MOUNT DAKOTA ENERGY CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2011

May 27, 2011-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 audited annual financial statements for the year ended January 31, 2011 and the accompanying notes thereto. Additional information relating to the Company is available on SEDAR at 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.

The significant accounting policies used by Mount Dakota are disclosed in Note 2 and 3 to the audited annual 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 that 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 28 boe per day during the year ended January 31, 2011 consisting of sales in oil and natural gas liquids ("NGL") and compared to 25 boe the previous year ended January 31, 2010. On a volume basis, natural gas accounted for 55 percent of total sales for the 2011 year end and oil and liquids accounted for the balance. The completion of the Company's new well "Alsike 2" was delayed significantly because of technical difficulties related to the down hole pump. The Alsike 2 has been completed and is in the process of being tested.

FINANCIAL RESULTS

Gross petroleum and natural gas revenue during the year ended January 31, 2011 was $345,335 compared to $333,362 during the previous year ending in 2010. 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 period.

Operating Income	**Year ended January 31,**	
	2011	**2010**
Revenues	$345,335	$333,362
Royalties	$41,198	$22,803
Production Costs	$178,642	$207,551
Gross Operating Profit	$125,495	$103,008

General and Administrative

General and Administrative expenditures for the year ended January 31, 2011 were $530,435 as compared to $555,167 for 2010. As of January 31, 2011 $1,000,973 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 loans from companies controlled by the two directors. The outstanding amounts are non-interest bearing, unsecured and due on demand.

Bank Loan and Interest Costs

On March 15, 2007, the Company obtained an operating line of credit facility of $100,000 from a Canadian financial institution, bearing interest at a variable rate equal to the institution's prime rate, which was 6% at March 15, 2007 plus 5%. On October 26, 2007, the operating line of credit facility limit was temporarily raised to $150,000. On May 1, 2008, the credit facility was reduced back to $100,000. On October 1, 2008 the credit facility was increased to $150,000. On February 2010, the credit facility was repaid and reduced to $80,000 and on May 2010, the credit facility was cancelled. On April 30, 2009, the Company received a loan from an arms-length party for $25,000 having an interest rate of 6% per year. During the year, the Company paid $1,475 in interest and repaid $12,500, half of the outstanding principle.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Cash Flow From Operations & Net Income

For the year ended January 31, 2011, the Company reported a loss from operations of $404,940, compared to a loss from operation of $58,415for the comparative period in 2010. The significant increase in loss in 2011 was because the losses in 2010 were offset with the $185,578 gain made on the proceeds received from the farmout of the Rosevear lease and the gain of $176,886 on the derecognition of the pipeline transportation commitment related to the previously abandoned Siverson well.

	Year ended January 31, 2010	2009
Gain/(Loss) for the year	($404,940)	($58,415)
Gain/(Loss) per share	($0.05)	($0.01)

Depletion

There were depletion and depreciation charges of $96,432 for the year ended January 31, 2011 compared to $61,444 for the comparative 2010 year.

Annual Financial Information

Year Ended	January 31, 2011	January 31, 2010	January 31, 2009
Financial Results			
Revenue	$ 345,335	333,362	$ 733,171
Direct Oil & Gas Expenditures	219,840	230,354	359,307
General & Admin.	530,435	555,167	535,863
Income (Loss)	(404,940)	(58,415)	(139,429)
Loss Per Share (basic & diluted)	(0.05)	(0.01)	(0.02)
Financial Position			
Working Capital (deficiency)	(1,207,755)	(829,084)	(1,049,337)
Oil and Gas Properties	481,064	503,674	740,186
Total Assets	546,045	667,030	818,701
Share Capital	5,333,848	5,333,848	5,333,848
Deficit	(6,447,764)	(6,042,824)	(5,984,409)

Summary Information of the Eight Most Recently Completed Quarters:

Three-Month Period Ended	Jan. 31, 2011	Oct. 31, 2010	Jul. 31, 2010	Apr. 30, 2010
Revenue	$84,279	$ 84,606	$ 77,545	$ 98,905
Direct Oil & Gas Expenditures	56,306	49,018	57,463	57,053
General & Admin.	139,217	115,729	139,099	136,397
Total Income (Loss)	(111,243)	(80,141)	(119,017)	(94,539)
Gain/(Loss) Per Share basic & diluted	(0.01)	(0.01)	(0.01)	(0.01)

Continued:

Three-Month Period Ended	Jan. 31, 2010	Oct. 31, 2009	Jul. 31, 2009	Apr. 30, 2009
Revenue	$ 101,042	$ 82,536	$ 76,089	$ 73,695
Oil & Gas Expenditures	95,373	58,111	38,281	38,589
General & Admin.	128,450	127,097	163,403	136,217
Total Income (Loss)	608,684	(97,774)	(375,201)	(194,124)
Gain/(Loss) Per Share basic & diluted	0.10	(0.01)	(0.04)	(0.02)

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 January 31, 2011 the Company had a working capital deficiency of $1,207,755. The Company currently has no bank loans outstanding. The net debt outstanding is $1,000,973. Management is confident that minimal success in the field will enable the Company to repay all loans and payables as well as operate profitably.

RESERVES

(Proved Plus Probable Constant Price Discounted at 10%)

	January 31, 2011	January 31, 2010	Change
Net Reserves (BOE)	47,400	57,800	-18%
Net Present Value ($) Before Taxes	943,000	1,286,000	-27%

Production for the Company's wells have been projected to year 2030 in 2011 compared to 2029 in 2010 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. The natural decline of the current wells account for the decrease of reserves. Additional information can be found in the Company's NI 51-101 disclosure on SEDAR at www.sedar.com.

OUTSTANDING SHARES

As of January 31, 2011 and May 27, 2011, Mount Dakota had the following securities outstanding: 8,460,087 common shares and 1,067,675 stock options.

RELATED PARTY TRANSACTIONS

During the year ended January 31, 2011, the Company entered into the following related party transactions:

(a) Management and Consulting fees of $288,000 (2010 - $298,000) were accrued to a company controlled by a director of the Company;

(b) Rent totaling $42,000 (2010 - $42,000) was accrued to a company controlled by a director of the Company;

(c) Accounting expense totaling $12,360 (2010-12,360) was provided by a company controlled by a director of the Company

As at January 31, 2011, included in loans from companies controlled by directors was $1,000,973 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.

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. Gas prices have remained weak throughout the year which has impacted the Company negatively. The delay in the completion of the Alsike 2 well was significantly longer than expected. The Company has addressed the technical issues and is in the process of testing the Alsike 2 over the next four weeks. Management is optimistic that the Alsike 2 will be a successful well.

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 Multilateral 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.

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 Canadian GAAP. The Company assessed the design of its internal control over financial reporting as of January 31, 2011. 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

During February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that effective January 1, 2011, the requirement to report under International Financial Reporting Standards ("IFRS") with comparative 2010 periods will take effect. In October 2009, AcSB issued a third and final IFRS Omnibus Exposure Draft confirming that publicly accounting enterprises will be required to apply IFRS, in full and without modification, for financial periods beginning on January 1, 2011. As a result, Canadian GAAP as it presently is, will cease to exist for all public entities reporting in Canada on that date. Although IFRS is principles based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies, as well as increased disclosure requirements under IFRS.

In order to provide the comparative information required, the Company will have to be able to produce IFRS statements for the entire 2010 period beginning with an opening balance sheet at February 1, 2010 in IFRS format. The International Accounting Standards Board has made certain amendments and exemptions to IFRS 1 relating to full cost oil and gas accounting. The amendments permit the Company to apply IFRS prospectively to their full cost pool of capitalized exploration and development expenses, with an initial impairment test, at the transition date. The Company will then be required to adopt a similar form to the "successful efforts" method of accounting for oil and gas on a prospective basis.

In order to meet the requirement to transition to IFRS, the Company has appointed internal and external sources to complete the conversion project. The Company will involve external auditors and external consultants, as required, during the conversion project. The Company has completed a review of the differences between Canadian GAAP and IFRS and has commenced the detailed assessment of individual differences, policy choices and the impacts to the Company's financial statements and business processes. The preliminary analysis of the project to date has indicated that the major accounting areas that will be affected are property, plant and equipment, impairment testing, asset retirement obligations and income taxes. Specific areas of change noted to date are as follows:

Accounting for property, plant and equipment and full cost accounting:

IFRS does not allow full cost accounting for property, plant and equipment as currently practiced in the Canadian energy industry. Under IFRS, the Company will reclassify Exploration and Evaluation ("E&E") expenditures that are currently included in the petroleum and natural gas assets balance on the Balance Sheet. E&E assets will include the book value for undeveloped land that relates to exploration properties and the geological and seismic expenditures that relate to those properties. These assets will not be depleted and but will be assessed for impairment and written down when indicators suggest the likelihood of impairment. The Company will continue to use the unit of production method to deplete assets whose useful lives are related to the Company's reserves. IFRS does not specifically state which reserve category to use whereas under Canadian GAAP only proved reserves are used. It is possible that the Company's peer group will chose to use proved plus probable reserves as the base for depletion. At this time, the Company has not concluded which method it expects to use but will likely try to be consistent with the majority of the Canadian junior oil and gas sector. Impairment testing for petroleum and natural gas assets under IFRS will be performed for each cash generating unit ("CGU") of the Company and any impairments recognized may be recovered in future periods if it is determined that the loss has decreased or no longer exists. Impairment tests are based on the fair value of the assets at a discount rate determined by the Company's independent reserve engineers. These amounts can vary materially from one reporting period to another which may lead to greater volatility in the carrying value of these assets. The Company has begun splitting its operations into CGUs but has not completed this process.

Asset Retirement Obligations ("ARO").

Under IFRS, the ARO or a decommissioning liability provision as referred to in IFRS is likely to increase as a result of the change from a credit adjusted risk free rate to a risk free rate (government bond) in the discounting of the cash flows. Any change in the discount rate will affect the entire liability.

Other Areas

There will be other areas of difference such as significant increases in required disclosure. However, the Company believes at present that the above changes may have the most impact on its reported results. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The analysis of the differences between Canadian GAAP and IFRS is well advanced and required changes to: accounting policy choices under IFRS, internal controls over financial reporting, systems, corporate governance, and internal controls and processes are being determined. The Company intends to complete a draft set of IFRS based financial statements for the first quarter of 2010 by the end of June 2010. Such draft statements will not be released to the public but the process will provide the Company with an indication of further changes necessary to comply in all regards with IFRS reporting.

It is anticipated that existing staff augmented to a small extent by consultants will be sufficient to complete this project. In addition to accounting policy differences, the transition to IFRS may impact internal controls over financial reporting ("ICFR"), the disclosure controls and procedures and IT systems. The Company has started documenting the potential impact of IFRS on these components and will ensure that policies and procedures are in place to ensure they are compliant. The Company has started reviewing its material agreements to ensure that changing to IFRS will not have a negative impact to the Company or its operations. The Company expects minor changes to its agreements, including its credit facility definitions, it is not anticipating that the changeover will have a material impact. Furthermore, it has

IFRS (continued):

been determined that the Company's existing accounting and information technology will likely be able to provide the necessary information for the conversion.

As the Company has not yet finalized its accounting policy choices, it is unable to quantify the impact on the financial statements at this time. In addition, due to possible changes to IFRS and International Accounting Standards prior to adoption of IFRS, management's plans are subject to change based on new facts and circumstances that arise after the date of this MD&A. The transition from Canadian GAAP to IFRS is a significant undertaking that will change the way we report our results and our financial position. The Company will provide further disclosures of the key elements of its plan and progress on the project as it progresses through the 2010 transition period. The final impact of IFRS on the Company's financial statements is not reasonably determinable at this time.

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.