the past few years as vast supplies of natural gas from shale plays has been keeping gas markets depressed. For the past few winters, storage operators have experienced high storage volumes in inventory even at the completion of the season. The high deliverability of natural gas horizontal wells allows these wells to compete with storage for pricing as horizontal well operators can put large supplies of natural gas directly into pipelines. Abundant supplies of natural gas means that the spikes in pricing that were extremely profitable to storage operators have been diminished. In this market where gas prices are low and volatility low, storage margins are narrow and storage values depressed.

Tribute has surrendered its rights to pools in Lambton County due to the low pricing for storage. Tribute has maintained its interest in pools in the Chatham C pool in Kent County and four pools in Huron County believed to be suitable for development and possible conversion to natural gas storage. These pools are in various stages of development, which gave Tribute a "pipeline" of potential development projects moving forward. In Huron, Tribute is moving forward with the designation of its next two pools by the OEB. Since these pools are in the development phase, there are no revenues on the statements that are associated with these pools or any of the other prospects.

The development of natural gas storage is extremely capital intensive with lengthy development timelines and stringent regulatory requirements. The first stage in the development of storage is to evaluate projects for suitability by reviewing the geology, conducting 3D seismic programs, verifying land positions, conducting environmental studies, re-completing or abandoning existing wells, and designing facilities and pipelines. When a project is determined to be economically feasible and geologically suitable, an application is filed with the OEB for designation as a natural gas storage reservoir. Applications are also filed for permission to construct pipelines and inject natural gas into the pools.

Natural Gas Exploration and Development

Tribute's exploration program in Huron, Lambton and Kent Counties has been placed on hold due to the current depressed market price of natural gas and the uncertainties that exist in the natural gas storage markets on a go-forward basis.

The Tipperary Project

Tribute holds a 25% interest in the Tipperary gas storage pool. This investment is held in the Huron Tipperary Limited Partnership and is shown under the heading of Long Term Investments on Tribute's Balance Sheet. Union operates and markets the gas from Tipperary. Tribute's share of the loss from operations for the period ended March 31, 2012 (25%) is included in the financial statements under the heading of loss from long-term investments.

Tipperary is one of the first non-rate based competitive storage facilities to be connected to the Union lateral transmission system, which connects to the Dawn trading hub.

To date, the Tipperary project has experienced losses from operations due to the fact that the pool was not fully operational. Additional wells were drilled into the reservoir in 2009 and these wells were stimulated in the summer of 2010. In 2011, a fluid recovery system was developed to increase the withdrawal rate of gas from the pool. This fluid recovery system resulted in a cash call to the Tipperary partners (25% of costs to Tribute) of \$88,000 which was paid by Tribute in December 2011. In early 2011, Tipperary received a noise complaint and additional noise abatement equipment was needed for the compressor system. A cash call was made in early 2012 to both partners, of which, Tribute's 25% share was \$63,000 and the amount was paid in February. As a result of operational problems, Tipperary

did not experience a full withdrawal cycle in the winter of 2011/2012. This has resulted in losses for the 1st quarter of 2012 and anticipated losses for the balance of 2012. It is anticipated that as a result of this work done to date, Tipperary will experience a full injection and withdrawal cycle in 2012/2013.

The storage contract for Tipperary provides for price adjustments during the ten year contract term. The current price will be re-set for a 5 year term in March of 2013. Due to the current depressed state of natural gas prices and natural gas storage prices, it is anticipated that this price adjustment will be detrimental to the economics of Tipperary.

Huron County Phase 2 Development

As a long-term investment, Tribute remains committed to a strategy of building and holding natural gas storage assets in Ontario. With the current depressed pricing for natural gas and natural gas storage, most storage development in Canada has been placed on hold until the pools become economic to develop in terms of construction and commissioning. Nonetheless, as Tribute believes in the long-term viability of storage, Tribute has applied to the Ontario Energy Board for approvals relating to preparing its Phase 2 pools for development.

Tribute owns four potential additional gas storage pools in Huron County with a total estimated potential working storage capacity of approximately 8 BCF.

Of the four potential storage pools, Tribute has prioritized the pools and has included two of the four pools, Bayfield and Stanley which total approximately 6 BCF, in an application to the OEB. The additional two pools are in an earlier development phase. In 2009, Tribute successfully completed a 3D seismic program on the additional two pools. The seismic program has enabled Tribute to better evaluate and delineate the boundaries of these storage pools. Based upon the results of both 2D and 3D seismic programs, the boundaries of all of the reservoirs have been delineated and submitted to the OEB for its deliberation during the hearing process.

Bayfield and Stanley Pools

The Bayfield and Stanley pools are located in Huron County, approximately 70 kilometers north of London, Ontario. The pools are Silurian pinnacle reefs with geological and reservoir characteristics similar in nature to that of pools currently operated as underground gas storage pools elsewhere in Ontario. Optimum development of the pools will require the construction of a 70 kilometer pipeline that would tie in directly to the Union Dawn-Trafalgar high-pressure transmission system which is located near Lobo, Ontario.

Tribute filed a group of applications in 2009 with the Ontario Energy Board (OEB) which included a Leave-to-Construct application for a 70 kilometer pipeline, and applications for designation and the right to inject and withdraw natural gas from the Bayfield pool and the Stanley pool. Tribute currently owns all of the storage rights for the Bayfield pool and it is the opinion of Tribute that Tribute also owns all of the storage rights for the Stanley pool. All of the landowners with the exception of the one Stanley landowner of which the storage lease is in dispute are in support of the storage applications and have signed amending agreements with Tribute to set levels of compensation for the operation of the storage reservoirs.

In January 2010, the OEB application was placed in abeyance due to the fact that Tribute was involved in a legal dispute regarding the validity of a Natural Gas Storage Lease ("Storage Lease") and a Petroleum and Natural Gas Lease ("PNG Lease") for a portion of the Stanley Pool. Tribute appealed the original court decision to the Court of Appeal. The Court of Appeal's decision was favourable for Tribute and declared valid the PNG lease which has storage capabilities but upheld the Superior Court of Justice's decision declaring the Storage Lease invalid. The lessor under the PNG lease applied for Leave to Appeal

in which case the pipeline will be converted to a regulated, open-access pipeline. This pipeline is being designed as a dedicated natural gas storage pipeline and Tribute will provide access for third parties to this pipeline through an open season process. The option executed with MHP provides for the joint ownership of BPC.

The key to the development of additional storage is to accumulate enough storage capacity (by adding in additional pools) to justify the costs related to the construction of a 70 kilometer pipeline to connect the pools with the Dawn Trafalgar system. Additional reefs owned by third parties also exist in the area. Tribute is currently evaluating potential third party storage pools and the four smaller potential storage pools owned by Tribute for possible inclusion in its Huron County storage development project.

Lambton and Kent County Storage Development

Tribute is continuing to maintain the PNG and storage leases for the Chatham C storage pool, which was written off in the 2011 fiscal year end financial statements as an impairment loss. However, other than that pool, all other operations and potential storage development in Lambton and Kent Counties have been discontinued and leases are being surrendered as renewals become due.

RENEWABLE ENERGY PROJECTS

A key business segment for Tribute is the development of renewable energy projects. With the 2009 introduction of the *Green Energy and Green Economy Act*, renewable energy project development has become feasible and Tribute has taken some major steps to move forward with wind power development and is exploring hydroelectric, landfill gas, tidal power and energy from waste opportunities.

Nanticoke - Port Dover Wind Project

In 2008, Tribute formed the Dover East Wind Limited Partnership (the "Dover LP") and invested funds to acquire what is now a 67% interest in the Dover LP. The Dover LP acquired options to lease land and wind data for the development of a wind project under the Ontario government's old Standard Offer Project regime. With the early 2009 introduction of the *Green Energy and Green Economy Act*, Tribute made the decision to acquire additional acreage in the Port Dover and Nanticoke, Ontario areas to increase the size of the wind project development.

In June 2009, Tribute formed the Nanticoke Wind Limited Partnership (the "Nanticoke LP") and acquired options to lease on approximately 3,850 acres of land near Nanticoke, Ontario, wind test data and two anemometers. Staff began an aggressive leasing program to obtain additional wind options to lease in the Nanticoke area. In addition, project development work was commenced for both the Dover and Nanticoke locations including environmental studies, project engineering, community and aboriginal consultations, wind modelling and layout design.

On November 25, 2009, Tribute Resources Inc. sold its wind assets in the Dover East Wind Limited Partnership and Nanticoke Wind Limited Partnership to Capital Power Limited Partnership ("CP" or "Capital Power"), a unit of Capital Power Corporation. At the time of the sale, Tribute recorded a loss net of minority interest of \$864,110 in the financial statements for 2009. However, this loss did not take into consideration contingent payments to be received by Tribute over the development years if the project is successful and reaches future milestones in its development. There were three additional contingent payments to be paid to Tribute at the following project milestones: On approval and acceptance of a Feed-in Tariff ("FIT") contract by the Ontario Power Authority ("OPA"); on obtaining a Notice to Proceed from the OPA; and when the wind farm reaches its Commercial Operation Date ("COD"). In addition, Tribute retained a right to take the final milestone payment and purchase a 10% interest in the Project from CP or take a 1.6% gross overriding royalty for the 20 year life of the FIT Contract.

SELECTED ANNUAL INFORMATION (AUDITED)

| | 2011 | 2010 | 2009 |
|---|---------------|---------------|---------------|
| Selected comparative operating, financial and reserve data | | | |
| <i>Financial</i> | | | |
| Revenue from operations | \$ 251,395 | \$ 2,165,240 | \$ 46,427 |
| Cash flow (deficiency) from operations | (\$767,975) | (\$1,871,126) | (\$647,232) |
| Net earnings (loss) for the year | (\$3,000,250) | (\$1,169,203) | (\$1,209,114) |
| Per share (fully diluted) | \$ - | \$ - | \$ - |
| Common shares | 68,821,223 | 68,821,223 | 68,290,000 |
| Total assets | \$ 14,250,237 | \$ 16,197,308 | \$ 16,036,821 |
| Long-term debt | \$ 500,000 | NIL | NIL |
| Shareholders' equity | \$ 10,369,616 | \$ 13,369,866 | \$ 14,660,774 |
| <i>Production</i> | | | |
| Equivalent barrels per day | 11 | 11 | 11 |
| Oil production (barrels of oil per day) | 2 | 2 | 2 |
| Gas production (mcf per day) | 50 | 56 | 52 |
| Average oil price (\$Cdn per barrel) | \$ 89.16 | \$ 81.87 | \$ 69.00 |
| Average gas price (\$Cdn per mcf) | \$ 4.11 | \$ 4.88 | \$ 5.01 |
| Field netback (\$Cdn per boe) | \$ 7.00 | \$ 10.64 | \$ 3.45 |
| Reserves | | | |
| Oil - proven (barrels) | 5340 | 6,490 | 7,000 |
| Natural gas - proven (000's mcf) | 131 | 132 | 154 |
| Natural gas - probable (000's mcf) | 63 | 60 | 102 |
| Total proven and probable (boe) | 37,673 | 38,490 | 49,667 |
| Present value of proven reserves - DCF @ 15% | \$ 294,000 | \$ 378,400 | \$ 517,000 |
| Natural Gas Storage ³ | | | |
| Working storage potential (BCF) | 9.0 | 10.0 | 10.0 |
| Working storage in operation (BCF) | 0.8 | 0.8 | 0.8 |

1. Based on a 6.0 ratio of MCF to barrels

2. Proven and probable reserves for 2011 based on an independent engineering reserve evaluation conducted by Jim McIntosh Petroleum Engineering Ltd. issued February 22, 2012.

3. Storage capacity related to the Company's interest in Huron Tipperary LP and other Huron storage assets. Natural gas storage does not form part of our engineering reserve calculations.

SCHEDULE C - P.3

that are reported to authorities. In the event of an emergency, the Board shall be informed immediately after the fact.

- 1.5. Tipperary shall not operate the Tipperary Pool above a maximum allowed operating pressure representing a pressure gradient of 15.8 kPa/m. Tipperary shall operate the Tipperary Pool at a pressure not greater than the discovery pressure 400 psig (2,750kPag), until the conditions of section 7.5.2. of CSA Z341 are satisfied and without the leave of the Board.
- 1.6. Tipperary shall ensure that the construction, operation and maintenance of the Tipperary Pool does not affect the quality or supply of potable water. Tipperary shall conduct a water well test prior to and after the first cycle of gas storage and implement a Water Well Monitoring Program using the baseline water quality data provided in the evidence and in accordance with paragraph 1.6.1 below. In the event that the quality of the potable water is impacted by the construction, operation and maintenance of the Tipperary Pool, Tipperary shall provide adequate fresh water supplies to all affected landowners until the problem is rectified.
 - 1.6.1 Tipperary shall, at Tipperary's sole expense, conduct water tests:
 - (a) in accordance with the procedures and protocols mandated by Stantec; and
 - (b) on water from each well in the DSA that was tested by Stantec in the spring of 2004; and
 - (c) using tests conducted by individuals qualified to conduct such tests on samples of water collected by individuals qualified in the Province of Ontario to collect water samples; and
 - (d) that provide analyses identical to the analyses conducted on the water samples taken by Stantec in the spring of 2004 within the DSA at the following times:
 - (i) before spudding each vertical well to be drilled by Tipperary in the DSA, and
 - (ii) during the drilling of the intermediate string of each vertical well, and
 - (iii) within sixty (60) days of the completion of each such vertical well by Tipperary in the DSA, and
 - (iv) annually in each of the five (5) years following the year in which Tipperary first injects gas into the geological

SCHEDULE C - P.4

reservoirs, or either of them, in the DSA (the "post first year injection tests")

provided that it is understood and agreed that:

- A. Tipperary shall forthwith and in any event within 45 days of receipt thereof by Tipperary, deliver to TSLA and to each of its members, full and complete copies of the water test results.
 - B. With reference to the post first year injection tests, Tipperary shall:
 - notify TSLA in writing when the gas injection cycle for each such year is complete, and
 - 1. retain the services of a qualified water sampler and instruct the sampler to schedule the collection of water samples during the month requested in writing by TSLA, and
 - 2. instruct the qualified water sampler to notify each member of the TSLA not less than 48 hours of his intention to attend and take samples of water from that member's well.
- 1.7. Should Tipperary fail to inject sufficient gas to achieve a reservoir pressure of 320 psig (2,200 kPa) before June 30, 2008. Tipperary shall be required to apply to the Board for an extension of the authority granted under the Board's Order and will be required to submit evidence to show why such an extension shall be granted.
- 1.8 Tipperary shall, after the date on which the OEB grants an order pursuant to Section 38(1) of the OEB Act and before commencement of drilling operations or pipeline construction to use the DSA for storage and thereafter while the DSA or any part thereof is being used for storage operations, obtain and maintain in full force and effect insurance coverage, including but not limited to, liability and pollution coverage, in the amount that is determined by an independent party with expertise in adequacy of insurance coverage for environmental and other risks and potential impacts of gas storage operations in southwestern Ontario. Tipperary shall select and retain an independent expert from a list of experts that is prepared by the Board and placed on public file.
2. Other

SCHEDULE D - PAGE 2

- *Moved by Councillor Zimmerman, seconded by Councillor Gillespie that Council hereby endorses the wind turbine boundary proposal of the Zurich and District Chamber of Commerce as presented at the December 5, 2011 Council meeting; And further that Council will help lobby to change boundaries to those proposed by the Chamber of Commerce; And further that this position applies respectively to other small urban areas. (December 5, 2001)*
- *Council endorses the letter dated May 7, 2012 presented by the Zurich and District Chamber of Commerce regarding the boundary locations of the wind turbines and asks the proponent to agree, in writing, that no additional turbines will be erected closer than turbine #6 and #31 to the Village of Zurich. (May 17, 2012)*
- *Moved by Councillor Zimmerman, seconded by Councillor Roy, that the Council of the Municipality of Bluewater request that the Province of Ontario ensure adequate security is held by the Province to guarantee that the decommissioning plan as presented by the proponent of this application can be completed anytime during the life of the project should the applicant abandoned the project or specific wind turbines or related infrastructure fall into disrepair.. (June 18, 2012)*

The Municipality requests the proponent (through MOE) to provide studies by qualified professionals on the pre-development background Low Frequency Noise in the area, the modeled additional Low Frequency Noise from the project, and the anticipated effects of the Low Frequency Noise. In addition, the Municipality requests that the applicant undertake annual noise level evaluations to ensure the noise emitted by the wind turbines does not increase with age and mechanical wear. A copy of the annual noise report should be provided to the Municipality.

Council requests a report be prepared and provided by the proponent on the impact of wind turbines on existing and proposed natural gas wells and storage pools, particularly the natural gas pools known as the Zurich, Stanley and Bayfield pools proposed by Tribute Resources Inc. At this time, no such report has been prepared to address the concerns raised by citizens and Council around the safety aspects of wind turbines on top of, or in close proximity to pools of natural gas stored under pressure.

- Council requests that additional investigations regarding migratory birds, particularly Tundra Swans, be conducted and a report be prepared and provided by the proponent. The report prepared and submitted by the proponent regarding bird populations does not adequately address the abundance of Tundra Swans that are known to frequent the area. The small (one day) sampling of the Tundra Swan in the report is not sufficient to determine the extent of the negative impacts the turbines will have on the Tundra Swan population. The arrival and departure every year of Tundra Swans is considered a unique occurrence in the area, both from a tourism and a local point of view, and as such should be carefully studied and protected.

5.1 Project Location:

Provide comment on the project location with respect to infrastructure and servicing

SCHEDULE 'D' - PAGE 3

A road user agreement is required to be entered into by the proponent and registered on title against the specific lands where accesses or infrastructure are to be located; provisions for securities and insurance will be included. Details relating to proposed road accesses, infrastructure and route management including post-construction restoration are to be addressed in the road user agreement.

Costs incurred by the Municipality relating to project construction, installation, administration, evaluation or costs caused by the Municipality hosting the project in general, will be recovered from the proponent.

Detailed engineered plans relating to the installation of collector and transmission lines on Municipal lands must be approved by the Municipal engineer.

A Stormwater Management report as required by the Municipality is to be provided for review and approval by the Municipality.

A list of locations where fill is proposed to be placed along with a description of how the fill is proposed to be handled is to be provided to the Municipality for approval.

Pavillion Road between Bronson Line & Goshen Line is not maintained during the winter. Blue Bluff Road between Bronson Line and Babylon Line has not been constructed. Turbines 35, 36, & 37 are accessed/cross via Parr Line which is owned by the County of Huron.

Wind Turbines #17 and #18 as shown on the applicant's plans present an obstruction to an existing private airstrip located at 73789 Bronson Line and will impact on the operations and safety of the airstrip. The applicant is request to demonstrate how they propose to eliminate the obstruction or adequately address the airstrip owners concerns.

5.2 Project Roads

Provide comment on the proposed project's plans respecting proposed road access

Detailed engineered plans, including intersection details are required for each entrance/access to be installed. Plans will be approved by the Municipal engineer at the proponents cost.

All entrances/accesses will be subject to permitting requirements as required by Municipal policy. Final approval for all entrance permits will be subject to municipal operations considerations and By-laws.

All transmission lines are to be buried underground in order to decrease the maintenance required to maintain the lines and to limit the amount of stray voltage that is present under and around high voltage overhead transmission lines. In addition the proponent should work with other companies proposing to install transmission lines by utilizing the same trench or by the sharing of lines in the same trench.

