BUTTE ENERGY INC.

INTERIM FINANCIAL REPORT

SEPTEMBER 30, 2017

BUTTE ENERGY INC.
BALANCE SHEETS
AS AT SEPTEMBER 30
(Unaudited)

		September 30, 2017		December 31, 2016
Assets				
Current assets				
Cash and cash equivalents	**$**	**149**	$	5,918
Accounts receivable		**670**		3,147
Deposits and prepaid expenses		**12,310**		2,272
Asset held for sale		**-**		1,000,000
	$	**13,129**	$	1,011,337
Liabilities				
Current liabilities				
Trade and other payables	**$**	**146,991**	$	219,425
Due to related parties (Note 10)		**12,966,380**		791,912
		13,113,371		1,011,337
Non-current liabilities				
Due to related parties (Note 10)		**-**		11,785,260
Shareholders' deficiency				
Share capital (Note 8)		**7,645,794**		7,645,794
Contributed surplus		**389,893**		389,893
Deficit		**(21,135,929)**		(19,820,947)
		(13,100,242)		(11,785,260)
	$	**13,129**	$	1,011,337

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, 2016	43,738,810	$7,645,794	$389,893	$(19,148,205)	$(11,112,518)
Net loss for the period	-	-	-	(672,742)	(672,742)
Balance at December 31, 2016	43,738,810	7,645,794	389,893	(19,820,947)	(11,785,260)
Net loss for the period	-	-	-	(1,314,982)	(1,314,982)
Balance at September 30, 2017	43,738,810	$7,645,794	$389,893	$(21,135,929)	$(13,100,242)

See accompanying notes to financial statements.

BUTTE ENERGY INC.
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
REVENUE				
Oil and gas revenue	**$ -**	$ -	**$ -**	$ 9,675
Other	**-**	-	**1,000**	-
	-	-	**1,000**	9,675
EXPENSES				
Operating	**-**	4,760	**-**	45,940
General and administrative expenses	**30,913**	57,868	**113,126**	228,662
Write-down of exploration and evaluation assets	**-**	5,738	**-**	5,738
Write-down on asset held for sale	**-**	-	**965,000**	-
	30,913	68,366	**1,078,126**	280,340
OTHER INCOME AND EXPENSE				
Finance expense (Note 6, Note 10)	**(284)**	(88,264)	**(175,035)**	(263,610)
LOSSES RELATED TO DISCONTINUED OPERATIONS	**(663)**	-	**(62,821)**	-
Net loss and comprehensive loss	**$ (31,860)**	$ (156,630)	**$ (1,314,982)**	$ (534,275)
Loss per share - basic and diluted	**$ -**	$ -	**$ (0.03)**	$ (0.01)

See accompanying notes to financial statements.

BUTTE ENERGY INC.

STATEMENT OF CASH FLOWS

(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Operating activities				
Net loss and comprehensive loss	**$ (31,860)**	$ (156,630)	**$ (1,314,982)**	$ (534,275)
Adjustments for:				
Loss on asset held for sale	**-**	-	**965,000**	-
Write-down of exploration and evaluation assets	**-**	5,738	**-**	5,738
Finance expense	**284**	88,264	**175,035**	263,610
Interest paid	**(284)**	(164)	**(1,233)**	(1,225)
Losses related to discontinued operations	**663**	-	**62,821**	-
Change in non-cash working capital (Note 7)	**(4,583)**	23,047	**(79,995)**	(105,621)
	(35,780)	(39,745)	**(193,354)**	(371,773)
Investing activities				
Proceeds from asset held for sale	**35,000**	-	**35,000**	-
Additions to exploration and evaluation assets		(5,738)		(5,738)
Losses related to discontinued operations	**(663)**	-	**(62,821)**	-
Change in non-cash working capital (Note 7)	**-**	4,573	**-**	4,573
	34,337	(1,165)	**(27,821)**	(1,165)
Financing activities				
Due from related party (Note 10)	**-**	39,000	**215,406**	369,000
	-	39,000	**215,406**	369,000
Change in cash and cash equivalents	**(1,443)**	(1,910)	**(5,769)**	(3,938)
Cash and cash equivalents, beginning of period	**1,592**	4,703	**5,918**	6,731
Cash and cash equivalents, end of period	**$ 149**	$ 2,793	**$ 149**	$ 2,793

See accompanying notes to financial statements.

NOTICE TO READER OF THE INTERIM FINANCIAL STATEMENTS

These unaudited interim financial statements of Butte Energy Inc., which include the accompanying balance sheet and changes in shareholders' deficiency at September 30, 2017, interim statements of operations and comprehensive loss and statement of cash flows for the nine-month periods ended September 30, 2017 and 2016 are the responsibility of the Company's management. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the independent auditors of the Company, Czechowsky, Graham and Hanevelt, have not reviewed the unaudited interim financial statements as at September 30, 2017, on behalf of the shareholders.

1. NATURE AND CONTINUANCE OF OPERATIONS

Butte Energy Inc. ("Butte" or the "Company") is incorporated under the Business Corporations Act (Alberta).

The Company is engaged in the acquisition, exploration and development of petroleum and natural gas reserves in Western Canada.

The Company is located at 500, 1414 Eighth Street SW, Calgary, Alberta, Canada. The Company lists its common shares on the NEX board of the TSX Venture exchange under the symbol BEN.H.

These financial statements have been prepared assuming the Company will continue as a going concern. The Company has an accumulated deficit of $21,135,929 and a working capital deficiency of $13,100,242 as at September 30, 2017. Although the Company has no current operations nor remaining assets, the board of directors is actively seeking a transaction(s) whereby it will continue as a going concern. Therefore, these financial statements are presented on a going concern basis of accounting.

The Board of Directors approved and authorized these financial statements for issuance on November 2, 2017.

2. 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, 2016.

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, 2016.

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

2. BASIS OF PRESENTATION (cont'd)

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

(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.

3. 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, 2018, with earlier adoption permitted.

IFRS 16, "Leases", issued in 2016 to replace IAS 17 "Leases". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right of use" asset for virtually all lease contracts, and record it on the Balance Sheet. There will be limited exceptions with respect to lease contracts that meet specific exception criteria. For companies with significant contractual obligations in the form of operating leases, this could result in a significant increase in both assets and liabilities on the adoption of IFRS 16, as well as a material change in the timing of the recognition of expenses associated with the lease arrangements. The new standard will be effective for fiscal periods beginning on or after January 1, 2019, with early adoption permitted provided the company has adopted IFRS 15, "Revenue from Contracts with Customers".

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

4. 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.

4. DETERMINATION OF FAIR VALUES (cont'd)

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

The fair value of cash and cash equivalents, accounts receivable, trade and other 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.

(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 September 30, 2017 and December 31, 2016. The carrying value of cash and cash equivalents, accounts receivable, and trade and other 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 tables.

September 30, 2017	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	$ 149	$ 149	$ -	$ -	$ 149
Financial Liabilities					
Due to related parties	$12,966,380	$ 12,966,380	$ -	$ -	$ 12,966,380

December 31, 2016	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	$ 5,918	$ 5,918	$ -	$ -	$ 5,918
Financial Liabilities					
Due to related parties	$ 12,577,172	$ 12,577,172	$ -	$ -	$ 12,577,172

4. DETERMINATION OF FAIR VALUES (cont'd)

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.

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.

The following tables display the movement in Level 3 financial instruments in the fair value hierarchy for the period ended September 30, 2017. The Company classifies financial instruments as Level 3 when there is reliance on at least one significant unobservable input in the valuation models. There have been no transfers between categories during the periods ended September 30, 2017 and December 2016.

September 30, 2017	2017	2016
Due to related parties		
Opening balance	$ 12,577,172	$ 11,782,687
Advances	215,406	444,000
Interest	173,802	350,485
	$ 12,966,380	$ 12,577,172

5. 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

5. FINANCIAL RISK MANAGEMENT (cont'd)

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 September 30, 2017, financial assets on the balance sheet are comprised of cash and cash equivalents and accounts receivable. The maximum credit exposure at September 30, 2017 is the carrying amount of cash and accounts receivable of $819. The cash and cash equivalents are held by a major financial institution. 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 September 30, 2017, Butte did not have an allowance for doubtful accounts.

(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, it 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	2017	2018	2019
Trade and other payables	$ 146,991	$ 146,991	$ -	$ -
Due to related parties	12,966,380	-	12,966,380	-
	$ 13,113,371	$ 146,991	$ 12,966,380	$ -

5. FINANCIAL RISK MANAGEMENT (cont'd)

(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.

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 Board of Directors approves the annual and updated budgets.

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

6. FINANCE INCOME AND EXPENSES

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Finance expense				
Interest	**$ 284**	$ 88,264	**$ 175,035**	$ 263,610
Net finance expenses	**$ (284)**	$ (88,264)	**$ (175,035)**	$ (263,610)

7. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital is comprised of:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Accounts receivable	**$ 449**	$ 562	**$ 2,477**	$ 3,790
Deposits and prepaid expenses	**(11,060)**	532	**(10,038)**	787
Trade and other payables	**6,028**	26,526	**(72,434)**	(105,625)
	$ (4,583)	$ 27,620	**$ (79,995)**	$ (101,048)
Related to operating activities	**$ (4,583)**	$ 23,047	**$ (79,995)**	$ (105,621)
Related to investing activities	**$ -**	$ 4,573	**$ -**	$ 4,573

8. SHARE CAPITAL

Balance at January 1, 2016 and 2017	43,738,810	$ 7,645,794
Private placement	-	-
Share issue costs	-	-
Balance at September 30, 2017	43,738,810	$ 7,645,794

The weighted average number of outstanding common shares of 43,738,810 (2016 - 43,738,810) is used to calculate the basic and fully diluted loss per share.

9. STOCK OPTIONS

The Company has an option program 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 September 30, 2017, the Company had no stock options outstanding (2016 - nil).

10. DUE TO RELATED PARTIES

As of September 30, 2017, the Company had promissory notes and advances owing to directors for $12,865,156 and interest payable of $101,224 to Sand Hills Energy Inc., a Company owned by a director. Sand Hills Energy Inc. ("Sand Hills") is considered a related party by virtue of a common director.

The notes payable to the directors is unsecured and bears interest at prime plus three percent. For the period ended September 30, 2017, $173,802 (2016 - $262,385) of interest expense was accrued on promissory notes.

		September 30, 2017		**December 31, 2016**
Promissory note due to director	**$**	-	$	8,051,328
Note payable to Sand Hills Energy Inc.		-		101,224
Advances from directors		-		3,632,708
	$	-	$	11,785,260
Current portion		12,966,380		791,912
	$	12,966,380	$	12,577,172

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

The related party has agreed to suspend the interest charges on the promissory notes as of June 30, 2017.

11. REFUNDABLE RECLAMATION DEPOSIT

In order for the Company to finalize the reclamation requirements, it must remit a payment of $92,875 to the Alberta Energy Regulator. This payment is refundable upon final acceptance of the reclamation certificates by the Alberta Energy Regulator.