

BTU Capital Corp.

Nine Month Period Ended January 31, 2017

Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

- Statements of Financial Position
- Statements of Changes in Shareholders' Equity
- Statements of Comprehensive Loss
- Statements of Cash Flows
- Notes to the Financial Statements

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), 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 consolidated interim financial statements of BTU Capital Corp. (the “Company”) for the period ended January 31, 2017 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of consolidated interim financial statements by an entity’s auditor.

BTU Capital Corp.

Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	Note	January 31, 2017 \$	April 30, 2016 \$
ASSETS			
CURRENT			
Cash		10,474	-
GST Recoverable		201	-
Amounts Receivable			-
		<u>10,675</u>	
NON-CURRENT			
Mineral Property	7	<u>-</u>	<u>-</u>
		<u>10,675</u>	<u>-</u>
LIABILITIES			
CURRENT			
Accounts Payable and Accrued Liabilities		171,570	230,248
Loan Payable	8	<u>35,000</u>	<u>178,508</u>
Total Current Liabilities		<u>206,570</u>	<u>408,756</u>
LONG TERM DEBT			
Due to Related Party	10	<u>165,408</u>	<u>-</u>
TOTAL LIABILITIES		<u>371,978</u>	<u>408,756</u>
SHAREHOLDERS' EQUITY			
Share Capital	9(b)	523,425	523,425
Subscriptions Received	9(b)	83,455	
Share-Based Payment Reserve		173,291	173,291
Deficit		<u>(1,141,474)</u>	<u>(1,105,472)</u>
		<u>(361,303)</u>	<u>(408,756)</u>
		<u>10,675</u>	<u>-</u>

Basis of Preparation and Going Concern (Note 2)

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

Approved on behalf of the Board:

“Philip Taneda”

Philip Taneda, Chief Financial Officer

“Michael England”

Michael England, Director

BTU Capital Corp.

Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Common Shares	Share Capital \$	Subscription Received \$	Share-Based Payment Reserve \$	Deficit (Note 2) \$	Total Shareholders' Equity \$
Balance, May 1, 2015	2,553,334	523,425	-	173,291	(1,067,561)	(370,845)
Comprehensive Loss For The Period	-	-	-	-	(24,386)	(24,386)
Balance, January 31, 2016	2,553,334	523,425	-	173,291	(1,091,947)	(395,231)
Balance, May 1, 2016	2,553,334	523,425	-	173,291	(1,105,472)	(408,756)
Comprehensive Loss For The Period	-	-	-	-	(36,002)	(36,002)
Subscriptions Received			83,455			83,455
Balance, January 31, 2017	2,553,334	523,425	83,455	173,291	(1,141,474)	(361,303)

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

BTU Capital Corp.

Interim Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Period Ended		Nine Months Period Ended	
	January 31,		January 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
EXPENSES				
Bank Charges	124	36	124	112
Consulting Fees - Project	7,853	-	7,853	-
Interest	425	6,384	14,225	18,392
Office, Rent and Telephone	169	-	169	-
Professional Fees	20,639	-	20,639	-
Transfer Agent and Filing Fees	29,287	2,055	31,788	5,882
NET LOSS BEFORE OTHER ITEMS	(58,497)	(8,475)	(74,798)	(24,386)
Write off Loan Interest payable	38,796	-	38,796	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(19,701)	(8,475)	(36,002)	(24,386)
BASIC AND DILUTED LOSS PER SHARE	(0.01)	(0.00)	(0.01)	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	2,553,335	2,553,335	2,553,335	2,553,335

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

BTU Capital Corp.

Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Period Ended		Nine Months Period Ended	
	January 31,		January 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
CASH PROVIDED FROM (UTILIZED FOR)				
OPERATING ACTIVITIES				
Net Loss for the Period	(19,701)	(8,475)	(36,002)	(24,386)
Changes in Non-Cash Working Capital Accounts				
GST Recoverable	(76)	(103)	(201)	(294)
Accounts Payables and Accrued Liabilities	(50,989)	2,191	(58,678)	6,264
Advances from Related Parties	155,093		165,408	
	84,327	(6,387)	70,527	(18,416)
FINANCING ACTIVITY				
Subscription received in advance	83,455		83,455	
Loan Advances	(157,308)	6,349	(143,508)	18,342
	(73,853)	6,349	(60,053)	18,342
INCREASE (DECREASE) IN CASH	10,474	(38)	10,474	(74)
Cash, Beginning of the Period	-	(19)	-	17
CASH, END OF THE PERIOD	10,474	(57)	10,474	(57)

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

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 1 – NATURE OF OPERATIONS

BTU Capital Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on August 28, 2008. The Company is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities. The Company is listed on the TSX Venture Exchange, having the symbol BTU.P.

The address of the Company’s corporate office and principal place of business is 1220, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

The financial statements of the Company for the period ended January 31, 2017 were approved and authorized for issue by the Board of Directors on April 3, 2017.

NOTE 2 – BASIS OF PREPARATION AND GOING CONCERN

The interim financial statements have been prepared in accordance to IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements are presented in Canadian Dollars, which is also the Company’s functional currency. The financial statements have been prepared on a historical cost basis. Cost is the fair value of the consideration given in exchange for net assets.

The financial statements were prepared on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. The Company has incurred losses from inception, has a working capital deficit of \$195,895, and has an accumulated deficit of \$1,141,474 as at January 31, 2017.

Management of the Company does not expect that cash flows for the Company’s operations will be sufficient to cover all of its operating requirements, financial commitments, and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity, or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms.

These conditions cast uncertainties on the Company’s ability to continue as a going concern. The financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) Foreign Currency Translation

The functional and reporting currencies of the Company are the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the date of the statement of financial position. Revenues and expenses denominated in foreign currencies are translated at rates of exchange prevailing on the transaction dates. All exchange gains or losses are recognized immediately in profit or loss in the period in which they are incurred.

b) Mineral Property

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries, until such time as these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related capitalized costs will be tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to the consolidated statement of comprehensive loss in that period.

All expenditures related to the exploration and evaluation of mineral properties are expensed to the statement of comprehensive loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are recorded as property costs or recoveries when paid or received. When recoveries exceed the carrying value of the mineral property, the excess is reflected in the statement of comprehensive loss.

c) Impairment of Non-Current Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of a cash generating unit exceeds its recoverable amount, the cash generating unit is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cash generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

d) Share Capital

Share capital includes cash consideration received for share issuances, net of commissions and issue costs. Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the Exchange on the date of the agreement.

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Share-Based Payment

The fair value method of accounting is used for share-based payment transactions. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital. The fair value of unexercised equity instruments are transferred from reserve to retained earnings upon expiry.

f) Loss Per Common Share

Basic loss per common share is calculated using the weighted average number of common shares issued and outstanding during the year. Diluted loss per share is the same as basic loss per share as the effect of issuance of shares on the exercise of stock options and warrants is anti-dilutive.

g) Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or, obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described below. The Company does not have any derivative financial instruments.

i) Financial Assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. The Company does not have any hedging instruments.

- **Financial assets at fair value through profit or loss** – Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company's cash falls into this category of financial instruments.
- **Loans and receivables** – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's amounts receivables and fall into this category of financial instruments.
- **Held-to-maturity investments** – Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold financial assets in this category.
- **Available-for-sale financial assets** – Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company currently does not hold financial assets in this category.

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial Instruments (Continued)

i) Financial Assets (Continued)

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date that the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred.

ii) Financial Liabilities

For the purpose of subsequent measurement, financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities upon initial recognition.

- **Financial liabilities at fair value through profit or loss** – Financial liabilities at fair value through profit or loss include financial liabilities that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Liabilities in this category are measured at fair value with gains or losses recognized in profit or loss. The Company currently does not hold financial liabilities in this category.
- **Other financial liabilities** – Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method amortization process. The Company's accounts payable and accrued liabilities, amount due to related party, and loans payable fall into this category of financial instruments.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

i) Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period. These reclassifications have no effect on the net loss for the year ended April 30, 2016 and for the period ended January 31, 2017

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

(Continued)

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

a) Title to Mineral Property Interest

Although the Company has taken steps to verify title to mineral properties in which it has interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

b) Impairment of Non-Current Assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors.

Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

c) Decommissioning and Restoration Provision

The decommissioning and restoration provision is based on future cost estimates using information available at the reporting date. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows, and the discount rate. The decommissioning and restoration provision requires other significant estimates and assumptions such as requirements of the relevant legal and regulatory framework, and the timing, extent, and costs of required decommissioning and restoration activities. Actual costs may differ from these estimates. As at April 30, 2016 and 2015, the Company has no material decommissioning and restoration provision.

d) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 5 – ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective as of January 31, 2017. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein.

IFRS 9, Financial Instruments

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of International Accounting Standards (“IAS”) 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard was initially effective for annual period beginning on or after January 1, 2013, but amendments issued in December 2011 have moved the mandatory effective date to January 1, 2015. The Company is assessing the impact of this new standard but does not expect it to have a significant effect on the financial statements.

NOTE 6 – QUALIFYING TRANSACTION

On August 16, 2013, the Company entered into an agreement (the “Agreement”) with Nakina Resources Inc. (“Optionor”), whereby the Company was granted the option (the “Option”) to acquire up to an 80% interest in mineral claims comprising a property for exploration of gold mineralization known as the Tatsamenie property (the “Property”), located within the Atlin Mining District of British Columbia, Canada.

The transaction was intended to constitute the Company’s Qualifying Transaction (“QT”) under Policy 2.4 of the Exchange for capital pool companies.

Cancellation of Agreement

Subsequent to the year ended April 30, 2015, the qualifying transaction with Nakina Resources Inc. was cancelled. Accordingly, the Company has written off the option payment for the year ended April 30, 2015.

See also Note 13 – Events after the reporting period

NOTE 7 – MINERAL PROPERTY

A summary of capitalized acquisition costs for the Tatsamenie Property is as follows:

	\$
Balance, April 30, 2014	25,000
Write off of option Payment - April 30, 2015 (Note 6)	<u>(25,000)</u>
Balance, January 31, 2017 and April 30, 2016	<u>-</u>

See also Note 13 – Events after the reporting period

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 8 – LOANS PAYABLE

	January 31, 2017 \$	April 30, 2016 \$
Due to Shareholder of the Company (a)	-	99,137
Due to Sunorca Development Corp. (b)	-	46,299
Due to Ridge Resources Ltd. (c)	35,000	33,072
	<u>35,000</u>	<u>178,508</u>

- a) The amount due to a shareholder of the Company is unsecured, subject to an interest of 20% per annum, and has no specific terms of repayment. During the period ended January 31, 2017, the Company accrued interest expense of \$Nil (2016 – \$12,918) on the loan. As at October 31, 2016, such amount owing was approximately \$109,327. This indebtedness has now been assigned to Phil Taneda, a director of the Company, who has agreed to reduce such indebtedness to \$75,537 with no further interest being charged, resulting in a write off of \$33,790. The repayment period of such indebtedness has also been extended to that date which is 13 months from the Completion of the Qualifying Transaction.
- b) On August 21, 2013, the Company received a \$35,000 loan from Sunorca Development Corp (“Sunorca”). The loan bears an interest of 12% per annum and is repayable by December 31, 2014. The Company accrued interest expense of \$Nil (2016 - \$3,165) for the period ended January 31, 2017. For the year ended April 30, 2014, the Company recorded an additional interest expense of \$7,000 for the issuance of 70,000 common shares of the Company to Sunorca at a deemed price of \$0.10 per common share as a bonus interest payment on August 21, 2013. Sunorca and Nakina Resources Inc. (Note 6) have a common officer and director. As at October 31, 2016, the Company's indebtedness to Sunorca was approximately \$48,405. Sunorca has agreed to assign the debt to Michael England, the CEO, President and a Director of the Company who has agreed to adjust the indebtedness to \$43,400 with no further interest being charged resulting in a write off of \$5,005. The repayment period of such indebtedness has also been extended to that date which is 13 months from the Completion of the Qualifying Transaction.
- c) On August 21, 2013, the Company received a \$25,000 loan from Ridge Resources Ltd. (“Ridge”). The loan bears an interest of 12% per annum and is repayable by December 31, 2014. The Company accrued interest expense of \$425 (2016 - \$2,259) for the period ended January 31, 2017. For the year ended April 30, 2014, the Company recorded an additional interest expense of \$5,000 for the issuance of 50,000 common shares of the Company to Ridge at a deemed price of \$0.10 per common share as a bonus interest payment on August 21, 2013. As at October 31, 2016 the indebtedness owing to Ridge was approximately \$34,575. Ridge is an arm's length private company. Ridge has agreed to settle all indebtedness for an amount of \$35,000.

On June 26, 2015 the Company received a court order to repay Ridge the sum of the \$25,000 principal and contractual interest at 12% per annum, which amounted to \$5,474 at that date.

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 9 – SHARE CAPITAL

a) Authorized Capital

Unlimited number of common shares without par value.

b) Issued and Outstanding Common Shares

As at January 31, 2017 and April 30, 2016, the Company had 2,553,334 common shares issued and outstanding as presented in the statements of changes in shareholders' equity.

- (i) On August 21, 2013, the Company issued 120,000 shares at a price of \$0.10 pursuant to the terms of two loan agreements (Note 8(b), (c)).
- (ii) Share subscriptions totaling \$22,500 were received during the period ended July 31, 2014. No common shares have been issued for these subscriptions as of January 31, 2017. During the quarter ended January 31, 2017 the Company received additional subscriptions totaling \$88,455

c) Shares Held in Escrow

As at January 31, 2017, the Company has 333,334 common shares held in escrow (2016 – 333,334).

d) Stock Options

There were no options outstanding for the period ended January 31, 2017.

NOTE 10 – RELATED PARTY TRANSACTIONS

As at January 31, 2017, there was a balance due to a former director of the Company in the amount of \$4,559 (2016 – \$4,559) for expenses incurred on behalf of the Company. The balance has been classified as accounts payable for the year ended April 30, 2016 and for the period ended January 31, 2017 as he is no longer a director of the Company.

During the period ended January 31, 2017 England Communications Ltd a company controlled by Michael England, a director of the Company made certain payments on behalf of the Company in the amount of \$11,927. By agreement dated November 14, 2016 England Communications Ltd, acquired by assignment the loan payable to Sunorca Development Corp in the amount of \$43,400 and the Company will have 13 months from the Completion of the Qualifying Transaction to repay such indebtedness. This amount has been reclassified as a long term debt.

By agreement dated Nov 1, 2016 Michael J. England acquired by assignment a debt from a creditor of the Company in the amount of \$34,545. The Company will have 13 months from the Completion of the Qualifying Transaction to repay such indebtedness. This amount has been reclassified as a long term debt.

By agreement dated November 9, 2016, Phil Taneda a director of the Company acquired by assignment a loan that had been made to the Company by a shareholder. The amount of the indebtedness is \$75,537 and the repayment period of such indebtedness has also been extended to that date which is 13 months from the Completion of the Qualifying Transaction. This amount has been reclassified as a long term debt

The above balances due are non-interest bearing, unsecured, and have no specified terms of repayment.

BTU Capital Corp.

Notes to the Financial Statements

For the Nine Months Ended January 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

NOTE 11 – CAPITAL RISK MANAGEMENT

The Company manages its share capital as capital, which as at January 31, 2017 was \$523,425 (April 30, 2016 – \$523,425). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of operating results, changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, warrants or options, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company's share capital is not subject to external restrictions. There were no changes in the Company's approach to capital management during the period ended January 31, 2017.

NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 3(h). The Company's risk management is coordinated in close co-operation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows and raising finances for the Company's capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

a) Fair Values

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

	Financial assets at fair value			January 31, 2017
	Level 1	Level 2	Level 3	
Held-for-Trading Financial Asset				
Cash	\$ 10,474	-	-	\$ 10,474
Total Financial Assets at Fair Value	\$ 10,474	-	-	\$ 10,474

The fair values of the Company's cash, amounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short term nature. The carrying amounts of the amount due to related party and loans payable are measured at amortized cost and approximate their fair values.

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(Expressed in Canadian Dollars)

(Unaudited)

NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk.

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 is dependent upon the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. The Company has a working capital deficiency of \$195,895 as at January 31, 2017. There can be no assurance that such financing will be available on terms acceptable to the Company.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest on the Company's loans payable is based on fixed rates, and as such the Company is not exposed to significant interest rate risk.

e) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US Dollars. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. The Company's exposure to currency risk is currently considered insignificant.

f) Equity Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

NOTE 13 – EVENTS AFTER THE REPORTING PERIOD

On February 20, 2017, the Company announced that it has been granted an option to acquire an undivided 100% interest in the "Shakespeare Property" located approximately three kilometers northeast of Webbwood, Ontario. The project includes the Shakespeare Gold Mine which had operated intermittently since 1905.

The Company intends the transaction to constitute a qualifying transaction ("QT") under TSX Venture Exchange Policy 2.4 "Capital Pool Companies".

About the Shakespeare Property

The Shakespeare Property consists of 9 contiguous mining claims covering roughly 528 hectares, and is located in the Baldwin and Shakespeare Townships, Sudbury Mining Division, Ontario. The Shakespeare Gold

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NOTE 13 – EVENTS AFTER THE REPORTING PERIOD (Continued)

Mine is situated in northeast-trending folded ~2.4 billion-year old Huronian Supergroup, intruded by the ~2.21 billion-year old Nipising diabase dikes and sills, and the ~1.1 billion-year old northwest-trending Keweenawan diabase dikes. The Murray Fault is a regional structure that strikes ENE and passes 300 meters north of the mine. The mineralized zone is broadly concordant with the schistose Matinenda Formation, consisting of quartzite and greywacke that also trends ENE and dips steeply to the south. Historic sampling in the mine area reported 1.12-1.85 ounces per ton over an average width of one meter (see Ontario Geological Survey Mineral Deposits Circular 18, 1979, part 2, 294p.). The Shakespeare Property claim package was assembled to enclose the ENE-trending Matinenda Formation that hosts mineralization, including the down-dip projection of the ore zone at the Shakespeare Mine.

The historical information above predate and do not refer to any category of sections 1.2 or 1.3 of National Instrument 43-101 ("NI 43-101"), such as "mineral resources or "mineral reserves". The Company has not undertaken any independent verification of these estimates and it is uncertain if further exploration will result in the target being delineated as a "mineral resource" within the meaning of NI 43-101. However, the

Company believes that the historical information provides a conceptual indication of the potential of the project.

Additionally, a NI 43-101 technical report dated December 5, 2016 regarding the Shakespeare Property has been prepared on behalf of the Company by Elizabeth Ronacher, PhD, P.Geo., and Jenna McKenzie, P.Geo. of Ronacher McKenzie Geoscience. The report authors have recommended an exploration program of \$200,000, comprised of data compilation, integration and targeting, an IP survey and reconnaissance drilling. Both report authors are independent qualified persons within the meaning of NI 43-101. A copy of the technical report will be made available under the Company's SEDAR profile online at www.sedar.com.

Elisabeth Ronacher, Ph.D., P.Geo. and Jenna McKenzie, P Geo are each an independent "qualified person" within the meaning of NI 43-101 and has reviewed and approved the contents of this news release.

Terms of Option Agreement

Under the terms of the option agreement, BTU will be required to make the following payments and incur the follow exploration expenditures to earn a 100% interest in the Shakespeare Property:

- issue an aggregate total of 1.8 million common shares over a period of 12 months, with 50% of such shares to be issued within 5 days of BTU receiving all necessary approvals with respect to the QT (including but not limited to the approval of the TSXV), and the remaining 50% of such shares to be issued on the 12 month anniversary of the QT; and
- incur an aggregate total of \$400,000 in exploration expenditures in or on the Shakespeare Property, with 50% of such expenditures to be incurred by the 12 month anniversary of the QT, and the remaining 50% of such expenditures to be incurred by the 24 month anniversary of the QT.

During the term of the Option Agreement, BTU will be responsible for the annual claim maintenance fees. BTU has also granted the optionors' a 2% net smelters return royalty on the Shakespeare property. At the option of BTU, BTU may purchase one-half of the royalty for \$1-million.

The optionors include the following individuals: Steven Anderson (Timmins, ON); Don McHoldings Ltd., a private company in which Don McKinnon (Connaught, ON) is the principal; 2554022 Ontario Ltd., a private company in which Amanda Salo (Timmons, ON) is the principal; and Kidridge Capital Inc., a private company in which Leigh Parnham (Burlington, ON) is the principal. Each of the optionors is at arm's length to BTU.

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(Unaudited)

NOTE 13 – EVENTS AFTER THE REPORTING PERIOD (Continued)

The completion of the QT is subject to BTU receiving board approval (which has been obtained), approval from the TSXV, and to BTU completing a concurrent private placement financing as may be necessary for BTU to meet the TSXV's minimum listing criteria as a Tier 2 mining issuer.

Completion of the QT is subject to a number of conditions, including but not limited to, TSXV acceptance and if applicable pursuant to TSXV requirements, majority of the minority shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the QT will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the QT may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

Concurrent Private Placement Financing

In conjunction with closing the transaction, BTU will offer, by way of a non-brokered private placement financing, up to 12 million units (each a "Unit") at a price of five cents per Unit, for gross proceeds of up to \$550,000.

Each Unit will comprise one common share of BTU and one half of a share purchase warrant, with each full warrant entitling the holder to purchase one additional common share of BTU at a price of ten cents per share for a period of one year from the date of issue.

BTU will also offer up to 2 million "flow through" common shares (the "FT Shares") at a price of ten cents per FT Share, for gross proceeds of up to \$200,000.

The proceeds of the offering (assuming it is fully subscribed) will be used as follows:

	Estimated Cost (\$)
To fund remaining costs to complete the QT	50,000
To repay indebtedness owing to an arm's length party	35,000
To fund exploration programs on the Shakespeare Property	200,000
General and administrative expenses over the next 12 months	150,000
Working capital to fund ongoing operations	365,000
TOTAL	800,000

The Resulting Issuer

Upon completion of the QT, it is anticipated that BTU will be a Tier 2 mining issuer, and its current board of directors and management will continue to serve BTU.

The following individuals comprise the anticipated directors, officers and insiders of BTU following completion of the QT:

Michael England, Chief Executive Officer, President and director.

Mike England has been involved in the public markets starting in 1983 working on the floor of the Vancouver Stock Exchange as a floor trader after successfully completing the Canadian Securities, Options and Futures Courses. Since 1995 Mr. England has been involved directly with public companies serving various roles

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NOTE 13 – EVENTS AFTER THE REPORTING PERIOD (Continued)

including investor relations, CEO, directorships and presidencies and has raised in excess of \$40 million to date for exploration and acquisitions.

Phil Taneda, Chief Financial Officer, Secretary and director

Phil Taneda will act as an independent director for the company. Mr. Taneda has over 20 years of experience working in the capital markets in the capacity of Investor relations, director, CFO, audit committees etc. He is

the VP of Koeda Forest Products Ltd a successful wood manufacturing company. Phil recently completed a certificate of marketing and leadership through the Florida State University College of Business.

Twila Jensen, Director

Twila Jensen will act as an independent director for the company. Ms. Jensen has over 15 years of experience working in the capital markets and has extensive experience in marketing. Ms. Jensen has worked with hundreds of public companies in various sectors, and her passion lies in sales and marketing with a focus on strategy.