BUTTE ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

BUTTE ENERGY INC.

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The following is management's discussion and analysis (MD&A) of Butte Energy Inc.'s (Butte or the Company) operating and financial results for the year ended December 31, 2016, compared to the year ended December 31, 2015, as well as information and expectations concerning the Company's outlook based on currently available information. The MD&A should be read in conjunction with the audited financial statements for the years ended December 31, 2016 and December 31, 2015. The financial statements have been prepared in accordance with International Accounting Standards. The reporting and measurement currency is the Canadian dollar.

This report is prepared as of March 23, 2017.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information including estimates of reserves and resources and future revenue associated therewith, expectations of future production, funds flow from operations and the Company's planned work programs and changes thereto in the prospect areas of Central Alberta. The use of any of the words "target", "plans", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such forward-looking information, including but not limited to statements as to production targets, timing of the Company's planned work program and management's belief as to the potential of certain properties, involve known and unknown risks, uncertainties and other factors which may cause the actual results of the Company and its operations to be materially different from estimated costs or results expressed or implied by such forward-looking statements. Forward looking information is based on management's expectations regarding future growth, results of operation, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), plans for and results of drilling activity, environmental matters, business prospects and opportunities. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration and development projects or capital expenditures; the uncertainty of reserve and resource estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks and uncertainties associated with securing the necessary regulatory approvals and financing to proceed with continued development of the prospects in Central Alberta. Although the Company has attempted to take into account important factors that could cause actual costs or results to differ materially, there may be other factors that cause costs of the Company's program or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. See the Principal Business Risks section of this MD&A for a further description of these risks. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information.

OVERVIEW AND SELECTED ANNUAL INFORMATION

	December 31	
Results at a Glance	2016	2015
Financial (Canadian $ except as noted)		
Oil and gas revenue	**9,675**	23,013
Net operating loss	**(38,605)**	(39,896)
General and administrative expenses	**277,120**	448,926
Write-down of exploration and evaluation assets	**4,805**	154,087
Write-down of property, plant and equipment	**-**	1,092,031
Loss for the period	**(672,742)**	(2,120,582)
Basic and fully diluted loss per share	**($0.02)**	($0.05)
Funds used in operations	**(440,008)**	(462,351)
Additions to oil and gas properties	**-**	1,859
Additions to exploration and evaluation assets	**4,805**	173,327
Cash and cash equivalents	**5,918**	6,731
Working capital	**-**	670,169
Total assets	**1,011,337**	1,014,696
Current and long-term liabilities	**12,796,597**	12,127,214
Shareholders' deficiency	**(11,785,260)**	(11,112,518)
Operating		
Average oil production (bopd)	-	1
Average oil price ($/barrel)	-	45.57
Oil and gas revenue ($/BOE)	-	45.57
Royalties ($/BOE)	-	(9.27)
Operating costs ($/BOE)	-	(115.60)
Netback ($/BOE)	-	(79.30)

HIGHLIGHTS

- The Company has not maintained the tier maintenance requirements for a TSX Venture Exchange Tier 2 issuer. Therefore, effective November 14, 2016, the Company's shares were listed and commenced trading on the NEX board of the TSX Venture Exchange under the symbol BEN.H.

- The Company is actively trying to sell its remaining Chigwell leases. The Company's ability to continue as a going concern will be dependent on raising additional funding for future operations.

OPERATIONS UPDATE

During 2016, the Company had no operations other than maintaining its existing leases.

OPERATING AND FINANCIAL RESULTS

Production and Revenue

	December 31,		
	2016	2015	**%**
Average oil production (bopd)	-	1	(100)
Average production (boepd)	-	1	(100)
Average oil price ($/bbl)	-	45.57	(100)
Oil revenue	-	23,013	(100)

As of December 31, 2016, the Company operates one well at Chigwell 04-35-042-26 W4M, which has been shut-in since February 1, 2015. The well was shut-in due to Alberta Energy Regulator guidelines relating to overproduction of non-native gas (CO_2). The 4-35 well will remain shut-in and the Company is actively marketing this one remaining well. The Company disposed of the remaining Chigwell oil inventory for proceeds of $9,700.

Royalties, Operating Expenses and Netbacks

	December 31,		
($/BOE)	**2016**	2015	**%**
Average price	-	45.57	(100)
Royalties	-	(9.27)	(100)
Operating costs	-	(115.60)	(100)
Netback	-	(79.30)	(100)

Operating expenses for 2016 were $48,300 compared to $58,200 in 2015. These expenses were incurred on the Chigwell well, which remains shut-in as stated above. The expenses relate primarily to lease rentals as to $26,500, lease extension fees as to $10,000, and property taxes as to $4,900,

General and Administrative Expenses

General and administrative expenses (G&A) for the year were $277,100 compared to $448,900 for 2015. The decrease in G&A compared to the same period in 2015 primarily related to lower consulting and legal fees.

Depletion and Depreciation

Depletion expense for 2016 was nil compared to $8,900 for 2015. The change in depletion expense during the year was a result of having no production at Chigwell for the entire year.

Net Loss and Funds Used in Operations

The Company posted a loss of $672,700 ($0.02 per share) for the year compared to a loss of $2,120,600 ($0.05 per share) in 2015. The decrease in the loss was primarily due to a reduction in the write-down of property, plant and equipment ($1,092,000) and a decrease in General and Administrative expenses by ($171,800).

Funds used in operations were $440,000 for the year compared to $462,400 in 2015.

CAPITAL EXPENDITURE

		December 31,		
		2016		2015
Additions to exploration and evaluation assets	**$**	**4,805**	$	173,327
Additions to oil and gas properties		**-**		1,859
	$	**4,805**	$	175,186

During the year, there were minimal capital expenditures that related to abandonments and reclamations costs at our Acadia property.

The Company recognized a write-down of $1,092,031 on its Chigwell property in 2015 to reflect the expected net realizable value on a sale of $1,000,000, net of the property's Asset Retirement Obligation. The Company reclassified the property's net realizable value to Asset Held for Sale to reflect its intentions to dispose of the property.

OIL AND GAS RESERVES

In 2015, the Company made the decision to sell its remaining oil and gas property at Chigwell. The Chigwell reserves that remain are related to the asset held for sale.

TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2016, the Company had promissory notes and advances owing to directors for $12,475,948 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 are unsecured and bears interest at prime plus three percent. For the year ended December 31, 2016 $350,485 (2015 - $356,146) of interest expense was accrued on promissory notes. Of the total payable, $8,051,328 matures on December 31, 2018 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.

The advances from directors above are unsecured, payable on demand and non-interest bearing. In the fourth quarter, the Company received $75,000 for additional funding.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had nil working capital compared to working capital of $670,200 at December 31, 2015. The decrease in working capital reflects the reclassification of a part of the amount owing to related parties to current liabilities.

Presently, the Company does not generate sufficient cash flows from its operations. Consequently, the Company needs to raise additional funds by way of equity or debt in order to continue its exploration and development activities and fund its operations. However, there is no assurance that the Company will be able to raise the required funds on terms acceptable to it or at all, which could result in the Company restricting or terminating its capital expenditure program.

CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Significant accounting policies are disclosed in Note 3 to the Audited Financial Statements. Preparation of financial statements in accordance with IFRS requires that management make estimates that affect the reported amount of assets, liabilities, revenues and expenses. The estimates used in applying these critical accounting policies for property, plant and equipment are as follows:

Property, Plant and Equipment and Exploration and Evaluation Assets

Property, plant and equipment is measured at cost less accumulated depletion, depreciation and impairment losses. Oil and gas properties are depleted using the unit-of-production method over proved and probable reserves. The unit of production rate includes expenditures incurred to date in addition to future development costs required to develop the proved and probable reserves. The determination of proved and probable reserves is dependent on reserve evaluations, which are subject to the significant judgments and estimates.

Exploration and evaluation ("E&E") assets are costs associated with the Company's exploration and development activities. Costs are initially capitalized, and include expenditures such as the acquisition of licenses, seismic acquisition, drilling and testing and estimated retirement costs. E&E assets are accumulated in cost centres pending determination of the technical feasibility and commercial viability of extracting a mineral resource. In order to determine whether technical feasibility and commercial viability result in the extraction of a mineral resource proved reserves must be determined to exist. The determination of proved or probable reserves is dependent on reserve evaluations, which are subject to significant judgments and estimates.

An acceptable alternative method of accounting for E&E assets exists under IFRS 6 "Exploration for and Evaluation of Mineral Resources". This methodology allows for charging exploratory dry holes and geological and geophysical exploration costs incurred after having obtained the legal right to explore an area against net earnings in the period incurred, rather than capitalizing to E&E assets.

Property, plant and equipment is tested for impairment whenever changes in conditions indicate that the carrying value of an asset or group of assets may not be recoverable. Indications of impairment include the existence of low commodity prices for an extended period, significant downward revisions of estimated reserves, increases in future estimated development expenditures or significant adverse changes in the applicable legislative or regulatory frameworks. If any such indication of impairment exists, the Company performs an impairment test related to the specific assets. Individual assets are grouped for impairment assessment purposes into Cash Generating Units ("CGUs") which are the lowest level at which there are identifiable cash inflows that are largely independent of the cash flows of other groups of assets. The determination of fair value of CGUs requires the use of assumptions and estimates including quantities of recoverable reserves, production quantities, future commodity prices and development and operating costs. Changes in any of these assumptions, such as a downward revision in reserves, decrease in commodity prices or increase in costs, could affect fair value.

Crude Oil and Natural Gas Reserves

Reserve estimation involves an exercise of judgment. Estimates are based on engineering data, future prices, expected future rates of production and timing of future capital costs, all of which are subject to many uncertainties and interpretations. The Company expects that over time, its reserve estimates will be adjusted either upward or downward based on updated information such as the results of future drilling, testing, production levels and a change in commodity prices. Reserve estimates can have a significant impact on net earnings, as they are a key component in the calculation of depletion and depreciation and for determining potential asset impairment. As an example, a change in the proved reserve estimates would result in an increase or decrease to the depletion and depreciation charge to net earnings. Downward revisions to reserve estimates may also result in an impairment of property, plant and equipment carrying amounts.

Asset Retirement Obligations

The Company recognizes an asset and liability for any existing asset retirement obligation ("ARO") associated with its property, plant and equipment. The ARO provision is determined by discounting the expected future cash flows to settle the ARO at the risk free rate specific to the liability in effect at the end of the period. The ARO will be adjusted, subsequent to the initial measurement for changes in cash flows pertaining to the obligation, changes to the risk free rate and changes to the passage of time. Changes due to the passage of time are recorded as accretion expense whereas changes to the risk free rate and estimated future cash flows are recorded as an increase to property, plant and equipment.

Estimating the timing and amount of cash flows to measure the obligations are exceptionally challenging and are based on management's experience. Changes in estimates would affect accretion and depletion expense in the statements of operations.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, trade and other payables and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements. The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses. For other debts, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realized value. The fair value of these financial instruments approximates the carrying values of these instruments.

Income Taxes

The Company accounts for deferred income taxes calculated on the estimated tax effects of temporary differences between the carrying value of assets and liabilities in the financial statements and their respective tax basis using income tax rates substantively enacted as at the date of the balance sheet. Reversal of timing differences and changes to tax legislation can affect future earnings.

Stock-Based Compensation

The company uses the Black-Scholes model in arriving at the fair value for all share-based awards issued by the Company. In estimating the fair value of the stock-based compensation, estimates used are expected volatility in share price, option life, risk-free rate and estimated forfeitures at the initial grant date. These estimates are subject to measurement uncertainty.

INTERNAL CONTROL OVER REPORTING

The Company's President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109. The Company's CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding the required disclosure.

The CEO and CFO have also designed internal control over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. During the year ended December 31, 2016, there have been no changes to the Company's internal controls over financial reporting.

Because of their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, error or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met.

QUARTERLY SUMMARY

Below is a summary of Butte's performance over the last eight quarters:

	2016			
($, except as noted)	**Q4**	**Q3**	**Q2**	**Q1**
Daily Production				
Oil (bpd)	-	-	-	-
Natural gas (mcf/d)	-	-	-	-
Average production (boepd)	-	-	-	-

	2015			
($, except as noted)	**Q4**	**Q3**	**Q2**	**Q1**
Daily Production				
Oil (bpd)	-	-	-	16
Natural gas (mcf/d)	-	-	-	-
Average production (boepd)	-	-	-	16

	2016			
($, except as noted)	**Q4**	**Q3**	**Q2**	**Q1**
Average Price				
Oil ($/bbl)	-	-	-	-
Natural gas ($/mcf)	-	-	-	-
Average price ($/boe)	-	-	-	-

	2015			
($, except as noted)	**Q4**	**Q3**	**Q2**	**Q1**
Average Price				
Oil ($/bbl)	-	-	-	45.57
Natural gas ($/mcf)	-	-	-	-
Average price ($/boe)	-	-	-	45.57

	2016			
($, except as noted)	**Q4**	**Q3**	**Q2**	**Q1**

Netback				
Average price ($/bbl)	-	-	-	-
Royalties	-	-	-	-
Operating expenses	-	-	-	-
Netback ($/bbl)	-	-	-	-

	2015			
($, except as noted)	**Q4**	**Q3**	**Q2**	**Q1**
Netback				
Average price ($/bbl)	-	-	-	45.57
Royalties	-	-	-	(9.27)
Operating expenses	-	-	-	(70.93)
Netback ($/bbl)	-	-	-	(34.63)

	2016			
($, except as noted)	**Q4**	**Q3**	**Q2**	**Q1**
Net operating income				
Oil and gas revenue	-	-	9,675	-
Royalties	-	-	-	-
Operating expenses	(2,340)	(4,760)	(18,105)	(23,075)
	(2,340)	(4,760)	(8,430)	(23,075)

	2015			
($, except as noted)	**Q4**	**Q3**	**Q2**	**Q1**
Net operating income				
Oil and gas revenue	-	-	-	23,013
Royalties	-	-	-	(4,680)
Operating expenses	(3,154)	(4,047)	(15,213)	(35,815)
	(3,154)	(4,047)	(15,213)	(17,482)

	2016			
	Q4	**Q3**	**Q2**	**Q1**
General and administrative expenses	48,458	57,868	79,347	91,447
Write-down of exploration and evaluation assets	(933)	5,738	-	-
Net loss	(138,467)	(156,630)	(175,356)	(202,289)
Basic and Fully Diluted loss per share	(0.01)	(0.00)	(0.00)	(0.01)

	2015			
	Q4	**Q3**	**Q2**	**Q1**

General and administrative expenses	83,151	110,073	121,564	134,138
Write-down of exploration and evaluation assets	119,621	5,694	6,322	22,450
Write-down of property, plant and equipment	1,092,031	-	-	-
Net loss	(1,406,086)	(208,591)	(233,047)	(272,858)
Basic and Fully Diluted loss per share	(0.03)	(0.01)	(0.00)	(0.01)

FOURTH QUARTER 2016

Due to the shut-in of the Company's producing well at Chigwell 4-35, the variations in quarterly results were minimal among the periods disclosed.

OUTSTANDING SHARE DATA

There were 43,738,810, common shares outstanding as at December 31, 2016 and March 23, 2017. The Company also had no stock options outstanding as at the same dates.

PRINCIPAL BUSINESS RISKS

Butte's business and results of operations are subject to a number of risks and uncertainties, including but not limited to the following:

Exploration, development, production and marketing of oil and natural gas involves a wide variety of risks which include but are not limited to the uncertainty of finding oil and gas in commercial quantities, securing markets for existing reserves, commodity price fluctuations, exchange and interest rate exposure and changes to government regulations. Changes in government regulation further include risks relating to prices, taxes, royalties and environmental protection. The oil and gas industry is intensely competitive and the Company competes with a large number of companies with greater resources.

Butte's ability to increase its reserves in the future will depend not only on its ability to successfully explore and develop its current properties but also on its ability to acquire new prospects and producing properties. The acquisition, exploration and development of new properties also require that sufficient capital from outside sources will be available to the Company in a timely manner. Several factors affect the availability of equity or debt financing, many that are beyond the control of the Company.

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.

CORPORATE INFORMATION

DIRECTORS AND OFFICERS	
Victor Redekop 1 2 3 Director, Chairman of the Board	**AUDITORS** Steve L. Czechowsky, Professional Corporation Calgary, Alberta
Charles Baker Director	**BANKERS** ATB Financial Calgary, Alberta
Chris Reimchen Director	**CONSULTING ENGINEERS** 694093 Alberta Ltd. Calgary, Alberta
Cuneyt Tirmandi 1 2 3 Director	**TRANSFER AGENT AND REGISTRAR** Computershare
Gerry Gilbert 1 2 3 Director	**LEGAL COUNSEL** Borden Ladner Gervais LLP Calgary, Alberta
Ty Pfeifer President and Chief Executive Officer	**STOCK EXCHANGE LISTING** NEX Board of the TSX Venture Exchange Trading Symbol: BEN.H
Chris Reimchen Chief Financial Officer	
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