SCHEDULE B

Neal, Pallett & Townsend Auditor's Report to Shareholders of Tribute Resources Inc. dated March 24th, 2009, page 43, paragraph 10.

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SCHEDULE B

Neal, Pallett & Townsend LLP
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of Tribute Resources Inc.

We have audited the balance sheets of Tribute Resources Inc. as at December 31, 2008 and 2007 and the statements of loss, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Neal, Pallett & Townsend LLP

London, Canada
March 24, 2009

Neal, Pallett & Townsend LLP
Chartered Accountants
Licensed Public Accountants

Tribute Resources Inc.

(Incorporated under the laws of Alberta)

Consolidated statements of operations and retained earnings

For the years ended December 31

	2008	2007
	$	$
Revenue		
Project management fees	**2,689,985**	3,324,393
Petroleum and natural gas sales	**303,948**	257,493
Less: Royalties paid	**(47,700)**	(37,155)
	2,946,233	3,544,731
Expenses		
Well operations	**118,955**	118,681
Amortization and depletion	**257,828**	63,296
General and administrative	**1,340,179**	757,204
Interest and service charges	**19,704**	5,803
Management fees	**532,707**	452,922
Stock-based compensation	**328,363**	452,832
Accretion of asset retirement obligation	**8,100**	2,900
Loss on settlement of asset retirement obligation	**5,400**	14,351
Provision for loss on development agreement	**722,126**	-
	3,333,362	1,867,989
(Loss) income before other income and taxes	**(387,129)**	1,676,742
Other income (loss)		
Gain on sale of assets	**-**	2,444,283
Interest	**290,203**	80,865
Share of loss from long-term investments (Note 6)	**(133,000)**	-
(Loss) income before income taxes	**(229,926)**	4,201,890
Provision for (recovery of) income taxes (Note 8)		
Current	**(401,000)**	775,000
Future	**320,000**	421,200
	(81,000)	1,196,200
Net (loss) income for the period	**(148,926)**	3,005,690
Retained earnings (deficit), beginning of year	**2,623,861**	(381,829)
Retained earnings, end of year	**2,474,935**	2,623,861
Basic (loss) earnings per share (Note 7)	**(0.002)**	0.056
Diluted (loss) earnings per share (Note 7)	**-**	0.054

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Tribute Resources Inc.

(Incorporated under the laws of Alberta)

Consolidated balance sheets
as at December 31

	2008	2007
	$	$
Assets		
Current assets		
Cash and cash equivalents	**4,616,104**	11,683,985
Restricted cash (Note 10)	**67,807**	-
Accounts receivable and other (Note 9)	**1,186,470**	889,298
Prepaid expenses and security deposits	**99,354**	22,945
Income taxes recoverable	**401,000**	-
	6,370,735	12,596,228
Long-term investments (Note 6)	**4,398,916**	4,231,926
Property and equipment (Note 4)	**7,791,329**	3,365,062
	18,560,980	20,193,216
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	**1,087,445**	2,453,118
Income taxes payable	-	775,000
	1,087,445	3,228,118
Future income tax liability (Note 8)	**943,900**	623,900
Asset retirement obligation (Note 5)	**111,700**	102,700
	2,143,045	3,954,718
Commitments (Note 10)		
Shareholders' equity		
Share capital (Note 7)	**10,578,146**	10,578,146
Contributed surplus (Note 7)	**3,364,854**	3,036,491
Retained earnings	**2,474,935**	2,623,861
	16,417,935	16,238,498
	18,560,980	20,193,216

Approved by the Board

[signature] Director

[signature] Director

Tribute Resources Inc.

(Incorporated under the laws of Alberta)

Consolidated statements of cash flows
for the years ended December 31

	2008	2007
	$	$
Operating activities		
Net (loss) income for the year	**(148,926)**	3,005,690
Add (deduct) items not involving cash		
Share of loss from long-term investments	**133,000**	-
Provision for loss on development agreement	**722,126**	-
Amortization and depletion	**257,828**	63,296
Gain on sale of assets	-	(2,444,283)
Stock-based compensation expense	**328,363**	452,832
Accretion of asset retirement obligation	**8,100**	2,900
Future income taxes	**320,000**	421,200
	1,620,491	1,501,635
Changes in non-cash operating working capital		
Accounts receivable and other	**(297,172)**	(813,057)
Prepaid expenses and security deposits	**(76,409)**	(4,027)
Accounts payable and accrued liabilities	**(2,186,555)**	2,320,083
Income taxes recoverable/payable	**(1,176,000)**	775,000
Asset retirement obligation	**(30,600)**	(9,980)
	(2,146,246)	3,769,654
Financing activities		
Proceeds from issuance of common shares	-	6,010,000
Share issue costs	-	(9,595)
	-	6,000,405
Investing activities		
Restricted cash	**(67,807)**	-
Increase in long-term investments	**(299,990)**	-
Proceeds on disposal of property and equipment	-	3,000,000
Proceeds on disposal of short-term investments	-	-
Additions to property and equipment	**(4,553,838)**	(1,138,964)
	(4,921,635)	1,861,036
Net (decrease) increase in cash	**(7,067,881)**	11,631,095
Cash and cash equivalents beginning of year	**11,683,985**	52,890
Cash and cash equivalents, end of year	**4,616,104**	11,683,985

Tribute Resources Inc.
Notes to the financial statements
December 31, 2008 and 2007

1. Nature of operations

Tribute Resources Inc. (the "Company") is a natural resource company with natural gas production and underground storage assets in Canada. The Company is focused on the development of natural gas storage and renewable resources. The recoverability of amounts shown for petroleum and natural gas properties is dependent upon the economic viability of recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The Company currently operates in one geographic region, Canada, and one industry segment, energy.

2. Accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are within the framework of the significant accounting policies summarized below. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results, however, may differ from the estimates used in the financial statements.

In particular, the amounts recorded for amortization and depletion of petroleum and natural gas properties and for the asset retirement obligation are based on estimates of reserves and future costs. By their nature, these estimates, and those related to future cash flows used to assess impairment, are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

Petroleum and natural gas properties

The Company follows the full cost method of accounting for its petroleum and natural gas properties, whereby all costs related to the acquisition of, exploration for, and development of gas reserves are initially capitalized. Costs capitalized include land acquisition costs, geophysical expenditures, costs of drilling productive and non-productive wells, together with overhead directly related to exploration and development activities and lease and well equipment. Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless such a disposition would significantly alter the rate of amortization and depletion.

In applying the full cost method, the Company performs a ceiling test which restricts the capitalized cost, less accumulated amortization and depletion and the cost of unproved properties not subject to depletion (the "adjusted carrying amount"), from exceeding an amount equal to the estimated undiscounted value of future net revenue from proved oil and gas reserves. Future net revenue from proved oil and gas reserves is based on current cost and pricing from the Price Forecast prepared by an independent third party. To arrive at future net revenue, this figure is then adjusted for grades and local basis and the following figures are deducted: estimated future general and administrative expenses, estimated future asset retirement obligations, financing costs and income taxes. If recognized, the magnitude of the impairment is measured by comparing the adjusted carrying amount to the estimated discounted future cash flows of the Company's proved and probable reserves. Unproved properties are recorded at the lower of cost and net realizable value.

Tribute Resources Inc.

Notes to the financial statements
December 31, 2008 and 2007

2. Accounting policies (continued)

Petroleum and natural gas properties (continued)

Costs capitalized are amortized and depleted using the unit-of-production method based upon proven oil and gas reserves as determined by independent and Company engineers. For purposes of the calculation, oil and gas reserves are converted to a common unit of measure on the basis of their relative energy content.

The amounts recorded for amortization and depletion of exploration and development costs and the ceiling test are based on estimated proven reserves, production rates, future oil and natural gas prices and future costs. By their nature, these estimates are subject to measurement uncertainty and changes in these estimates may have a material impact on the financial statements of future periods.

Other property and equipment

Office equipment is stated at cost less accumulated amortization. Amortization of office equipment is recorded using the declining balance method at an annual rate of 20%.

Asset retirement obligation

The fair value of the estimated obligation associated with the retirement and reclamation of tangible long-lived assets is recorded in the period the related assets are put into use with a corresponding increase to the carrying amount of the related assets. This increase in capitalized costs is deducted against income on a basis consistent with the underlying assets. Subsequent changes in the estimated fair value of the asset retirement obligation are capitalized and depleted over the remaining useful life of the underlying asset.

The asset retirement obligation liabilities are carried on the balance sheet at their discounted present value and are accreted over time for the change in their present value.

Joint venture operations

A portion of the production activities of the Company are conducted jointly with others accordingly these financial statements reflect only the Company's proportional interest in these activities.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of 90 days or less at purchase.

Long-term investments

Long-term investments consist of the Company's investments in Tipperary Gas Corp., Huron Tipperary Limited Partnership 1 and Dover East Wind Limited Partnership. These investments are accounted for using the equity method whereby the amount of the investment is adjusted annually for the Company's pro-rata share of earnings from the investment and reduced by the receipt of any dividends or distributions from equity.

Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada). The Act provides that, where the share issuance proceeds are used for exploration and development expenditures, the related tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no income tax deductions to the Company. The Company records the cost of the foregone tax benefits as a cost of issuing the flow-through shares to the investors when the flow-through share expenditures are renounced.

Tribute Resources Inc.
Notes to the financial statements
December 31, 2008 and 2007

2. Accounting policies (continued)

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

Share Capital

Costs related to share issuances are treated as a reduction of the proceeds from the respective issuance.

Revenue recognition

The Company recognizes revenue when persuasive evidence on an arrangement exists, delivery has occurred or services provided, the price to the buyer is fixed or determinable and collection is reasonably assured.

Earnings per common share

Basic earnings per common share are calculated by dividing the net income for the year by the weighted average number of common shares outstanding in each respective year. Diluted earnings per common share reflect the potential dilution of securities by adding other common share equivalents in the weighted average number of common shares outstanding during the year, if dilutive, and are calculated using the treasury stock method.

General and administrative expenses

General and administrative expenses are charged to operations as incurred.

Stock-based compensation

The Company recognizes stock-based compensation expenses when stock options are granted using the fair value method determined using the Black-Scholes option pricing model. Under the fair value method, compensation cost is measured at fair value as the awards are earned and services performed and is charged to operations over the vesting period with an offset to contributed surplus. Any consideration received on exercise of options is credited to share capital.

3. Changes in accounting policies and future accounting changes

Changes in accounting policies

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections are applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Company has adopted the new standards for its fiscal year beginning January 1, 2008. These changes in accounting policies had no impact on the financial statements other than to increase disclosure requirements. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

Tribute Resources Inc.

Notes to the financial statements
December 31, 2008 and 2007

3. Changes in accounting policies and future accounting changes (continued)

Future accounting changes - International Financial Reporting Standards ("IFRS")

The Accounting Standards Board confirmed that public companies will be required to report under IFRS effective for all interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement of comparative balances for the year ended December 31, 2010. While the Company has commenced assessing the adoption of IFRS for 2011, the impact of the change to IFRS cannot reasonably be estimated at this time.

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect that the adoption of this new Section will have a material impact on its financial statements.

4. Property and equipment

Property and equipment consists of the following:

	December 31, 2008		December 31, 2007	
	Cost	**Accumulated amortization and depletion**	Cost	Accumulated amortization and depletion
	$	**$**	$	$
Renewable energy projects under development	**253,141**	-	112,242	-
Petroleum and natural gas properties	**3,556,427**	**1,087,190**	2,346,048	836,327
Natural gas storage sites under development	**5,031,447**	-	1,741,474	-
Office equipment	**45,864**	**8,360**	3,020	1,395
	8,886,879	**1,095,550**	4,202,784	837,722
Less accumulated amortization and depletion	**1,095,550**		837,722	
Net book value	**7,791,329**		3,365,062	

Undeveloped land and non-producing properties included in petroleum and natural gas properties that are not subject to depletion amount to $1,634,137 (2007 - $924,410).

As a result of the ceiling test asset write down requirements, there was additional depletion taken on the petroleum and natural gas properties that were subject to depletion in the amount of $118,449 (2007 - $nil).

Tribute Resources Inc.

Notes to the financial statements
December 31, 2008 and 2007

5. Asset retirement obligation

	December 31, 2008	December 31, 2007
	$	$
Balance, beginning of year	**102,700**	48,880
Adjustment to estimated cash flows	**31,500**	22,500
Additional liability for wells purchased in year	-	38,400
Accretion	**8,100**	2,900
Plugging costs incurred	**(30,600)**	(9,980)
-	**111,700**	102,700

The Company accrued for an estimated total undiscounted asset retirement obligation at December 31, 2008 in the amount of $217,219 (2007 - $262,219) discounted at 6% (2007 - 6%) to a present value of $111,700 (2007 - $102,700) based on a thirty year life in accordance with estimates prepared by independent consulting engineers. Estimated future retirement costs such as dismantlement, site restoration and abandonment costs are subject to uncertainty associated with the method, timing and extent of future dismantlement, site restoration and abandonment. For example, changes in legislation or technology may result in actual future costs that differ materially from those currently estimated.

6. Long-term investments

The long-term investments are comprised of the Company's 25% interest in Huron Tipperary Limited Partnership I and Tipperary Gas Corp. and their 33% interest in Dover East Wind Limited Partnership. The Company has the right to acquire an additional 300,000 new units in the Dover East Wind Limited Partnership which would give it a 50% ownership share.

	December 31, 2008	December 31, 2007
	$	$
Balance, beginning of year	**4,231,926**	-
Investment during the year	**299,990**	4,231,926
Share of loss from natural gas storage operations for the year	**(133,000)**	-
Balance, end of year	**4,398,916**	4,231,926

7. Share capital and contributed surplus

Authorized

Unlimited number of preferred shares

Unlimited number of common shares

There are no preferred shares issued at this time.

Tribute Resources Inc.
Notes to the financial statements
December 31, 2008 and 2007

7. Share capital and contributed surplus (continued)

Summary of issued and outstanding common shares:

	December 31, 2008		December 31, 2007	
	Shares #	Value $	Shares #	Value $
Share capital				
Balance, beginning of year	71,018,000	10,578,146	19,818,000	2,888,818
Issued pursuant to private placements	-	-	30,000,000	6,000,000
Issued in connection with asset purchases	-	-	21,150,000	4,230,000
Fair value assigned to warrants		-		(2,421,157)
Share issue costs		-		(9,595)
Exercise of stock options	-	-	50,000	10,000
Fair value assigned to exercise of options		-		3,280
Future tax impact of renunciation of development costs expended		-		(123,200)
	71,018,000	10,578,146	71,018,000	10,578,146

	December 31, 2008 $	December 31, 2007 $
Contributed surplus		
Balance, beginning of year	3,036,491	32,000
Fair value of options granted	328,363	452,831
Fair value of warrants issued to agents in connection with private placements	-	2,421,157
Fair value of warrants issued in connection with asset purchases	-	133,783
Fair value of exercised options	-	(3,280)
	3,364,854	3,036,491

Private placements

In June 2007, the Company completed a private placement for 20,000,000 units of the Company for total proceeds of $4,000,000. Each unit consisted of one common share of the Company and one common share purchase warrant exercisable within two years at $0.40 per warrant. Under the terms of the private placement, the agent received a commission of 8% of the gross proceeds of the offering and agent's non transferable warrants to acquire units equal to 8% of the units sold on the offering and exercisable for two years from the closing on the same term as the units.

7. Share capital and contributed surplus (continued)

In May 2007, the Company completed a private placement for 10,000,000 units of the Company for total proceeds of $2,000,000. Each unit consisted of one common share of the Company and one common share purchase warrant exercisable within two years at $0.40 per warrant. Under the terms of the private placement, the agent received a commission of 8% of the gross proceeds of the offering and agent's non transferable warrants to acquire units equal to 8% of the units sold on the offering and exercisable for two years from the closing on the same term as the units.

In May 2007, the Company completed the acquisition of the Bayfield Pool for total purchase price of $1,500,000. As consideration for the purchase, the Company issued 7,500,000 units of the Company. Each unit consisted of one common shares of the Company at $0.20 per share and one common share purchase warrant exercisable within two years at $0.50 per warrant.

In May 2007, the Company completed the acquisition of the remainder of the non-owned units of the Huron Tipperary Limited Partnership I for total purchase price of $2,730,000. As consideration for the purchase, the Company issued 13,650,000 units of the Company. Each unit consisted of one common share of the Company at $0.20 per share and one common share purchase warrant exercisable within two years at $0.50 per warrant

Stock-based compensation plan

The Company has a fixed stock-based compensation plan. Under the plan, the Company may grant options to eligible individuals for up to 10% of the common shares issued and outstanding. The exercise price of each option is equal to or higher than the market price on the date of grant and an option's maximum term is five years. Options are granted and their terms determined at the discretion of the Board of Directors.

Stock options and share purchase warrants

The fair value of the options and warrants granted in 2008 were estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions for options issued in the year: risk free interest rate of 3.5% (December 31, 2007 - 4.1%), expected dividend yield of 0% (December 31, 2007 - 0%), expected volatility of 85.8% (December 31, 2007 – between 61.3% and 71.1%) and expected option life of four years (December 31, 2007 - two years for options and one year for warrants).

The Black-Scholes model, which was used by the Company to calculate option and warrant values was developed to estimate fair value of freely tradable, fully transferable options without vesting restrictions. This model includes four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values.

Tribute Resources Inc.
Notes to the financial statements
December 31, 2008 and 2007

7. Share capital and contributed surplus (continued)

At December 31, 2008 and December 31, 2007, the following fully vested options and warrants were outstanding:

Grant Date	Number	Excerise Price	Expiry Date
Options outstanding		$	
March 4, 2005	600,000	0.20	March 4, 2010
April 28, 2005	100,000	0.20	April 28, 2010
June 14, 2005	400,000	0.20	June 14, 2010
April 4, 2007	800,000	0.20	April 4 - April 20, 2012
May 29, 2007	3,000,000	0.33	May 29, 2010
November 15, 2007	200,000	0.50	November 15, 2012
July 2, 2008	1,800,000	0.30	July 2, 2013
Warrants outstanding			
April 11, 2007	21,150,000	0.50	May 9, 2009
May 2, 2007	800,000	0.20	May 2, 2009
May 2, 2007	800,000	0.40	May 2, 2009
May 4, 2007	10,000,000	0.40	May 4, 2009
June 26, 2007	21,600,000	0.40	June 26, 2009
June 26, 2007	1,600,000	0.20	June 26, 2009

		December 31, 2008	December 31, 2007
Earnings per share		$	$
(Loss) earnings available to common shareholders		**(148,926)**	3,005,690
Weighted average common shares outstanding durng the period - basic		**71,018,000**	53,491,462
(Loss) earnings per share - basic		**(0.002)**	0.056
Weighted average common shares outstanding during period - diluted	(i)	**not applicable**	55,743,649
(Loss) earnings per share - diluted	(i)		0.054

(i) Diluted loss per share has not been presented, as the inclusion of dilutive securities is anti-dilutive to loss per share.

Tribute Resources Inc.

Notes to the financial statements
December 31, 2008 and 2007

8. Income taxes

The Company has non-capital losses carried forward of $Nil (2007 - $Nil) to reduce current taxes payable. The Company also has deductible temporary timing differences of $833,826 (2007 - $102,700). The benefit of the amounts has been recorded in these financial statements.

Significant components of the Company's future income tax assets and liabilities are as follows:

	December 31, 2008	December 31, 2007
	$	$
Future tax assets		
Deductible temporary differences	238,300	-
Asset retirement obligation	34,100	35,400
	272,400	35,400
Future income tax liabilities		
Book value of deferred exploration expenditures in excess of tax value	(1,216,300)	(659,300)
Net future tax liabilities	(943,900)	(623,900)

The reconciliation of income taxes computed at the statutory tax rates to the provision of income taxes is as follows:

	December 31, 2008	December 31, 2007
	$	$
Combined Federal and Provincial income tax rate	33.50%	36.12%
Corporate income tax (recovery) at statutory rate	(76,962)	1,517,600
Increase (decrease) in taxes resulting from:		
Resource allowance	(6,455)	(4,500)
Non-deductible items	166,092	156,300
Reduction of substantially enacted rates	(159,715)	(29,300)
Part XII.6 Tax	-	12,500
Change in tax pool estimates and other	(3,960)	(456,400)
	(81,000)	1,196,200

The Company has available to it a balance in its Cumulative Canadian Development Expense pool in the amount of $2,321,718 (2007 - $nil). The difference between the book value and the tax value of this pool have been included in the determination of the future income tax liability.

Tribute Resources Inc.

Notes to the financial statements
December 31, 2008 and 2007

9. Related party transactions

During the period ended December 31, 2008 the company purchased the following services from companies controlled by an officer and director of the Company.

	December 31, 2008	December 31, 2007
	$	$
Management services	**170,420**	228,190
Geological and administrative services	**314,559**	326,303
Oil and gas field services	**1,207,363**	294,425

Accounts receivable include amounts receivable from related parties of $34,189 (December 31, 2007 - $33,563) for expenditures incurred on behalf of related companies and accounts payable and accrued liabilities include $78,413 (December 31, 2007 - $176,709) for management fees and services related to oil and gas activities.

In addition, the Company paid consulting fees in the amount of $107,287 (December 31, 2007 - $297,985) to businesses owned by directors of the Company. At the end of the year, $5,250 (December 31, 2007 - $75,000) was included in accounts payable and accrued liabilities for these services.

The Company also purchases legal services from a law firm employing the Corporate Secretary of Tribute. Fees charged in the year ended December 31, 2008 were $50,675 compared to $55,908 for the same period of 2007.

These amounts are non-interest bearing and are payable on demand.

During the 2008 fiscal year, the Company purchased the natural gas storage rights to the Chatham C pool located in the Regional Municipality of Chatham Kent, Province of Ontario for a purchase price of $1,370,000. This pool was previously owned by Crich Holdings and Buildings Ltd. and Clearbeach Resources Inc. Clearbeach Resources Inc. is a corporation which is 50% owned by an officer and director of the Company and with the remaining 50% being owned by Crich Holdings and Buildings Ltd.

In addition, the Company paid $400,000 to Clearbeach Resources Inc. and a partnership that has, as one of its partners, a director of the Company, on standard industry terms, for farm-ins on four seismically defined pinnacle reef prospects totaling approximately 3,200 acres of land (in Enniskillen and Sombra Townships, Lambton County and in Chatham Township and Kent County), all in the Province of Ontario.

All related party amounts have been recorded at the exchange amount which is the amount established and agreed to by the related parties.

Tribute Resources Inc.
Notes to the financial statements
December 31, 2008 and 2007

10. Commitments

The Company has entered into a number of lease agreements with landowners requiring ongoing annual compensation payments in the amount of $39,699 for exploration and development properties. The leases allow for the surrender of the agreement, and termination of payment, at the option of the lessee.

The Company is committed to the terms of a Development Agreement for construction of storage facilities at the Tipperary Pools.

The Company entered into a lease agreement on November 1, 2007 for its premises with a related party. The Company is committed to minimum rental payments of $32,004 per year expiring October 31, 2012.

The Company issued a letter of credit to a supplier in the amount of $545,000. The letter of credit expires December 15, 2009. As of December 31, 2008, $67,807 remains to be drawn upon. Bankers' Acceptances in the amount of $67,807 have been restricted for purposes of satisfying the letter of credit.

In connection with acquisitions from related parties of farm-ins on four seismically defined pinnacle reef prospects, the Company is committed to gross over-riding royalties to land owners of 17.5%. The Company will pay 100% of all exploration, drilling and completion costs to earn a 66.67% after pay-out (APO) interest in the prospect lands. Companies owned by officers of the Company will retain 33.33% APO. Tribute also acquired an option to purchase 100% of the natural gas storage rights for the prospects for the sum of $2 million per billion cubic feet of working storage.

The Company is committed under the terms of an investor relations contract to minimum monthly fees of $5,000, expiring in August 2009.

11. Financial instruments

Fair value

The fair value of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Categories of financial assets and liabilities

Cash and cash equivalents with a carrying amount of $4,616,104 (December 31, 2007 - $11,683,985) have been classified as held-for-trading. Accounts receivable of $1,186,470 (December 31, 2007 - $889,298) have been classified as loans and receivables. Accounts payable and accrued liabilities of $1,087,446 (December 31, 2007 - $2,453,118) have been classified as other financial liabilities.

Credit risk

The Company's maximum credit risk exposure is the balance of accounts receivable. The balances are receivable from large reputable energy companies and the Company believes there is minimal risk of non-collection. No balances are overdue. The Company maintains its cash and cash equivalents in accounts held by major Canadian financial institutions.

Liquidity risk

All financial liabilities have maturity dates less than one year. Liquidity risk is managed by maintaining sufficient levels of working capital to satisfy repayment.

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11. Financial instruments (continued)

Other risks

The Company is not exposed to any significant currency, interest rate or market risks.

12. Capital disclosures

The Company's objectives when managing capital are to protect the Company's ability to continue as a going concern so that it can continue to provide an appropriate return to shareholders relative to the risk of the Company's natural gas storage sites under development, petroleum and natural gas properties, and long-term investments.

The Company considers its capital structure to include shareholders' equity and working capital. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets noted above. In order to maintain or adjust the capital structure, the Company may issue new shares, seek external financing or adjust its capital expenditures and other investment programs.

The Company does not have any externally imposed capital requirements. As the Company does not currently have a requirement for any external financing, its main objective is to ensure sufficiency of working capital to fund operations and investment activities. Working capital is defined as current assets less current liabilities. At December 31, 2008, the Company's working capital was $5,283,289 (December 31, 2007 - $9,368,110).

13. Statement of cash flows

Capital asset additions of $164,596 (2007 - $1,608,341) and the provision for the loss on the development agreement of $722,126 (2007 - Nil) were included in accounts payable and accrued liabilities at December 31, 2008 and accordingly, have been excluded from the statement of cash flows.

Increases in asset retirement obligation and property and equipment of $31,500 (2007 - $60,900) were non-cash and have been excluded from the statements of cash flows.

Additions during the year ended December 31, 2007 to long-term investments and capital assets of $4,231,926 and $4,547,441 respectively were non-cash and have been excluded from the statement of cash flows.

Interest received during the year was $290,203 (2007 - $64,522).

Income taxes paid during the year were $762,904 (2007 - $Nil).

14. Subsequent event

Subsequent to year-end, the Company has become a party to an application and a cross application in the Ontario Superior Court of Justice involving the validity of a Petroleum and Natural Gas Lease and Natural Gas Storage Lease on a property in the Stanley pool. This lawsuit represents a contingent liability to Tribute, however, the chance of the lawsuit being upheld is currently undeterminable and the amount of the potential liability cannot be reasonably estimated. As such, no accrual has been made in the financial statements.

15. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.