

Butte Energy Inc.

Management's Discussion and Analysis
of Financial Condition and Results of Operations
As at and for the years ended December 31, 2022 and 2021

Management's Discussion and Analysis

The following discussion is management's assessment and analysis of the results and financial condition of Butte Energy Inc. (the "Company" or "Butte"), and should be read in conjunction with the accompanying audited financial statements and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS") and all figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is April 25, 2023.

Caution Regarding Forward-Looking Information

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The Company currently has no active operations and is evaluating opportunities, including those outside of the oil and gas industry. 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 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), 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. 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 the costs of the Company's 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 Risks and Uncertainties 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.

Description of Business

The Company is incorporated under the Business Corporations Act (British Columbia). The Company's head office and principal and registered address is 3123-595 Burrard Street, Vancouver, British Columbia, V7X 1J1 Canada. 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. The board of directors have been evaluating potential opportunities, including those outside of the oil and gas industry.

Overview of Prior Oil and Gas Operations

The Company operated one well at Chigwell 04-35-042-26 W4M, which was shut-in since February 1, 2015. The well was shut-in due to AER guidelines relating to overproduction of non-native gas (CO₂). In 2015, the Company actively started to sell the Chigwell property. The Company placed the well at Chigwell 04-35-042-26 W4M in production in February 2017 before shutting it down again at the end of March 2017. On August 15, 2017, the Company announced the completion of the sale of the Chigwell properties, which constituted the final disposition of the Company's remaining asset. The proceeds of the sale were used for the payments of the liabilities of the Company, and the then board of directors actively sought a transaction(s) whereby the Company could continue as a going concern.

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The Company still has obligations regarding the finalization of the reclamation of previously abandoned well sites. A provision of \$42,018 for the expected reclamation costs is included in the Company's statement of financial position as at December 31, 2022 (December 31, 2021: \$73,944). The Company received reclamation certificates on three well sites, which reduced the liability by \$31,926 during the year. Two abandoned well sites remain in order to finalize the reclamation process.

Overall Performance and Results of Operations

Total assets decreased to \$117,034 at December 31, 2022, from \$149,628 at December 31, 2021. The decrease in assets was primarily due to cash of \$15,160 as at December 31, 2022, compared to \$40,520 as at December 31, 2021. The decrease in cash during the year ended December 31, 2022, was the result of \$163,495 used in operating activities, partially offset by the proceeds of \$140,000 from the exercise of share options during the year.

Three months ended December 31, 2022 and 2021

During the three months ended December 31, 2022, the Company recorded a loss of \$18,124, compared to a loss of \$38,866 during the three months ended December 31, 2021. Net loss for the three months ended December 31, 2022, decreased by \$20,742 primarily due to:

- An increased gain of \$25,000 as compared to the prior period, related to the write off provision for environmental liabilities. The Company remediated three wells during the year and received a reclamation certificate for each well, which resulted in a decrease in the provision for environmental liabilities.

Years ended December 31, 2022 and 2021

During the year ended December 31, 2022, the Company recorded a loss of \$398,465, compared to a loss of \$361,785 during the year ended December 31, 2021. Net loss and comprehensive loss for the year ended December 31, 2022, increased by \$36,680 primarily due to:

- An increase of \$24,856 in regulatory and transfer agent. Regulatory and transfer agent expenses during the prior comparative period includes refunds received for filing fees related to stock option plan filing and the terminated Transaction.
- An increase of \$237,799 in share-based compensation. On July 13, 2022, the Company granted 4,250,000 incentive share options to certain directors, officers, consultants and charitable organizations at a price of \$0.07 per share, exercisable until July 13, 2032.

The increase in loss was partially offset by:

- A decrease of \$206,554 in professional fees. The decrease was due to increased legal expenses incurred in the prior comparative period related to a terminated transaction.
- An increased gain of \$25,000 as compared to the prior year, related to the write off of provision for environmental liabilities. The Company remediated three wells during the year and received a reclamation certificate for each well, which resulted in a decrease in the provision for environmental liabilities

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Liquidity and Capital Resources

As at December 31, 2022, the Company had working capital of \$33,709 (December 31, 2021: \$54,375).

Presently, the Company does not generate sufficient cash flows from its operations and has no active operations as of December 31, 2022. Consequently, the board of directors and management have been evaluating potential opportunities, including those outside of the oil and gas industry.

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

The Company has no bank debt or banking credit facilities in place.

Outstanding Share Data

As at December 31, 2022, there were 64,276,841 common shares issued and outstanding and 1,950,000 share options outstanding and exercisable.

As at the date of the MD&A, there were 64,412,841 common shares issued and outstanding and 1,814,000 share options outstanding and exercisable.

Selected Annual Information

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Total assets	\$ 117,034	\$ 149,628	\$ 349,130
Loss for the year	\$ (398,465)	\$ (361,785)	\$ (935,068)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	63,959,032	63,733,279	61,252,678

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Summary of Quarterly Results

The following is a summary of quarterly financial information prepared in accordance with IFRS:

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Revenue	\$ -	\$ -	\$ -	\$ -
Loss for the year	(18,124)	(289,405)	(49,002)	(41,934)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Weighted average number of common shares outstanding	63,559,032	63,876,840	63,876,840	63,876,840
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	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	\$ -	\$ -	\$ -	\$ -
Net loss and comprehensive loss	(38,866)	(16,647)	(29,667)	(276,605)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Weighted average number of common shares outstanding	63,876,840	63,876,840	63,721,285	63,476,840
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Q1 2021 included increased legal fees and regulatory expenses related to the terminated Transaction. Q2 2021 included legal credits received related to the terminated Transaction in Q1 2021. Q3 2021 included filing fees refunds received related to the stock option plan and terminated Transaction in Q1 2021. Q3 2022 included share-based compensation of \$237,799. Q4 2022 included a gain on write-off of provision in the amount of \$31,926 relating to environmental reclamation.

Related Party Transactions

Compensation of key management personnel

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 year ended December 31, 2022 included share-based compensation of \$69,941 (2021: \$nil).

Risks and Uncertainties

The Company was engaged in the acquisition and exploration of oil and gas projects, an inherently risky business, and there was no assurance that economically recoverable resources would ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of economically recoverable resources.

Exploration activities require large amounts of capital. There is a risk that during the current difficult economic situation the Company will not be able to raise sufficient funds to finance its projects to a successful development and production stage. While the Company's management and technical team carefully evaluated all potential projects prior to committing the Company's participation and funds, there is a high degree of risk that the Company's exploration efforts will not result in discovering economically recoverable resources.

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The Company depended on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

Financial Instruments

Financial Risk Management and Fair Value Measurement

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. Cash is carried at fair value.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on cash. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution. The maximum exposure to credit risk is equal to the carrying value of its cash.

Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. As at December 31, 2022, the Company had working capital of \$33,709 and requires additional funding to continue operations for the next twelve months.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

a) Interest Rate Risk

The Company is nominally exposed to interest rate risk. The Company's cash earns interest at variable rates. Interest rate exposure is considered to be insignificant.

b) Foreign Currency Risk

The Company is nominally exposed to material currency risk.

c) 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.

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Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual financial statements and respective accompanying management's discussion and analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Subsequent Events

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. Following the consolidation, the Company has 64,412,840 common shares issued and outstanding.

The Company issued 136,000 shares in regard to the exercise of stock options at \$0.50. The Company received \$68,000 in gross proceeds.

Outlook

The Company is constantly seeking opportunities in the natural resource industry and in new industries.

Additional information relating to the Company is available on SEDAR at www.sedar.com.