

**MOUNT DAKOTA ENERGY CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS PERIOD ENDED APRIL 30, 2013**

June 26, 2013-The following Management Discussion and Analysis of financial results of Mount Dakota Energy Corp. ("Mount Dakota" or "the Company") should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended April 30, 2013 and the accompanying notes thereto. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Mount Dakota is listed on TSX Venture Exchange under the symbol "MMO.V".

Mount Dakota is a Company engaged in the acquisition and drilling of oil & gas producing properties. The Company's success relies on its ability to grow the reserves and production by drilling exploration wells. The reader of this management discussion should be aware that the oil & gas exploration business is highly volatile, with the underlying commodity prices of oil & gas determined by forces outside of the control of the Company. Additionally, oil & gas wells themselves are very dynamic entities, which can suddenly, without prior notice, freeze-up, breakdown, and encounter water problems amongst other things. Therefore, the management of the Company wishes to inform shareholders of the Company, and potential shareholders, that shares in the Company should be rated as "highly speculative", and are not suitable for risk adverse individuals or portfolios. Please consult with your registered financial advisor as to the appropriateness of having or holding shares in a "highly speculative" security.

On February 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). Prior to the transition, the Company prepared its interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The unaudited condensed consolidated interim financial statements for the three months ended April 30, 2013, which are discussed in this MD&A, have been prepared in accordance with IFRS accounting policies.

The significant accounting policies used by Mount Dakota are disclosed in Note 3 to the unaudited condensed consolidated interim financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts to differ materially from current estimates. All dollar amounts included herein are in Canadian dollars except where noted.

Barrels of Oil Equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand two hundred and ninety cubic feet per barrel (6.29 mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers should be aware that historical results are not necessarily indicative of future performance.

**OPERATIONS**

Mount Dakota produced an average of 5 boe per day during the three months ended April 30, 2013 consisting of sales in oil compared to 2 boe the previous year's three months ended April 30, 2012. The economic viability of the Alsike 2 is still being determined.

**FINANCIAL RESULTS**

Gross petroleum and natural gas revenue during the three months ended April 30, 2013 was \$23,954 compared to \$18,521\* during the previous year ending in 2012. There is generally a sixty day delay from the time of production to the recovery of revenues from the Company's operator. The year end receivable is, therefore, recovered in the following fiscal period. There is also a sixty day delay in discharging payables to the operator which results in the year-end payable being discharged in the following fiscal year.

Operating Income	For three months ended April 30, 2013 (\$)	For three months ended April 30, 2012 (\$)
<b>Revenues</b>	23,954	18,521*
<b>Royalties (refund)</b>	-	1,357
<b>Production Costs</b>	27,262	9,348
<b>Gross Operating Profit (Loss)</b>	(3,309)	7,817

\*Revenues for the three months ending April 30, 2012 was adjusted from the previously recorded \$66,569 to \$18,521. This was done to distinguish production revenues of \$18,521 and lease revenues of \$48,048.

On January 21, 2012, the Company entered into a Paid-Up Oil and Gas Lease agreement with a third party company (the "Lessee") for the right to explore a 640.64 acre section in the County of Billings, North Dakota, USA. The lease is for 3 years and US\$48,048 (US\$75 per acre) has been paid up front. The lease also contains an option for an additional 2 years at the same rate per acre for each section renewed. The Company received the lease payment of US\$48,048 in June 2012 and recognized the amount as lease income during the year ended January 31, 2013. \*The income received from this transaction is not included in the above operating income and recorded as other income in the financial statements for the three months ended April 30, 2013.

**General and Administrative**

General and administrative expenditures for the three months ended April 30, 2013 were \$18,326 as compared to \$37,616 for 2012. Billing related to consulting and management fees as well as office rent were suspended by companies controlled by two directors of the Company which significantly lowered general and administrative charges for the period ending 2013 compared to 2012. As of April 30, 2013 \$1,168,378 in consulting fees, management fees, and office rent owed to companies controlled by two directors of the Company remains unpaid and has been accrued as due to related parties. The outstanding amounts are non-interest bearing, unsecured and due on demand.

**MANAGEMENT DISCUSSION AND ANALYSIS (continued):****Cash Flow From Operations and Net Income**

For the three months ended April 30, 2013, the Company reported a comprehensive loss of \$21,511, compared to a gain of \$18,394 for the comparative period in 2012. The indefinite suspension of management and consulting fees were responsible for the significant changes.

Operating Income	For three months ended April 30, 2013 (\$)	For three months ended April 30, 2012 (\$)
Gain (loss)	(21,511)	18,394
Basic/diluted Income (loss) per share	0.00	0.00
Total Assets	293,695	488,522
Total Liability	1,412,207	1,471,133

**Depletion**

There were depletion and depreciation expenses of \$4,673 for the three months ended April 30, 2013 compared to \$10,222 for the comparative 2012 year.

**Summary Information of the Eight Most Recently Completed Quarters:**

Three-Month Period Ended	IFRS April 30, 2012	IFRS January 31, 2013	IFRS October 31, 2012	IFRS July 31, 2012
Revenue	23,954	28,644	41,005	7,191
Oil & Gas Expenditures	27,262	52,147	24,936	19,049
General & Admin.	18,326	31,820	19,307	44,548
Other Income	124	(464)	119	922
Total Income (Loss)	(21,511)	(55,787)	(3,118)	(55,485)
Gain/(Loss) Per Share basic & diluted	0.00	(0.01)	0.00	(0.01)

**Summary Information of the Eight Most Recently Completed Quarters (continued)**

Three-Month Period Ended	IFRS** April 30, 2012	IFRS January 31, 2012	IFRS October 31, 2011	IFRS July 31, 2011
Revenue	18,521	27,036	70,044	60,658
Oil & Gas Expenditures	10,704	42,265	65,093	26,020
General & Admin.	37,616	66,851	144,976	139,578
Other Income	48,193	124,046	—	—
Total Income (Loss)	18,394	41,968	(140,025)	(104,941)
Gain/(Loss) Per Share basic & diluted	0.00	0.00	(0.02)	(0.01)

\*\*The revenues for the quarter ending April 30, 2012 were restated to distinguish operating revenues from lease rental revenues related to the transaction with Chesapeake Exploration.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company depends on loans by companies controlled by directors as well as credit from vendors to maintain operations. The directors of the Company will continue the loans until Mount Dakota is self sufficient and the Company has good relationships with its vendors. At April 30, 2013 the Company had a working capital deficiency of \$1,339,647. The Company currently has no bank loans outstanding. The net debt outstanding is \$1,372,803. Management is confident that minimal success in the field will enable the Company to repay all loans and payables as well as operate profitably.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### RESERVES

(Proved Plus Probable Constant Price Discounted at 10%)

	January 31, 2013	January 31, 2012	Change
Net Reserves (BOE)	14,000	17,400	-20%
Net Present Value (\$) Before Taxes	358,000	574,000	-38%

The sale of the Garrington well is responsible for the decline in reserves and net present value. Production for the Company's wells have been projected to year 2029 in 2013 compared to 2031 in 2012 by the engineering firm that conducted the reserve report. Management believes the reserve life of the Company's wells are long lived based on the consistent daily production. Additional information can be found in the Company's NI 51-101 disclosure on SEDAR at [www.sedar.com](http://www.sedar.com).

### OUTSTANDING SHARES

As of April 30, 2013, Mount Dakota had the following securities outstanding: 8,460,087 common shares and 846,000 stock options.

### RELATED PARTY TRANSACTIONS

During the three months ended April 30, 2013, the Company entered into the following related party transactions:

- (a) Rent totaling \$Nil (2012 - \$10,500) was provided by a company controlled by a director of the Company;
- (b) Accounting expense totaling \$3,900 (2012 - \$3,904) was provided by a company controlled by a director of the Company

As at April 30, 2013, included in loans from companies controlled by directors was \$1,168,378 for the above services.

These transactions were in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

### SUBSEQUENT EVENTS

There are no subsequent events to report.

### BUSINESS PROSPECTS AND OUTLOOK

One of the keys to the successful future growth of a junior oil & gas company is to acquire leases to drill, or to induce others to drill and receive a carried interest. The delay in the completion of the Alsike 2 well is significantly longer than expected. The Company has yet to determine the economic feasibility of the Alsike 2.

### BUSINESS RISKS

The oil and gas industry is subject to risks in (among others):

- Finding and developing reserves.
- Commodity prices received for such reserves.
- Availability of equipment, manpower and supplies.
- Availability and cost of capital to achieve projected growth.
- Effect of weather on drilling and production.
- Operating in an environmentally appropriate fashion.

Mount Dakota mitigates these business risks by:

- Maintaining cost-effective operations.
- Operating our own properties to control the amount and timing of capital expenditures.
- Minimizing costs by re-entering existing wells to explore missed pay zones
- Restricting operations to western, central and southern Alberta where locations are accessible, operating and capital costs are reasonable and on-stream times are shorter.
- Drilling wells in areas with multiple high deliverability zone potential.

### DISCLOSURE CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurances that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), and that management has evaluated the effectiveness of the Company's disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators and has concluded that such disclosure controls and procedures are effective. However, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors or fraud. An economically feasible control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued):**

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The CEO and CFO of Mount Dakota are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. The Company assessed the design of its internal control over financial reporting as of January 31, 2013. During this process, management identified certain weaknesses in internal controls over financial reporting which are as follows:

- Due to the nature of the joint venture agreements, the Company is completely reliant on joint venture partners for revenue and cost statements for some of the Company's wells; the Company's limited size does not make it economically feasible to establish a staff to audit the statements of the Company's partners
- Due to the limited number of staff, the Company does not have the sufficient number of financial personnel with the technical accounting knowledge to address all the complex and non-routine accounting transactions that may arise

These weaknesses in internal controls over financial reporting result in a possibility that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

### **READER ADVISORY**

Statements in this document may contain forward-looking information. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. The reader is cautioned not to place undue reliance on this forward looking information.