BUTTE ENERGY INC.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Butte Energy Inc. have been prepared by and are the responsibility of the Company's management.

Butte Energy Inc.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	Note	June 30, 2023	December 31, 2022
		$	$
Current Assets			
Cash		216,625	15,160
Amounts receivable		2,400	2,524
Reclamation deposits	3	101,687	99,350
Prepaid expenses		-	-
		320,712	117,034
Current Liabilities			
Amounts payable and accrued liabilities		23,221	41,307
Provision for environmental liabilities	4	42,018	42,018
		65,239	83,325
Shareholders' Equity			
Share capital	5	22,457,469	22,092,597
Equity reserve		1,327,944	1,169,243
Deficit		(23,529,940)	(23,228,131)
		255,473	33,709
		320,712	117,034

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved on behalf of the Board of Directors:

/s/ Geir Liland
Director

/s/ D. Jeffrey Harder
Director

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

Butte Energy Inc.

Condensed Interim Consolidated Statements of Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
		$	$	$	$
Expenses					
Advisory and consulting		30,000	30,000	60,000	60,000
Professional fees		1,787	7,971	8,907	12,221
Regulatory and transfer agent		17,569	6,711	22,346	10,221
Office and administration		3,528	4,608	6,973	8,902
Share-based compensation	6, 7	208,073	-	208,073	-
		(260,957)	(49,290)	(306,299)	(91,344)
Finance income		3,238	288	4,490	408
		3,238	288	4,490	408
Loss for the period		(257,719)	(49,002)	(301,809)	(90,936)
Basic and diluted loss per share		(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding - basic and diluted		65,148,951	63,876,840	64,752,897	63,876,840

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

Butte Energy Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Share Capital	Equity Reserve	Deficit	Total Shareholders' Equity
		$	$	$	$
Balance at December 31, 2021	63,876,841	21,840,691	1,043,350	(22,829,666)	54,375
Loss for the period	-	-	-	(90,936)	(90,936)
Balance at June 30, 2022	63,876,841	21,840,691	1,043,350	(22,920,602)	(36,561)
Balance at December 31, 2022	64,276,841	22,092,597	1,169,243	(23,228,131)	33,709
Exercise of share options	136,000	117,372	(49,372)	-	68,000
Issuance of shares - private placement at $0.20	1,250,000	250,000	-	-	250,000
Share issuance costs	-	(2,500)	-	-	(2,500)
Share-based compensation	-	-	208,073	-	208,073
Loss for the period	-	-	-	(301,809)	(301,809)
Balance at June 30, 2023	65,662,841	22,457,469	1,327,944	(23,529,940)	255,473

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

Butte Energy Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six months ended June 30, 2023	2022
	$	$
OPERATING ACTIVITIES		
Loss for the period	(301,809)	(90,936)
Items not involving cash:		
Share-based compensation	208,073	-
Interest earned on reclamation deposits	(2,337)	(367)
Changes in non-cash working capital items:		
Amounts receivable	124	5,621
Prepaid expenses	-	2,893
Amounts payable and accrued liabilities	(18,086)	45,159
	(114,035)	(37,630)
FINANCING ACTIVITIES		
Proceeds from the exercise of share options	68,000	-
Subscription receipts, net of share issuance costs	247,500	-
	315,500	-
Change in cash	201,465	(37,630)
Cash, beginning	15,160	40,520
Cash, ending	216,625	2,890

Supplemental cash flow information:		
Fair value adjustment on exercise of share options	49,372	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Butte Energy Inc. (the "Company") is incorporated under the Business Corporations Act (British Columbia). The Company's head office and principal address is 3123-595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J1. The Company lists its common shares on the NEX board of the TSX Venture Exchange under the symbol BEN.H.

The Company had been engaged in the acquisition, exploration and development of petroleum and natural gas reserves in Western Canada. In 2017, the Company sold its last remaining asset and has no active operations other than the completion of reclamation activities on previously abandoned wells.

These unaudited condensed interim consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has an accumulated deficit of $23,529,940 and working capital of $255,473 as at June 30, 2023. The Company incurred a loss of $301,809 for the six months ended June 30, 2023. In order to fund future operations or acquisitions, the Company will need to raise additional funds by way of equity or debt. There is no assurance that the Company will be able to raise such funds on terms acceptable to it.

On March 9, 2023, the Company consolidated its outstanding share capital on the basis of five (5) pre-consolidated shares for one (1) post-consolidation share. All share amounts have been adjusted to reflect the consolidation.

These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated 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.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretation Committee. These consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements for the year ended December 31, 2022.

The Company's board of directors approved the release of these condensed interim consolidated financial statements on August 10, 2023.

(b Basis of Measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis except where noted in the accounting policies. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's, and its subsidiaries functional currency.

2. BASIS OF PRESENTATION (Continued)

(d) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its inactive wholly-owned subsidiary, being 1289087 B.C. Ltd. (British Columbia). 1289087 B.C. Ltd. was incorporated under the BCBCA on February 16, 2021.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

(e) Management Estimates and Judgments

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 year. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years 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 consolidated financial statements are as follows:

(i) Amounts recorded for the provision of environmental liabilities require the use of estimates with respect to the amount and timing of reclamation expenditures. The ultimate amount and timing of the restoration expenses are uncertain and cost estimates can vary in response to many factors. Based on a review of the expected timing of future cash flows, it was management's judgment that the time value of money was not material and therefore did not need to present value the expenditures expected to be required to settle the obligation.

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

(iii) Going Concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

3. RECLAMATION DEPOSITS

In January 2018, the Company was required to provide a security deposit to the Alberta Energy Regulator in order for the Company to proceed with the finalization of the reclamation on previously abandoned wells. These deposits are refundable upon final acceptance of the reclamation certificates by the Alberta Energy Regulator.

The deposits are held in trust in an interest-bearing bank account. Interest income on the account is recorded in finance income in the statements of loss.

(Expressed in Canadian Dollars)

4. PROVISION FOR ENVIRONMENTAL LIABILTIES

The Company recorded a provision for the completion of reclamation activities on previously abandoned wells.

	Provision
	$
Balance, December 31, 2021	73,944
Additions	3,074
Settlement of liabilities	(35,000)
Balance, December 31, 2022 and June 30, 2023	42,018

5. SHARE CAPITAL

(a) Authorized

Authorized share capital consists of an unlimited number of common shares without nominal or par value and unlimited number of preferred shares without par value.

(b) Issued and fully paid common shares

As at June 30, 2023, there were 65,662,841 common shares issued and outstanding. On March 9, 2023, the Company consolidated its outstanding share capital on the basis of five (5) pre-consolidated shares for one (1) post-consolidation share.

On May 8, 2023, the Company closed a non-brokered private placement for gross proceeds of $250,000. The Company issued 1,250,000 units at a price of $0.20 per unit consisting of 1,250,000 common shares and 1,250,000 share purchase warrants. The share purchase warrants are exercisable at a price of $0.30 per share for a period of one year from the date of issuance, expiring May 8, 2024. The fair value of the share purchase warrants issued was determined to be $nil using the residual value approach.

On February 8, 2023, 136,000 common shares were issued pursuant to the exercise of 136,000 share options for proceeds of $68,000.

During the year ended December 31, 2022, 400,000 common shares were issued pursuant to the exercise of 400,000 share options for proceeds of $140,000.

(c) Share options

The Company has established a rolling Share Option Plan (the “Plan”). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than ten years. The exercise price of each option shall not be less than the market price of the Company’s shares at the date of grant. Options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than 1/4 of such Options vesting in any three-month period. All other options vest at the discretion of the Board of Directors.

On May 15, 2023, the Company granted 1,000,000 incentive share options to certain directors, officers, and consultants at a price of $0.29 per share, exercisable until May 15, 2033. Using the Black-Scholes valuation model, the grant date fair value was $208,073, or $0.21 per option. The following weighted average assumptions were used for the valuation of the options: risk-free interest rate of 2.94%, option life of 10 years, annualized volatility of 75%, forfeiture rate of 10% and dividend rate of 0.00%.

On February 8, 2023, 136,000 share options were exercised for proceeds of $68,000.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (Continued)

During the year ended December 31, 2022, 300,000 share options that were exercisable at $0.50 per share, were cancelled.

During the year ended December 31, 2022, 400,000 share options were exercised for proceeds of $140,000.

During the year ended December 31, 2022, the Company granted 850,000 incentive share options to certain directors, officers, consultants and charitable organizations at a price of $0.35 per share, exercisable until July 13, 2032. Using the Black-Scholes valuation model, the grant date fair value was $237,799, or $0.28 per option. The following weighted average assumptions were used for the valuation of the options: risk-free interest rate of 3.14%, option life of 10 years, annualized volatility of 75%, and dividend rate of 0.00%.

A summary of the changes in share options is presented below:

	Options Outstanding	Weighted Average Exercise Price
		$
Balance, December 31, 2021	1,800,000	0.50
Cancelled	(300,000)	0.50
Exercised	(400,000)	0.35
Granted	850,000	0.35
Balance, December 31, 2022	1,950,000	0.47
Exercised	(136,000)	0.35
Granted	1,000,000	0.29
Balance, June 30, 2023	2,814,000	0.40

The following table summarizes information about the share options outstanding and exercisable at June 30, 2023:

Outstanding and Exercisable	Exercise price	Expiry date
	$	
1,364,000	0.50	October 8, 2030
450,000	0.35	July 13, 2032
1,000,000	0.29	May 15, 2033
2,814,000		

(d) Warrants

A summary of the changes in share purchase warrants is presented below:

	Warrants Outstanding	Weighted Average Exercise Price
		$
Balance, December 31, 2022 and 2021	-	-
Issued	1,250,000	0.30
Balance, June 30, 2023	1,250,000	0.30

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (Continued)

The following table summarizes information about the share purchase warrants outstanding and exercisable at June 30, 2023.

Outstanding and Exercisable	Exercise Price	Expiry Date
	$	
1,250,000	0.30	May 8, 2024
1,250,000		

6. RELATED PARTY TRANSACTIONS

Key management personnel are those people who have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Senior management personnel include the Company's executive officers and members of the Board of Directors.

Key management personnel compensation during the six months ended June 30, 2023 included share-based compensation of $92,477 (six months ended June 30, 2022: $nil).

7. FINANCIAL INSTRUMENTS

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, reclamation deposits and amounts payable and accrued liabilities. Their carrying values approximate fair value due to the short-term nature of these instruments.

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities,

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data.

8. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. There was no change in the Company's management of capital policies during the periods presented.