



Tribute Minerals Inc.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Tribute Minerals Inc.

2008 Annual Financial Statements

Management's Responsibility for Financial Statements

Tribute's management is responsible for the preparation and presentation of the consolidated financial statements and all the information in this annual report. The consolidated 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 consolidated 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 consolidated financial statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee.

April 28, 2009

("Signed")
John Harvey
Chairman

("Signed")
Ian Brodie-Brown
President

Auditors' Report

TO THE SHAREHOLDERS OF TRIBUTE MINERALS INC.

We have audited the consolidated balance sheets of Tribute Minerals Inc. as at December 31, 2008 and 2007 and the consolidated statements of loss and deficit, comprehensive loss and cash flows for the years then ended. These consolidated 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 consolidated 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.

April 28, 2009
Toronto, Canada

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Tribute Minerals Inc.

Consolidated Balance Sheets

See nature of operations and going concern uncertainty (note 1)

As at December 31	2008	2007
	\$	\$
ASSETS		
Current		
Cash	743	169,630
Short-term investment	5,000	-
Committed cash	-	2,049,489
Prepaid expenses and supplier advances	25,425	214,447
Accounts receivable	29,622	77,802
Marketable securities (note 4)	4,750	57,250
	65,540	2,568,618
Mineral properties (note 5)	74,981	74,981
Property, plant & equipment, net of accumulated depreciation of \$16,568 (2007 - \$11,920)	-	7,179
	140,521	2,650,778
LIABILITIES		
Current		
Bank overdraft	8,747	-
Accounts payable and accrued liabilities	774,420	519,940
	783,167	519,940
<i>Contingencies and commitments (note 9)</i>		
SHAREHOLDERS' EQUITY		
Share capital (note 6(a))	11,821,034	11,821,034
Warrants	-	1,111,174
Contributed surplus	2,074,461	890,498
Deficit	(14,538,141)	(11,697,618)
Accumulated other comprehensive income	-	5,750
	(642,646)	2,130,838
	140,521	2,650,778

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

Approved on behalf of the board:

(signed) "Frank van de Water"
Director

(signed) "Ian Brodie-Brown"
Director

Tribute Minerals Inc.

Consolidated Statements of Loss and Deficit

For the years ended December 31	2008 \$	2007 \$
Expenses		
General and administrative expenses	397,426	574,299
Stock based compensation (note 6 (b))	72,789	372,913
Depreciation	5,598	2,802
	475,813	950,014
Exploration and project evaluation (note 5)	2,388,992	3,053,396
Write down of marketable securities (note 4)	52,250	-
Interest	(76,532)	(42,004)
Loss for the year before income taxes	(2,840,523)	(3,961,406)
Future income tax recoveries (note 8)	-	1,080,000
Loss for the year	(2,840,523)	(2,881,406)
Deficit, beginning of year	(11,697,618)	(8,816,212)
Deficit, end of year	(14,538,141)	(11,697,618)
Net loss per share – basic and diluted	\$0.04	\$0.04
Basic and diluted weighted average of common shares outstanding	75,654,397	68,556,429
Shares outstanding at the end of the year	75,654,397	75,654,397

Consolidated Statements of Comprehensive Loss

For the years ended December 31	2008 \$	2007 \$
Net loss for the year	(2,840,523)	(2,881,406)
Other comprehensive income (loss):		
Unrealized gain (loss) on marketable securities	(5,750)	5,750
Comprehensive loss for the year	(2,846,273)	(2,875,656)

The accompanying notes are an integral part of these consolidated financial statements

Tribute Minerals Inc.

Consolidated Statements of Cash Flows

For the years ended December 31	2008	2007
	\$	\$
Operating Activities		
Net loss for the year	(2,840,523)	(2,881,406)
Items not affecting cash		
Stock-based compensation	72,789	372,913
Depreciation	5,598	2,802
Write-off property, plant & equipment	1,581	-
Future income taxes	-	(1,080,000)
Exploration and project evaluation	(5,500)	-
Write down of marketable securities	52,250	-
Net change in non-cash working capital balances related to operating activities		
Accounts payable and accrued liabilities	254,480	459,008
Prepaid expenses and supplier advances	189,022	(85,300)
Accounts receivable	48,180	8,255
Short term investment	(5,000)	-
Cash used in operating activities	(2,227,123)	(3,203,728)
Investing Activities		
Committed cash held for exploration activities	2,049,489	(2,049,489)
Acquisition of mineral properties	-	(74,981)
Purchase of capital assets	-	(2,531)
Cash (used in) investing activities	2,049,489	(2,127,001)
Financing Activities		
Issuance of flow through common shares	-	4,000,000
Issuance of common shares	-	937,019
Exercise of warrants	-	797,095
Share issue expense	-	(428,421)
Cash provided by financing activities	-	5,305,693
Net (decrease) in cash and cash equivalents during the year	(177,634)	(25,036)
Cash and cash equivalents, beginning of year	169,630	194,666
Cash and cash equivalents, end of year	(8,004)	169,630
Cash and cash equivalents comprises:		
Cash	743	169,630
Bank overdraft	(8,747)	-

The accompanying notes are an integral part of these consolidated financial statements

Tribute Minerals Inc.

Notes to the Consolidated Financial Statements

December 31, 2008

1. Nature of operations and going concern uncertainty

Tribute Minerals Inc. (the "Company" or "Tribute") is a publicly held company amalgamated under the Ontario Business Corporations Act. The Company is engaged in the investigation, acquisition, exploration and development of mineral properties in Ontario, Canada. Substantially all of the efforts of the Company are devoted to these business activities.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2008 the Company had no sources of operating cash flows. The Company will therefore require additional funding which, if not raised, would result in the further curtailment of activities and project delays. Tribute had a working capital deficit of \$717,627 as at December 31, 2008, and had incurred losses since inception resulting in an accumulated operating deficit of \$14,538,141 as at December 31, 2008. The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurances that the Company will be successful in this regard, and therefore, there is substantial doubt regarding the Company's ability to continue as a going concern, and accordingly, the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" assumption were not appropriate for these consolidated financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

2. Summary of significant accounting policies

These consolidated 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.

Principles of consolidation

The consolidated financial statements include the accounts of McFaulds Resources Inc., of which the Company holds a 50% ownership interest. All inter-company accounts and transactions have been eliminated on consolidation.

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

Operating leases

Payments for operating leases are charged to income on a straight-line basis over the term of the lease.

Property, plant & equipment

Property, plant & equipment consisting of computer equipment are recorded at cost and amortized at 30% per annum on a declining balance basis.

Stock based compensation

The Company has a stock-based compensation plan, which is described in Note 6(b). 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.

Flow through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. The proceeds received on the issuance of such shares have been credited to share capital and the related exploration costs are written off to expense when incurred. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

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.

Transaction costs

Transaction costs related to the acquisition or issue of held-for-trading financial instruments are charged to the statement of loss as incurred. Transaction costs related to financial instruments not designated as held-for-trading are included in the financial instrument's initial recognition amount.

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 exercising 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 2008 and 2007.

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.

Financial instruments

Cash, short-term investments and committed cash are classified as held for trading and are carried at fair values on the consolidated balance sheets. Accounts receivable are designated as loans receivable, and accounts payable and bank overdraft are designated as other financial liabilities. The carrying amount of these items approximates fair value due to the short term nature of these financial instruments.

Marketable securities that the Company does not have significant influence over are classified as available-for sale investments and are recorded on the consolidated balance sheets at fair value, to the extent that the equity investment has a quoted market price. Unrealized gains and losses are recorded in other comprehensive income or loss. Realized gains and losses are recorded in the consolidated statements of operations and deficit when the investment is sold. An impairment loss is recorded in the consolidated statements of operations and deficit to the extent that any unrealized declines in fair value are judged to be other than temporary.

Use of estimates and assumptions

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.

Hedging

The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not engage in hedging transactions and, therefore, does not have any financial instruments which are subject to hedge accounting.

Comprehensive income

Comprehensive income is the change in shareholders’ equity of a company, during a period, other than those resulting from investments by owners and distributions to owners. These items include holding gains and losses on certain investments, gains and losses on certain derivative instruments, and foreign currency gains and losses related to self-sustaining foreign operations.

Change in accounting policy - capital disclosures

Effective January 1, 2008, the Company adopted Section 1535 (“Capital Disclosures”). This section establishes standards for disclosure of qualitative and quantitative information about an entity’s capital and how it is managed in order to enable users of its financial statements to evaluate the entity’s objectives, policies and processes of managing capital. Beyond additional disclosures, the adoption of these standards did not have an effect on the Company’s financial position or results of operations. The new disclosures are included in note 11.

Change in accounting policy – financial instruments – disclosure and presentation

Effective January 1, 2008, the Company adopted Section 3862 (“Financial Instruments – Disclosures”) and Section 3863 (“Financial Instruments – Presentation”). Section 3862 replaces the disclosure portion of Section 3861, Financial Instruments – Disclosure and Presentation, and enhances the disclosure requirements on the nature and extent of risks arising from financial instruments, and how these risks are managed. Section 3863 carries forward the presentation requirements from Section 3861. Beyond additional disclosures, the adoption of these new pronouncements did not have an effect on the Company’s financial position or results of operations. The new disclosures are included in note 10.

Change in accounting policy - general standards of financial statement presentation

Effective January 1, 2008, the Company adopted the amendment to Section 1400 (“General Standards of Financial Statement Presentation”). The amendment to this section provides revised guidance related to management’s responsibility to assess the ability of the entity to continue as a going concern. Beyond additional disclosure, the adoption of this amendment did not have an effect on the Company’s financial position or results of operations. The new disclosures are included in note 1.

Future changes in accounting policy

Goodwill and other intangible assets and financial statement concepts

Effective January 1, 2009, the Company will adopt Section 3064. Section 3064 provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or are developed internally. The Company is currently evaluating the effect of adopting this standard.

Business combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations, establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including noncontrolling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company’s consolidated financial statements prior to such acquisitions.

Consolidated financial statements and non-controlling Interests

In January 2009, the CICA issued Sections 1601 “Consolidated Financial Statements”, and 1602, “Non-controlling Interests”, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company’s financial statements beyond additional disclosures.

Mining exploration costs

In March 2009, the CICA issued EIC-174, “Mining Exploration Costs.” The EIC provides guidance on accounting for capitalization and impairment of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on our consolidated financial statements.

International financial reporting standards

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards (“IFRS”) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is assessing the impact of the conversion from CGAAP to IFRS on the consolidated financial statements and will develop a conversion implementation plan.

3. Short-term investments

Short-term investments include a variable rate guaranteed investment certificate due April 20, 2009. The certificate has been pledged as security against the Company’s credit card.

4. Marketable securities

	December 31, 2008
	Fair value
	\$
Vencan Gold Corporation	
500,000 common shares	2,500
Continuum Resources Ltd.	
50,000 common shares	1,500
Halo Resources Ltd.	
50,000 common shares	750
	<hr/> 4,750

In the fourth quarter of 2008, the Company recorded an impairment loss of \$52,250 relating to other than temporary declines in the fair value of its three investments.

5. Mineral properties and exploration & project evaluation

Mineral property acquisition cost

	McFaulds Lake
	\$
Balance, December 31, 2007 and December 31, 2008	74,981

Exploration & project evaluation

	Expenditures for the year ended December 31, 2008 \$	Cumulative expenditures as at December 31, 2008 \$
Confederation Lake	2,180,185	10,356,058
McFaulds Lake	192,935	192,935
Other	15,872	1,168,174
	2,388,992	11,717,167

Confederation Lake

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 Canada Corporation ("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 was required to have incurred a minimum \$3,500,000 in exploration and development expenditures.

The Company 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 within the Project Area. In order to exercise the back-in right, Xstrata must expend 150% of the Company's cumulative expenditures on the Project Area to the exercise date. The Company has spent approximately \$10 million to 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.

McFaulds Lake

On November 20, 2007 (the "Agreement Date"), the Company entered into an agreement with Goldeye Explorations Limited ("Goldeye") to form a joint venture related to a group of properties within the area known as "The Ring of Fire" located in the Lower James Bay region of Ontario, in the proximity of McFaulds Lake ("the Property"). The joint venture was effective on January 21, 2008 with the purpose of sharing on a 50/50 basis, the exploration activity and economic results underlying the mineral claims staked. At the time of the agreement, Goldeye had 15 claims, totaling 216 claim units, covering 3,456 hectares in the McFaulds Lake area. The agreement required the Company to reimburse Goldeye for 100% of the staking costs, \$74,981, in return for a 50% interest in the claims staked as of the agreement date. Interest in, and the cost of, claims staked subsequent to the Agreement Date and up to the formation of the joint venture are shared on a 50/50 basis. The McFaulds Lake joint venture currently holds approximately 27,000 hectares.

On June 25, 2008, the Company and Goldeye jointly announced that they intended to roll their respective interests in their land holdings in the McFaulds Lake property into a new company known as "McFaulds Resources Inc." ("MFR"). Each of Tribute and Goldeye retained a 1% NSR in the Property and each hold 14,000,000 common shares of MFR. It was intended that MFR file a prospectus to acquire a listing on a

recognized Canadian stock exchange as soon as a National Instrument 43-101 technical report was completed.

On April 2, 2009, the Company signed a letter of intent with Goldeye to acquire the 50% interest in the McFaulds Lake joint venture not already owned by the Company, in exchange for issuing a total of 11,671,500 of its common shares to Goldeye, the payment of \$115,000 in cash, settlement of \$85,000 in accounts payable and the retention by Goldeye of a 1 percent net-smelter-returns royalty (subject to adjustment) in the property. On April 22, 2009, the formal letter of agreement was signed. The transaction is conditional upon the Company raising \$1,500,000 by June 29, 2009, and both parties closing the transaction by July 7, 2009. All prior agreements with Goldeye will be terminated.

As at December 31, 2008 the Company has recorded \$74,981 in acquisition costs as mineral properties, \$85,000 in accounts payable to Goldeye and \$192,935 as exploration and project evaluation costs related to the McFaulds Lake property. No work is required to keep the McFaulds Lake property in good standing until the fall of 2009.

Other properties

“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 Woman River property and the Clay South Property, all of which are in Northern Ontario.

On September 16, 2008 (the “effective date”), the Company signed an option agreement with Halo Resources Ltd. (“Halo”) for the exclusive right and option for Halo to earn up to 75% interest in the Bridget Lake property. The initial option to acquire a 65% interest requires Halo to incur not less than \$50,000 in exploration expenses and make cash payments totaling \$50,000 and share issuances of 400,000 shares of Halo to the Company within two years of the effective date as noted below.

	During the first year	During the second year	Total
Exploration expenses	\$25,000	\$25,000	\$50,000
	On the effective date	On the first anniversary date	Upon formal exercise of the option
Cash payments	\$25,000	\$25,000	-
Share issuance	50,000	50,000	300,000

Halo agreed to make the \$10,000 annual pre-royalty payment required to keep the property in good standing.

In the event Halo exercises its initial option, Halo shall have a second option to acquire an additional 10% interest in the Bridget Lake property for a period of three (3) years from the exercise of the initial option, by funding all exploration and development expenditures to the point of completion of a bankable feasibility study.

6. Share capital

a) Share capital comprises the following:

	December 31 2008 \$	December 31 2007 \$
Common shares	11,821,034	11,821,034
Contributed surplus	2,074,461	890,498
Warrants (notes 6 (c) and (d))	-	1,111,174
	13,895,495	13,822,706

Tribute is authorized to issue an unlimited number of no par common shares. The following table provides the details of changes in the number of issued common shares:

	Number of shares	Amount \$
Balance, December 31, 2006	57,339,110	8,670,044
Private placement share issue	2,677,197	937,019
Private placement flow through share issue	8,888,890	4,000,000
Exercise of warrants	6,749,200	833,566
Fair value of warrants issued in private placement	-	(957,360)
Share issue costs	-	(582,235)
Tax benefits renounced on flow through shares	-	(1,080,000)
Balance, December 31, 2007 and December 31, 2008	75,654,397	11,821,034

b) As at December 31, 2008, 3,900,000 common shares 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 a period of up to 18 months and expire after 5 years from the date of grant. The following summary sets out the activity in the Plan over the period:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	Options	Weighted- average exercise price	Options	Weighted- average exercise price
	#	\$	#	\$
Outstanding, beginning of the year	5,050,000	0.25	4,020,000	0.24
Granted	-	-	2,450,000	0.43
Exercised	-	-	-	-
Expired	(1,150,000)	0.33	(20,000)	0.54
Forfeited	-	-	(1,400,000)	0.54
Outstanding, end of year	3,900,000	0.23	5,050,000	0.25
Options exercisable at end of the year	3,900,000	0.23	4,762,500	0.25

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
600,000	600,000	0.09 years	\$0.25	February 01, 2009
100,000	100,000	0.44 years	\$0.25	June 10, 2009
50,000	50,000	0.75 years	\$0.21	September 29, 2009
100,000	100,000	1.04 years	\$0.15	January 12, 2010
2,600,000	2,600,000	2.47 years	\$0.20	June 19, 2011
450,000	450,000	3.35 years	\$0.35	May 3, 2012

On February 1, 2009 600,000 common share purchase stock options, with an exercise price of \$0.25 per common share, expired unexercised.

- c) On certain issues of common shares, the Company has attached warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	Warrants	Exercise	Warrants	Exercise
	#	Price Range	#	Price Range
		\$		\$
Outstanding, beginning of the year	5,783,041	0.45 to 0.55	5,490,000	0.12
Granted	-	-	5,783,041	0.45 to 0.55
Exercised	-	-	(5,490,000)	0.12
Expired	(5,783,041)	0.45 to 0.55	-	-
Outstanding, end of the year	-	-	5,783,041	0.45 to 0.55

- d) On certain issuances of common shares, the Company granted warrants as partial consideration to the agent for services associated to such share issues. A summary of the outstanding broker warrants is as follows:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	Warrants	Exercise	Warrants	Exercise
	#	Price Range	#	Price Range
		\$		\$
Outstanding, beginning of the year	871,116	0.35 to 0.45	1,259,200	0.10 to 0.12
Granted	-	-	871,116	0.35 to 0.45
Exercised	-	-	(1,259,200)	0.10 to 0.12
Expired	(871,116)	0.35 to 0.45	-	-
Outstanding, end of the year	-	-	871,116	0.35 to 0.45

At December 31, 2008 the maximum number of common shares that would be outstanding if all the warrants and options were exercised is 79,554,397 (87,358,554 at December 31, 2007).

7. Related party transactions

During the year ended December 31, 2008, the Company incurred \$258,122 (2007 – \$282,748) in fees payable to directors and officers. At December 31, 2008 there was a balance of \$74,755 owing on this account.

During the year ended December 31, 2008, the Company incurred \$70,220 (2007 – \$88,768) of legal fees to a company related to an officer of the Company. At December 31, 2008 there was a balance of \$65,644 owing on this account.

During the year ended December 31, 2008, the Company received \$2,000 (2007 – nil) of office expense reimbursement from a company related to an officer of the Company.

During the year ended December 31, 2008, the Company also received \$64,025 (2007 - nil) in rent from a company related to two officers of the Company.

On April 2, 2009, the Company received a \$20,000 loan from three officers of the Company. The loan is non-interest bearing and has does not have fixed terms of repayment.

In 2009 the Company has received \$24,286 in rent, for the full year 2009, from a company related to two officers of the Company.

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 32% (2007 - 34%) were as follows:

	2008 \$	2007 \$
Loss before income taxes	(2,840,523)	(3,961,406)
Expected income tax benefit based on statutory rate	(895,000)	(1,347,000)
Adjustments to benefit resulting from:		
Non-capital loss expiry	159,000	133,000
Tax rate adjustments	89,000	916,000
Provision to return adjustments	78,000	-
Stock-based compensation	23,000	127,000
Unrealized capital losses	8,000	-
Capital losses and other non-deductible expenses	2,000	3,000
Share issue costs	-	(116,000)
Valuation allowance	536,000	(796,000)
Provision for tax (future)	-	(1,080,000)

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

	2008 \$	2007 \$
Non-capital losses	919,000	978,000
Capital losses	7,000	7,000
Resource related deductions	2,114,000	1,489,000
Unrealized capital losses	7,000	-
Share issuance costs	76,000	113,000
Future income tax asset	3,123,000	2,587,000
Valuation allowance	(3,123,000)	(2,587,000)
Net future income tax asset	-	-

As at December 31, 2008 the Company has remaining non-capital losses available for carry-forward of approximately \$3,403,000 which expire as follows:

	\$
2009	477,000
2010	579,000
2014	484,000
2015	418,000
2026	459,000
2027	530,000
2028	456,000
	3,403,000

9. Commitments and contingencies

The Company has one contractual lease obligation related to its corporate premises that requires a minimum total lease payment of \$185,604 until May 2012.

	\$
2009	45,312
2010	46,038
2011	46,764
2012	47,490
	<u>185,604</u>

A service provider has claimed it has outstanding amounts owing by the Company at December 31, 2008. As neither the outcome nor the final amount of the above dispute is determinable, no additional amount has been accrued in the accompanying consolidated financial statements.

10. Financial instruments and risk management

Categories of financial assets and liabilities

Under Canadian GAAP, financial instruments are classified into one of the following five categories: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments, including those held for sale on the consolidated balance sheets are classified into the following categories:

	December 31 2008	December 31 2007
	\$	\$
Held for trading ⁽¹⁾	743	2,219,119
Available for sale ⁽²⁾	4,750	57,250
Loans and receivables ⁽³⁾	29,622	77,802
Other financial liabilities ⁽⁴⁾	403,370	482,941

(1) Includes cash, committed cash and short-term investments.

(2) Includes marketable securities.

(3) Includes accounts receivable related to commodity tax refunds.

(4) Includes accounts payable and bank overdraft.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

(a) Market risk

(i) Price risk

Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from the fluctuation of the value of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

Sensitivity

At December 31, 2008, a change in the value of gold and base metals would not change the recognized value of any of the Company's financial instruments.

(ii) Cash flow fair value interest rate risk

The Company does not have interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the balance of the bank accounts.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amount of financial assets recorded in the consolidated financial statements are adjusted for any impairment and represent the Company's maximum exposure to credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Prior to the world-wide financial liquidity crisis the Company maintained operations by way of equity financings. The Company is currently assessing all options to address its liquidity issues. It is not possible to determine with any certainty the success and adequacy of these initiatives.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the closing bid price.

11. Management of capital

The Company's objective when managing capital is to maintain adequate levels of funding to support exploration and development of its properties and to maintain corporate and administrative functions.

The Company manages its capital structure in a manner that provides sufficient funding for mineral exploration and operational activities. Funds are primarily secured through issuance of common share capital. There can be no assurances that the Company will be able to continue adequate funding of its business in this manner.

12. Subsequent events

On February 1, 2009 600,000 common share purchase stock options, with an exercise price of \$0.25 per common share, expired unexercised (see note 6 (b)).

On April 2, 2009, the Company signed a letter of intent with Goldeye to acquire the 50% interest in the McFaulds Lake joint venture not already owned by the Company, in exchange for issuing a total of 11,671,500 of its common shares to Goldeye, the payment of \$115,000 in cash, settlement of \$85,000 in accounts payable and the retention by Goldeye of a 1 percent net-smelter-returns royalty (subject to adjustment) in the property. On April 22, 2009, the formal letter of agreement was signed. The transaction is conditional upon the Company raising \$1,500,000 by June 29, 2009 and both parties closing the transaction by July 7, 2009. All prior agreements with Goldeye will be terminated.

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
Trevor Boyd – Vice-President, Exploration

Directors

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

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

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