BUTTE ENERGY INC.

INTERIM FINANCIAL REPORT

MARCH 31, 2015

BUTTE ENERGY INC.
BALANCE SHEETS
AS AT MARCH 31
(Unaudited)

		March 31, 2015		December 31, 2014
Assets				
Current Assets				
Cash and cash equivalents	**$**	**33,301**	$	68,641
Accounts receivable		**8,185**		36,009
Deposits and prepaid expenses		**90,088**		89,933
		131,574		194,583
Non-current assets				
Property, plant and equipment (Note 9)		**2,143,072**		2,150,113
	$	**2,274,646**	$	2,344,696
Liabilities				
Current Liabilities				
Trade and other payables	**$**	**317,480**	$	389,050
Non-current liabilities				
Due to related parties (Note 14)		**11,170,919**		10,896,541
Asset retirement obligations (Note 11)		**51,041**		51,041
		11,221,960		10,947,582
Shareholders' Deficiency				
Share capital (Note 12)		**7,645,794**		7,645,794
Contributed surplus		**389,893**		389,893
Deficit		**(17,300,481)**		(17,027,623)
		(9,264,794)		(8,991,936)
	$	**2,274,646**	$	2,344,696

See accompanying notes to financial statements.

BUTTE ENERGY INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Unaudited)

	Number of common shares	Share capital	Contributed Surplus	Deficit	Total Deficiency
Balance at January 1, 2014	43,738,810	$7,645,794	$389,893	$(11,407,175)	$(3,371,488)
Net loss for the period	-	-	-	(5,620,448)	(5,620,448)
Balance at December 31, 2014	43,738,810	7,645,794	389,893	(17,027,623)	(8,991,936)
Net loss for the period	-	-	-	(272,858)	(272,858)
Balance at March 31, 2015	43,738,810	$7,645,794	$389,893	$(17,300,481)	$(9,264,794)

See accompanying notes to financial statements.

BUTTE ENERGY INC.
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
THREE MONTHS ENDED MARCH 31
(Unaudited)

	2015	2014
REVENUE		
Oil and gas revenue	**$ 23,014**	$ 90,045
Royalties	**(4,680)**	(3,937)
	18,334	86,108
EXPENSES		
Operating	**35,815**	36,211
Write-down of exploration and evaluation assets (Note 10)	**22,450**	28,850
General and administrative expenses	**134,138**	163,229
Depletion and depreciation	**8,900**	56,135
	201,303	284,425
OTHER INCOME AND EXPENSE		
Finance income (Note 7)	**202**	220
Finance expense (Note 7, Note 14)	**(90,091)**	(91,642)
	(89,889)	(91,422)
Net loss and comprehensive loss	**$ (272,858)**	$ (289,739)
Loss per share - basic and diluted	**$ (0.01)**	$ (0.01)

See accompanying notes to financial statements.

BUTTE ENERGY INC.
STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31
(Unaudited)

		2015		2014
Operating activities				
Net loss and comprehensive loss	**$**	**(272,858)**	$	(289,739)
Adjustments for				
Write-down of exploration and evaluation assets (Note 10)		**22,450**		28,850
Depletion and depreciation		**8,900**		56,135
Finance expense		**90,091**		91,642
Interest paid		**(713)**		(672)
Change in non-cash working capital (Note 8)		**(37,422)**		7,286
		(189,552)		(106,498)
Investing activities				
Additions to exploration and evaluation assets		**(22,450)**		(30,705)
Additions to property, plant and equipment		**(1,859)**		(13,486)
Change in non-cash working capital (Note 8)		**(6,479)**		(11,222)
		(30,788)		(55,413)
Financing activities				
Advances from related party (Note 14)		**185,000**		-
		185,000		-
Change in cash and cash equivalents		**(35,340)**		(161,911)
Cash and cash equivalents, beginning of period		**68,641**		177,410
Cash and cash equivalents, end of period	**$**	**33,301**	$	15,499

See accompanying notes to financial statements.

1. REPORTING ENTITY

Butte Energy Inc. (the "Company") was incorporated under the laws of British Columbia on June 25, 1998. The Company was continued under the Alberta Business Corporations Act on March 31, 2008. The Company is engaged in the acquisition, exploration and development of petroleum and natural gas reserves in Western Canada.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company is in the process of exploring and developing its oil and gas properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for oil and gas properties is dependent upon the discovery of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the exploration and development of its properties.

These financial statements have been prepared assuming the Company will continue on as a going concern. The Company has an accumulated deficit of $17,300,481 and a working capital deficiency of $185,906 as at March 31, 2015. In order to fund its capital program, the Company needs to raise funds by way of equity or debt. However, there is no assurance that the Company will be able to raise such funds on terms acceptable to it or at all which could result in the Company restricting or terminating its capital expenditure program. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the going concern basis of accounting be inappropriate.

3. BASIS OF PRESENTATION

(a) Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended December 31, 2014.

The accounting policies and methods of computation applied by the Company in these unaudited condensed interim financial statements are consistent with those applied by the Company in its annual financial statements as at and for the period ended December 31, 2014.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. BASIS OF PREPARATION (cont'd)

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these financial statements are as follows:

(i) Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows are subject to measurement uncertainty. Accordingly, the impact to the financial statements in future periods could be material.

(ii) Oil and natural gas assets are grouped into cash generating units ("CGUs") that are the smallest identifiable group of assets that generate cash inflows essentially independent from cash inflows of other assets or groups of assets. These CGUs are determined based on management's judgement in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

(iii) Amounts recorded for asset retirement obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

(iv) Amounts recorded for depreciation requires the use of estimates with respect to the approximate useful lives of the assets.

(v) The estimated fair value of derivative financial instruments resulting in financial assets and liabilities by their very nature are subject to measurement uncertainty.

(vi) Compensation costs recognized for share based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model, which is based on significant assumptions such as volatility, dividend yield and expected term. Several compensation plans are also performance based and are subject to management's judgment as to whether or not performance criteria will be met.

(vii) Tax interpretations, regulations and legislation are subject to change. As such income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

4. CHANGES IN ACCOUNTING POLICIES

New standards not yet adopted

As of January 1, 2018, the Company will be required to adopt IFRS 9, "Financial Instruments". The IASB issued IFRS 9, which is the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial asset and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 15, "Revenue from Contracts with Customers" is a comprehensive new standard on revenue recognition that replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard specifies how and when to recognize revenue as well as requiring entities to provide more informative and relevant disclosure. The new standard is effective for years beginning on or after January 1, 2017, with earlier adoption permitted.

The Company is currently evaluating the impact of adopting these amended standards.

5. DETERMINATION OF FAIR VALUES

(a) A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, Plant and Equipment and Exploration and Evaluation Assets

The fair value of property, plant and equipment recognized in a business combination, is based on market values. The market value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property, plant and equipment) and intangible exploration assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

(ii) Cash and Cash Equivalents, Accounts Receivable, Accounts Payables and Loans and Borrowings

The fair value of cash and cash equivalents, accounts receivable, accounts payables and loans and borrowings is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair values of these balances approximate their carrying value due to their short term to maturity or in the case of loans and borrowings, the fair value approximates its carrying value as it bears interest at floating rates and the premium charged was indicative of the Company's current credit premium.

5. DETERMINATION OF FAIR VALUES (cont'd)

(iii) Stock Options

The fair value of employee stock options is measured using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), and the risk-free interest rate (based on government bonds).

(b) The following tables provide fair value measurement information for financial assets and liabilities as of March 31, 2015 and December 31, 2014. The carrying value of cash and cash equivalents, accounts receivable, and accounts payables included in the balance sheet approximate fair value due to the short-term nature of those instruments. These assets and liabilities except cash and cash equivalents are not included in the following table.

March 31, 2015	Carrying Amount	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets					
Cash and cash equivalents	$ 33,301	$ 33,301	$ 33,301	$ -	$ -
Financial Liabilities					
Due to related parties	$ 11,170,919	$ 11,170,919	$ 11,170,919	$ -	$ -

December 31, 2014	Carrying Amount	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets					
Cash and cash equivalents	$ 68,641	$ 68,641	$ 68,641	$ -	$ -
Financial Liabilities					
Due to related parties	$ 10,896,541	$ 10,896,541	$ 10,896,541	$ -	$ -

Level 1 Fair Value Measurements

Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair Value Measurements

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from a quoted indices.

5. DETERMINATION OF FAIR VALUES (cont'd)

Level 3 Fair Value Measurements

Level 3 fair value measurements are based on unobservable information. The level 3 fair value measurements pertain to the fair value assigned to property and equipment, intangible exploration assets and other intangible assets acquired in business combinations.

6. FINANCIAL RISK MANAGEMENT

(a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit Risk

The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by marketing to numerous purchasers under normal industry sale and payment terms. The Company routinely assesses the financial strength of its customers.

At March 31, 2015, financial assets on the balance sheet are comprised of cash and cash equivalents and accounts receivable. The maximum credit exposure at March 31, 2015 is the carrying amount of cash and accounts receivable of $41,486. A major financial institution holds the cash and cash equivalents. As is common in the petroleum and natural gas industry in Canada, receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. The Company currently has no production but if there were production the Company would market its production to customers with investment grade credit ratings, if available in the area of production. As the operator of properties, Butte would have the ability to not allocate production to joint venture Partners who are in default of amounts owing. At March 31, 2015, Butte did not have an allowance for doubtful accounts.

6. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, the Company will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 365 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non operated projects to further manage capital expenditures.

	Carrying amount	2016	2017	2018
Trade and other payables	$317,480	$ 317,480	$ -	$ -
Due to related parties	11,170,919	11,170,919	-	-
	$ 11,488,399	$ 11,488,399	$ -	$ -

(d) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors. The Company currently has only one operating property and therefore the exposure to market risk is minimal.

(e) Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. 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 oil and natural gas assets. The Company considers its capital structure to include shareholders' equity, loans and borrowings and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, enter into farm-out agreements and adjust its capital spending to manage current and projected debt levels.

6. FINANCIAL RISK MANAGEMENT (cont'd)

In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets, which are updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

There were no changes in the Company's approach to capital management during the period.

7. FINANCE EXPENSE

		March 31, 2015		March 31, 2014
Finance income				
Interest and other	**$**	**202**	$	220
Finance expense				
Interest		**(90,091)**		(91,642)
Net finance expenses	**$**	**(89,889)**	$	(91,422)

8. SUPPLEMENTAL CASH FLOW INFORMATION
Changes in non-cash working capital is comprised of:

		March 31, 2015		March 31, 2014
Accounts receivable	**$**	**27,824**	$	8,178
Deposits and prepaid expenses		**(155)**		(209)
Inventory		**-**		(11,800)
Trade and other payables		**(71,570)**		(105)
	$	**(43,901)**	$	(3,936)
Related to operating activities	**$**	**(37,422)**	$	7,286
Related to investing activities	**$**	**(6,479)**	$	(11,222)

9. PROPERTY, PLANT AND EQUIPMENT

	Oil and Natural Gas Interests	Other Assets	Total
Cost or deemed cost			
Balance at December 31, 2013	$ 3,942,296	$ 21,020	$ 3,963,316
Additions	174,575	-	174,575
Transfer from E. and E. Assets	18,836	-	18,836
Property disposal	(1,916,994)	-	(1,916,994)
Balance at December 31, 2014	2,218,713	21,020	2,239,733
Additions	1,859	-	1,859
Balance at March 31, 2015	$ 2,220,572	$ 21,020	$ 2,241,592
Depletion, depreciation and impairment losses			
Balance at December 31, 2013	$ 520,200	$ 12,933	$ 533,133
Depletion and depreciation for the year	148,700	8,087	156,787
Property disposal	(600,300)	-	(600,300)
Balance at December 31, 2014	68,600	21,020	89,620
Depletion and depreciation for the period	8,900	-	8,900
Balance at March 31, 2015	$ 77,500	$ 21,020	$ 98,520
Carrying amounts			
At December 31, 2014	$ 2,150,113	$ -	$ 2,150,113
At March 31, 2015	$ 2,143,072	$ -	$ 2,143,072

10. EXPLORATION AND EVALUATION ASSETS

	E&E Assets
Cost or deemed cost	
Balance at December 31, 2013	$ 3,160,573
Additions	138,649
Transfer to property, plant and equipment	(18,836)
Write-down of exploration and evaluation assets	(3,280,386)
Balance at December 31, 2014	-
Additions	22,450
Write-down of exploration and evaluation assets	(22,450)
Balance at March 31, 2015	$ -

The Company wrote-off all its exploration and evaluation assets in 2014 due to financial constraints and impending lease expiries.

11. ASSET RETIREMENT OBLIGATIONS

		March 31, 2015		December 31, 2014
Balance, beginning of period	$	51,041	$	76,487
Property dispositions		-		(23,188)
Effect of change in risk free rate		-		(2,258)
Balance, end of period	$	51,041	$	51,041

The Company's asset retirement obligation (ARO) results from its ownership interest in oil and natural gas assets. The total future site restoration obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of ARO to be $51,041 as at March 31, 2015 (2014 - $76,487) based on an undiscounted total future liability of $50,000 (2014 - $75,000). These payments are expected to be made over the next 10 years with the majority of costs to be incurred between 2012 and 2021. The discount factor used, being the risk-free rate related to the liability was 1.36% (2014 - 2.46 %).

12. SHARE CAPITAL

Balance at January 1, 2013 and 2014	43,738,810	$	7,645,794
Private placement	-		-
Share issue costs	-		-
Balance at March 31, 2015	43,738,810	$	7,645,794

The weighted average number of outstanding common shares of 43,738,810 (2014 - 43,738,810) is used to calculate the basic and fully diluted loss per share.

13. STOCK OPTIONS

The Company has an option programme that entitles officers, directors, employees and consultants to purchase common shares in the Company. Options are granted at the market price of the shares at the date of grant, have a three year term and vest over two years.

As at March 31, 2015, the Company had nil (2014 - 1,150,000) stock options outstanding.

14. DUE TO RELATED PARTIES

As of March 31, 2015, the Company had promissory notes and advances owing to directors for $11,069,695 and interest payable of $101,224 to Sand Hills Energy Inc., a Company owned by a director on a promissory note that was subsequently transferred to a director in July 2011. Sand Hills Energy Inc. ("Sand Hills") is considered a related party by virtue of a common director.

14. DUE TO RELATED PARTIES (cont'd)

The maturity of the note originally payable to Sand Hills Energy Inc. and subsequently transferred to a director has been extended to December 31, 2016 from December 31, 2012.

The amounts payable to the directors is unsecured and bears interest at prime plus three percent. For the period ended March 31, 2015, $89,378 (2014 - $82,832) of interest expense was accrued on promissory notes. Of the total payable, $7,434,075 matures on December 31, 2016 and the director agreed not to demand payment over the next twelve months on the remaining indebtedness. Consequently, amount due to directors is classified as a long-term liability.

	March 31, 2015	December 31, 2014
Promissory note due to director	$ 7,434,075	$ 7,344,697
Note payable to Sand Hills Energy Inc.	101,224	101,224
Advances from directors	3,635,620	3,450,620
	$ 11,170,919	$ 10,896,541

The advances from directors above are unsecured, payable on demand and non-interest bearing.