



**Tribute Minerals Inc.**

**FINANCIAL STATEMENTS**

December 31, 2006

# Tribute Minerals Inc.

## Management's Responsibility for Financial Statements

Tribute's management is responsible for the preparation and presentation of the financial statements and all the information in this annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments based on currently available information. Financial information presented elsewhere in this annual report has been prepared by management to ensure consistency with that in the financial statements. The financial statements have been reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the development and maintenance of a system of internal controls and disclosure controls in order to ensure, on a reasonable and cost effective basis, that the financial information is accurate and reliable, disclosures are complete, and that the Company's assets are adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities and is ultimately responsible for reviewing and approving the financial statements and the accompanying management's discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Company's shareholders. This report outlines the nature of their examination and their opinion on the financial statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee.

April 25, 2007

("Signed")  
John Harvey  
Chairman

("Signed")  
Ian Brodie-Brown  
President

# Tribute Minerals Inc.

## Auditors' Report

TO THE SHAREHOLDERS OF TRIBUTE MINERALS INC.

We have audited the balance sheets of Tribute Minerals Inc. as at December 31, 2006 and 2005 and the statements of loss and deficit and of 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
April 25, 2007

(“Signed”)  
Ernst & Young LLP  
Chartered Accountants  
Licensed Public Accountants

# Tribute Minerals Inc.

## Balance Sheets

As at December 31,	2006 \$	2005 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	194,666	661,955
Marketable securities (note 4)	51,500	51,500
Accounts receivable	86,057	7,973
Prepaid expenses and supplier advances	129,147	3,459
	<b>461,370</b>	724,887
Capital assets, net of accumulated depreciation of \$9,118 (2005 - \$7,390)	7,450	2,344
	<b>468,820</b>	727,231
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	60,932	346,378
Advances from officers and directors	-	10,000
	<b>60,932</b>	356,378
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 6)	9,224,100	6,642,103
Deficit	(8,816,212)	(6,271,250)
	<b>407,888</b>	370,853
	<b>468,820</b>	727,231

*The accompanying notes are an integral part of these financial statements.*

APPROVED ON BEHALF OF THE BOARD

"Signed"  
Ian Brodie-Brown  
Director

"Signed"  
John Harvey  
Director

# Tribute Minerals Inc.

## Statements of Loss and Deficit

For the year ended December 31	2006	2005
	\$	\$
<b>Revenue</b>		
Interest	23,959	6,916
<b>Expenses</b>		
Exploration expenditures (note 5)	1,959,003	481,478
General and administrative	367,610	305,833
Stock based compensation (note 6 (e))	240,580	24,705
Depreciation	1,728	1,000
Unrealized loss on write-down of marketable securities (note 4)	-	12,500
Loss on sale of marketable securities	-	5,050
	<b>2,568,921</b>	<b>830,566</b>
<b>Net loss for the year</b>	<b>(2,544,962)</b>	<b>(823,650)</b>
<b>Deficit, beginning of year</b>	<b>(6,271,250)</b>	<b>(5,447,600)</b>
<b>Deficit, end of year</b>	<b>(8,816,212)</b>	<b>(6,271,250)</b>
<b>Net loss per share</b>	<b>\$0.05</b>	<b>\$0.02</b>
<b>Weighted average of common shares outstanding</b>	<b>53,748,184</b>	<b>40,197,552</b>
<b>Shares outstanding at the end of the year</b>	<b>57,339,110</b>	<b>47,571,910</b>

*The accompanying notes are an integral part of these financial statements.*

# Tribute Minerals Inc.

## Statements of Cash Flows

For the year ended December 31	2006 \$	2005 \$
<b>Operating Activities</b>		
Net loss for the year	(2,544,962)	(823,650)
Items not affecting cash		
Depreciation	1,728	1,000
Loss on sale of marketable securities	-	5,050
Unrealized loss on write-down of marketable securities	-	12,500
Shares issued for Clay South property (note 5)	5,625	-
Stock-based compensation	240,580	24,705
Net change in non-cash working capital balances related to operating activities		
Accounts receivable	(78,084)	15,001
Prepaid expenses and supplier advances	(125,688)	4,999
Accounts payable and accrued liabilities	(285,446)	148,307
Cash used in operating activities	(2,786,247)	(612,088)
<b>Investing Activities</b>		
Purchase of capital assets	(6,834)	-
Maturity of term deposit	-	410,000
Acquisition of marketable securities	-	(30,000)
Proceeds on sale of marketable securities	-	8,950
Cash (used in) provided by investing activities	(6,834)	388,950
<b>Financing Activities</b>		
Issuance of common shares	2,335,792	761,303
Advances from officers and directors	(10,000)	10,000
Cash provided by financing activities	2,325,792	771,303
Net (decrease) increase in cash and cash equivalents	(467,289)	548,165
<b>Cash and cash equivalents, beginning of year</b>	<b>661,955</b>	<b>113,790</b>
<b>Cash and cash equivalents, end of year</b>	<b>194,666</b>	<b>661,955</b>

*The accompanying notes are an integral part of these financial statements.*

# Tribute Minerals Inc.

## Notes to the Financial Statements

December 31, 2006

### 1. Basis of presentation

These financial statements have been prepared on the basis that Tribute Minerals Inc. ("Tribute" or the "Company") is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the development of its properties and/or the realization of proceeds from the sale of its properties. These financial statements do not include any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

### 2. Nature of operations

Tribute and its former subsidiary Tribute Minerals Corporation amalgamated on January 1, 2005 to continue operations as Tribute Minerals Inc. Tribute is engaged in the exploration of base metals and gold mineral properties located in Northern Ontario. The development of mineral properties involves significant financial risk. The recoverability of the amounts spent on the Company's mineral properties is dependent on a number of factors including environmental and legal risks, confirmation of the Company's interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds from the disposition thereof.

### 3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company is a development stage enterprise that has yet to generate revenue from mining operations. The significant accounting policies are summarized as follows:

**Cash and cash equivalents** Cash and cash equivalents represent cash and short-term deposits with maturity dates at the date of purchase of less than three months.

**Marketable securities** Marketable securities are carried at the lower of cost and market value.

**Capital assets** Capital assets consisting of computer equipment are recorded at cost and amortized at 30% per annum on a declining balance basis.

**Mineral properties** Exploration and development expenditures related to mineral properties are recorded as an expense in the period in which they are incurred, or deferred if it is determined that these costs will be recovered from future operations as a result of established proven and probable reserves. Determination as to reserve potential is based on the results of feasibility studies, which indicate whether production from a property is economically feasible. Significant acquisition costs for mineral properties are deferred until it is determined that these costs will not be recovered from future operations, at which point these costs are written down to fair market value. Acquisition costs and deferred exploration and development expenditures will be

# Tribute Minerals Inc.

depleted on a unit-of-production basis commencing at the onset of commercial production for the related property.

**Income taxes** The Company follows the liability method of accounting for income taxes. Under the liability method future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

**Stock-based compensation** The Company has stock-based compensation plans, which are described in Note 6(e). The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted is measured at fair value at the grant date using the Black-Scholes valuation model and recognized over the vesting period of the options granted.

**Loss per share** Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of share purchase options and warrants are anti-dilutive. Therefore, diluted loss per common share and basic loss per common share are the same for both 2006 and 2005.

**Financial instruments** The carrying amount of financial instruments approximates fair value unless otherwise noted. The Company's financial assets include cash equivalents, marketable securities and accounts receivable. The Company does not consider these assets to be subject to credit risk or interest rate risk.

**Use of estimates** The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## 4. Marketable securities

	December 31, 2006		December 31, 2005	
	Cost	Market	Cost	Market
	\$	value	\$	value
		\$		\$
Vencan Gold Corporation 500,000 common shares	42,500	47,500	42,500	42,500
Continuum Resources Ltd. 50,000 common shares	9,000	17,000	9,000	9,000
	<b>51,500</b>	<b>64,500</b>	<b>51,500</b>	<b>51,500</b>

# Tribute Minerals Inc.

## 5. Mineral properties

As at December 31, 2006, the Company holds claims, directly or indirectly, on 19 mineral properties in northwestern Ontario, 14 within the Confederation Lake area. The following table presents the Company's expenditures on these mineral properties:

	Cumulative expenditures to December 31 2005 \$	Expenditures during 2006 \$	Cumulative expenditures to December 31 2006 \$
Confederation Lake	3,239,943	1,915,922	5,155,865
Other	1,075,833	43,081	1,118,914
	4,315,776	1,959,003	6,274,779

The **Confederation Lake** properties (8 claim groups) are base metal and gold prospects situated in the Red Lake Mining Division, Northwestern Ontario. On February 12, 2002 the Company entered into an option agreement to acquire from Noranda Inc. (now known as Xstrata Plc ("Xstrata")) a 100% interest in a group of mineral properties collectively known as the Confederation Lake properties. In order to earn the 100% interest in the properties, the Company must incur a total of \$3,500,000 in exploration and development expenditures on the properties as follows:

- i. \$500,000 on or before February 12, 2003
- ii. an aggregate of \$1,500,000 on or before February 12, 2004
- iii. an aggregate of \$2,500,000 on or before February 12, 2005
- iv. an aggregate of \$3,500,000 on or before February 12, 2006

The Company has met all criteria to earn its 100% interest subject to its agreement to pay to Xstrata a 2.0% net smelter return ("NSR") royalty and other underlying royalties on certain properties. There is also a back-in option whereby Xstrata has a right to reacquire a 50% interest in any area where a deposit is identified (the "Project Area") after the delivery by the Company to Xstrata of an independent scoping study confirming the existence of a deposit of at least 8 million tonnes of massive sulphide or one million ounces of gold. In order to exercise the back-in right, Xstrata must expend 150% of the Company's cumulative expenditures on these properties to the exercise date. In addition, the Company is required to make one-time payments to Xstrata consisting of \$500,000 upon the submission of the first such independent scoping study with respect to which Xstrata does not exercise its back-in option and a further \$1,500,000 upon the commencement of commercial production from the subject Project Area.

"Other" includes exploration expenditures on projects with minor activity during the year and includes the **Richardson Lake** property, the **Bridget Lake** property, the **Fredart Lake** property, the **Melchett Lake** property, the **King Bay** property, the **Woman River** property and the **Clay South Property**, all of which are in Northern Ontario.

On April 26, 2006 the Company issued 25,000 common shares to Rubicon Minerals Corp. as an option payment on the Clay South Property. This property option agreement was subsequently terminated and no other share payments are pending. As a result of the termination, the value of the common shares issued during 2006 of \$5,625 was included in exploration expenditures on the statement of loss and deficit.

# Tribute Minerals Inc.

## 6. Share capital

a) Share capital is comprised of the following:

	<b>December 31 2006</b>	December 31 2005
	<b>\$</b>	\$
Common shares (note 6(b))	<b>8,670,044</b>	6,328,627
Stock options (note 6(e))	<b>517,585</b>	277,005
Warrants (note 6 (f))	<b>36,471</b>	36,471
	<b>9,224,100</b>	6,642,103

b) Tribute is authorized to issue an unlimited number of common shares. The following table provides the details of changes in the number of issued common shares:

	Number of shares	Amount \$
Balance, December 31, 2004	39,656,910	5,546,777
Shares issued through private placement (Note 6(c))	3,210,000	321,000
Shares issued through private placement (Note 6(d))	4,705,000	564,600
Share issue expenses	-	(160,768)
Warrant expiry	-	57,018
Balance, December 31, 2005	47,571,910	6,328,627
Exercise of warrants	8,432,200	2,091,792
Exercise of stock options	1,310,000	262,000
Shares issued for interest in mineral property (Note 5)	25,000	5,625
Share issue expenses	-	(18,000)
Balance, December 31, 2006	57,339,110	8,670,044

c) On December 6, 2005, the Company completed a private placement of 3,210,000 units for gross proceeds of \$321,000. Each unit consisted of one common share of Tribute and one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to purchase one additional common share of Tribute at a price of \$0.12 per share on or before December 6, 2007.

d) On December 6, 2005, the Company completed a flow-through private placement of 4,705,000 units for gross proceeds of \$564,600. Each unit consisted of one common share of Tribute and one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to purchase one additional common share of Tribute at a price of \$0.12 per share on or before December 6, 2007. The gross proceeds of this offering are restricted for mineral exploration expenditures. As at December 31, 2006 none of the balance of cash and cash equivalents (2005 - \$554,967) remained reserved for mineral exploration expenditures.

The agent for the transactions in c) and d) above was paid a commission of \$83,560 and 633,200 warrants to purchase units at a price of \$0.10 per share on or before December 6, 2007. Each unit consists of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to

## Tribute Minerals Inc.

purchase one additional common share of Tribute at a price of \$0.12 per share on or before December 6, 2007.

- e) As of December 31, 2006, 4,020,000 common shares (2,680,000 at December 31, 2005) were reserved for the exercise of stock options granted to directors, officers, employees and service providers in connection with the Company's stock option plan (the "Plan"). All stock options issued to date under the Plan vest over an 18 month period from the date of grant. The following summary sets out the activity in outstanding Plan options:

	<u>2006</u>		<u>2005</u>	
	Options	Weighted- average exercise price	Options	Weighted- average exercise price
	#	\$	#	\$
Outstanding, beginning of year	2,680,000	0.26	2,580,000	0.26
Granted	2,650,000	0.20	100,000	0.15
Exercised	1,310,000	0.20	-	-
Expired	-	-	-	-
Outstanding, end of year	4,020,000	0.24	2,680,000	0.26
Option exercisable at end of year	2,682,500	0.26	2,630,000	0.26

The details of stock options outstanding at December 31, 2006 are as follows:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
10,000	10,000	0.6 years	\$0.48	July 24, 2007
10,000	10,000	0.6 years	\$0.59	July 24, 2007
600,000	600,000	1.3 years	\$0.40	May 6, 2008
550,000	550,000	1.9 years	\$0.26	December 4, 2008
100,000	100,000	2.4 years	\$0.25	June 10, 2009
50,000	12,500	2.7 years	\$0.215	September 29, 2009
100,000	100,000	3.0 years	\$0.15	January 12, 2010
2,600,000	1,300,000	4.5 years	\$0.20	June 19, 2011

The weighted average fair value of the options granted during the year was \$0.18 per option estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 4.5%, expected dividend yield of nil, expected volatility of 150% and expected life term of 4.5 years. Under this method of calculation, the Company has recorded \$240,580 as stock based compensation, being the fair value of the options vested during the year ended December 31, 2006 (2005 - \$24,705).

# Tribute Minerals Inc.

f) A summary of changes in common share purchase warrants is as follows:

	<u>2006</u>		<u>2005</u>	
	Warrant #	Weighted- average exercise price \$	Warrant #	Weighted- average exercise price \$
Outstanding, beginning of year	15,181,400	0.19	9,232,600	0.30
Granted	-	-	9,181,400	0.12
Exercised	(8,432,200)	0.23	-	-
Expired	-	-	(3,232,600)	0.29
Outstanding, end of year	6,749,200	0.12	15,181,400	0.19

The details of common share purchase warrants outstanding at December 31, 2006 are as follows:

Number of common share purchase warrants	Remaining contractual life	Exercise price per share	Expiry date
6,119,600	0.9 years	\$0.12	December 6, 2007
629,600	0.9 years	\$0.10	December 6, 2007

## 7. Related party transactions

During the year ended December 31, 2006, the Company incurred \$27,540 (\$33,933 in 2005) of legal fees to a company related to an officer of the Company. The Company also incurred \$1,039,087 (\$513,086 in 2005) of drilling costs with a company that has a common director until the time this director retired from that company in September, 2006. These transactions are measured at the exchange amount.

## 8. Income taxes

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 34% (2005 - 34%) were as follows:

	<u>2006</u> \$	2005 \$
Loss before income taxes	(2,544,962)	(823,650)
Expected income tax benefit based on statutory rate	(865,000)	(280,000)
Adjustments to benefit resulting from:		
Stock-based compensation	82,000	9,000
Non-deductible expenses	1,000	-
Capital loss	-	6,000
Non-capital loss expiry	-	33,000
Tax rate adjustments	-	47,000
Losses and resources deductions from amalgamation	-	(279,000)
Increase in valuation allowance	782,000	464,000
Provision for income taxes	-	-

# Tribute Minerals Inc.

The components of the Company's future tax assets are as follows:

	2006	2005
	\$	\$
Non-capital losses carried forward	1,124,000	969,000
Capital losses carried forward	9,000	9,000
Resource related deductions	2,172,000	1,506,000
Share issuance costs	56,000	95,000
Future income tax asset	3,361,000	2,579,000
Valuation allowance	(3,361,000)	(2,579,000)
Net future income tax asset	-	-

As at December 31, 2006, the Company has remaining capital losses available for carryforward of approximately \$26,000. The Company has remaining non-capital losses available for carryforward of approximately \$3,308,000 which expire as follows:

	\$
2007	391,000
2008	504,000
2009	477,000
2010	579,000
2014	484,000
2015	418,000
2026	455,000
	3,308,000

## 9. Lease obligations

The Company's premises are leased until May 31, 2007 with one five-year renewal option. Future minimum lease payments are as follows:

	\$
2007	12,578

## 10. Subsequent events

On April 20, 2007 the Company completed a private placement for gross proceeds totalling \$4,937,019. The Company issued 2,677,197 units at a price of \$0.35 per unit with each unit consisting of one common share and one-half of a share purchase warrant with each full warrant entitling the holder to acquire a further common share at a price of \$0.45 for a period of eighteen months. The Company also issued 8,888,890 flow through units at a price of \$0.45 per unit with each unit consisting of one flow-through common share and one-half of a share purchase warrant with each full warrant entitling the holder to acquire a further common share at a price of \$0.55 per share for a period of eighteen months. The agents to the transaction received a cash commission of \$376,000 and broker warrants to acquire 160,005 common shares at a price of \$0.35 per share and 711,111 common shares at a price of \$0.45 each for a period of eighteen months.

# **Tribute Minerals Inc.**

## **11. Comparative financial statements**

Certain comparative figures have been reclassified from statements previously presented to conform to the 2006 presentation.

# Tribute Minerals Inc.

## Corporate Information

### **Officers**

Ian Brodie-Brown - President, Chief Executive Officer  
Peter Brodie-Brown - Vice-President, Shareholder Relations  
Errol Farr - Chief Financial Officer  
William R. Johnstone - Corporate Secretary

### **Directors**

John Harvey, P.Eng., Chairman of the Board  
Ian Brodie-Brown  
William R. Johnstone  
Richard Nemis

### **Legal Counsel**

Gardiner Roberts LLP  
Toronto, Ontario

### **Auditors**

Ernst & Young LLP  
Toronto, Ontario

### **Transfer Agent**

Equity Transfer & Trust Company  
Toronto, Ontario

### **Exchange Listing**

TSX Venture Exchange

### **Trading Symbol**

TBM

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