**MOUNT DAKOTA ENERGY CORP.**
**MANAGEMENT DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED JANUARY 31, 2015**

May 25, 2015-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, 2015 and the accompanying notes thereto. Additional information relating to the Company is available on SEDAR at www.sedar.com. Mount Dakota is listed on the 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 and analysis 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 audited consolidated financial statements as at and for the year ended January 31, 2015, which are discussed in this MD&A, have been prepared in accordance with IFRS accounting policies which the Company has adopted in its annual consolidated financial statements as at and for the year ended January 31, 2012.

The significant accounting policies used by Mount Dakota are disclosed in Note 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 3 boe per day during the year ended January 31, 2015 consisting of sales in oil compared to 5 bopd the previous year ended January 31, 2014. The lower production was due to an interruption of production for two months related to equipment failure. The issues have been resolved and the Company is currently producing 5 bopd. The economic viability of the Alsike 2 well is still being determined.

**FINANCIAL RESULTS**

Gross petroleum and natural gas revenue during the year ended January 31, 2015 was $88,292 compared to $129,836 during the previous year ending in 2014. Several mechanical failures disrupted production and is responsible for the lower production compared to the previous year. 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 year ended January 31, 2015 ($)** | **For year ended January 31, 2014 ($)** |
|---|---|---|
| **Revenues** | 88,292 | 129,836 |
| **Royalties (refund)** | - | 923 |
| **Production Costs** | 79,189 | 143,979 |
| **Gross Operating Profit (Loss)** | 9,103 | (14,143) |

**General and Administrative**

General and administrative expenditures for the year ended January 31, 2015 were $171,975 as compared to $116,828 for 2014. Billing related to office rent by a company controlled by a director of the Company was responsible for the higher general and administrative charges for the year ending 2015 compared to 2014. As of January 31, 2015 $1,116,739 was due to parties related to a director of the Company and remains unpaid and has been accrued as due to related parties. The outstanding amounts are non-interest bearing, unsecured and due on demand.

**Cash Flow From Operations and Net Income**

For the year ended January 31, 2015, the Company reported a loss from operations of $222,125 compared to a loss from operations of $128,523 for the comparative period in 2014. Higher general and administrative expenses and a one-time charge related to the exploration and evaluation of assets was responsible for the higher loss compared to the previous year.

| | Year ended January 31, 2015 | 2014 |
|---|---|---|
| Loss for the year | ($222,125) | ($128,523) |
| Loss per share | ($0.02) | ($0.02) |

**Depletion**

There were depletion and depreciation charges of $14,501 for the year ended January 31, 2015 compared to $32,005 for the comparative 2014 year.

**Annual Financial Information**

| Year Ended | IFRS January 31, 2015 | IFRS January 31, 2014 | IFRS January 31, 2013 |
|---|---|---|---|
| **Financial Results** | | | |
| Revenue | $ 88,292 | $ 129,836 | $ 95,361 |
| Direct Oil & Gas Expenditures | 79,189 | 143,056 | 112,597 |
| General & Admin. | 171,975 | 116,828 | 133,289 |
| Loss for the year | (222,125) | (128,523) | (95,995) |
| Loss Per Share (basic & diluted) | (0.02) | (0.02) | (0.01) |
| **Financial Position** | | | |
| Working Capital (deficiency) | (1,334,257) | (1,416,484) | (1,322,883) |
| Petroleum and Natural Gas Properties | 159,764 | 145,407 | 179,266 |
| Exploration and Evaluation Assets | 46,371 | 71,494 | 35,109 |
| Total Assets | 409,906 | 289,573 | 322,544 |
| Share Capital | 5,630,103 | 5,333,848 | 5,333,848 |
| Deficit | (7,168,596) | (6,946,471) | (6,817,948) |

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

| Three-Month Period Ended | IFRS January 31,2015 | IFRS October 31,2014 | IFRS July 30, 2014 | IFRS April 31, 2014 |
|---|---|---|---|---|
| **Revenue** | 4,500 | 19,364 | 33,500 | 30,928 |
| **Oil & Gas Expenditures** | 24,033 | 15,955 | 20,849 | 18,352 |
| **General & Admin.** | 48,878 | 28,062 | 63,834 | 31,201 |
| **Other Income** | 323 | 122 | 157 | 145 |
| **Total Loss** | (67,835) | (24,532) | (51,026) | (18,479) |
| **Loss Per Share basic & diluted** | (0.01) | 0.00 | (0.01) | 0.00 |

| Three-Month Period Ended | IFRS January 31,2013 | IFRS October 31,2013 | IFRS July 30,2013 | IFRS April 31, 2013 |
|---|---|---|---|---|
| **Revenue** | 26,112 | 38,502 | 41,268 | 23,954 |
| **Oil & Gas Expenditures** | 58,088 | 47,663 | 10,966 | 27,262 |
| **General & Admin.** | 37,542 | 18,737 | 42,223 | 18,326 |
| **Other Income** | 2,113 | 98 | 113 | 124 |
| **Total (Loss)** | (67,404) | (27,799) | (11,809) | (21,511) |
| **Loss Per Share basic & diluted** | 0.00 | 0.00 | 0.00 | 0.00 |

## THREE MONTH ENDING JANUARY 31, 2014

The Company did not produce any revenues for two months during the three month ending January 31, 2015 as a result of equipment failure on the Alsike 1 well. The equipment failure resulted in higher losses for the period. The Company has subsequently replaced the failed equipment and the Alsike 1 is producing at it average rate.

## LIQUIDITY AND CAPITAL RESOURCES

For the year ended January 31, 2015, the Company reported a net loss of $222,125, negative cash flows from operating activities of $206,763, an accumulated deficit of $7,168,596 and a working capital deficiency of $1,334,257. These factors raise significant doubt about the Company's ability to continue as a going concern. The continuance of the Company's operations is dependent on obtaining and maintaining sufficient debt or equity financing in order to realize the recoverability of the Company's investments in petroleum and natural gas properties, which is dependent upon the existence of economically recoverable reserves and market prices for petroleum and natural gas.The Company currently has no bank loans outstanding. The net debt outstanding is $1,453,061.

## RESERVES

(Proved Plus Probable Constant Price Discounted at 10%)

| | January 31, 2015 | January 31, 2014 | Change |
|---|---|---|---|
| Net Reserves (BOE) | 18,300 | 13,700 | +33.5% |
| Net Present Value ($) Before Taxes | 427,000 | 353,000 | +21% |

A low decline rate is responsible for the higher valuation in the reserves and valuation. Production for the Company's well has been projected to year 2034 in 2015 compared to 2030 in 2014 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.

## OUTSTANDING SHARES

**Private Placement**
On December 2, 2014, the Company issued 6,000,000 common shares related to a non-brokered private placement at a price of $0.05 per share for gross proceeds of $300,000. The hold period for the securities issued expired April 2, 2015 and is now free trading.

As of January 31, 2015 and May 28, 2015, Mount Dakota had the following securities outstanding: 14,460,087 common shares, no stock options and no warrants.

## RELATED PARTY TRANSACTIONS

During the year ended January 31, 2015, the Company entered into the following related party transactions:

(a) Accounting expense totalling $9,300 (2014 - $15,600) provided by a company controlled by a director of the Company.

(b) Rent totalling $30,000 (2014 - $Nil) for office premises provided by a company controlled by a director of the Company.

(c) On March 31, 2014 the Company signed a loan agreement with a party related to one of its directors to borrow an aggregate of $100,000 at the rate of 15% per annum for the term of one year. The Company charged an amount of $12,500 of accrued interest to operations.

(d) On March 31, 2014, amounts due to related parties of $1,116,739 have been assigned to parties related to a director.

(e) On December 3, 2014, the Company closed a non-brokered private placement and issued 6,000,000 common shares at a price of $0.05 per share for gross proceeds of $300,000, of which 2,500,000 shares have been issued to a director of the Company

## LOAN

On March 31, 2014, the Company negotiated to borrow an aggregate of $100,000 in an unsecured loan agreement. The loan remains outstanding and bears interest at a rate of 15% per annum.

## BUSINESS PROSPECTS AND OUTLOOK

The dramatic decline in crude oil prices have become an unforeseen challenge for the Company. The Company continues to seek opportunities in increasing its production through acquisition and exploration. The delay in the completion of the Alsike 2 well is significantly longer than expected. The Company has addressed the technical issues and is in the process of testing the Alsike 2 well over the next four weeks.

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

## BUSINESS RISKS

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

- Volatility in crude oil prices
- 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.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the determination of the recovery of accounts receivable, amortization, depreciation, depletion and impairment of property and equipment and exploration and evaluation assets, petroleum and natural gas reserves, decommissioning provisions, and deferred income tax assets and liabilities. Actual results could differ from these estimates.

*Oil and Gas Accounting—Reserves Determination*
The process of estimating reserves is complex. It requires significant estimates based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable crude oil and natural gas reserves and related future net cash flows, the Company incorporates many factors and assumptions including the expected reservoir characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalized oil and gas costs and for impairment purposes as described in Note 3(d) to the audited annual financial statements.

*Property and Equipment*
The Company evaluates its long- lived assets (petroleum and natural gas properties) for impairment if indicators exist. Cash flow estimates for the impairment assessments require assumptions and estimates about the following primary elements—future prices, future operating and development costs, remaining recoverable reserves and discount rates. In assessing the carrying values of the unproved properties, the Company makes assumptions about its future plans for those properties, the remaining terms of the leases and any other factors that may be indicators of potential impairment.

*Decommissioning Provisions*
In estimating the future decommissioning provisions, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

*Depreciation and depletion*
Depletion of petroleum and natural gas properties is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated reserves as determined annually by independent engineers and internal reserve evaluations. Changes in forward price estimates, production levels or results of future drilling may change the economic status of reserves and may result in reserves being revised.

*Share-based payments*
The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free interest rate. These estimates will impact the amount of share-based payments recognized. When stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payment reserves are recorded as share capital.

*Income taxes*
Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

## 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.

**OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS**

As of January 31, 2015, the Company did not have any off-balance sheet arrangements or proposed transactions.

**FINANCIAL INSTRUMENTS AND RISK**

**Financial Instruments**

As at January 31, 2015, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, accounts payable, due to related parties, and loans payable.

The Company classifies its cash and cash equivalents as fair value through profit or loss, its accounts receivable as loans and receivables and its accounts payable, due to related parties, and loans payable as other financial liabilities. The fair values of these financial instruments approximate their carrying values because of their current nature.

| | January 31, 2015 | January 31, 2014 |
|---|---|---|
| | $ | $ |
| Fair value through profit or loss | 104,207 | 978 |
| Loans and receivables | 84,967 | 68,043 |
| Other financial liabilities | 1,453,061 | 1,430,453 |

IFRS 7 *Financial Instruments – Disclosures*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. The financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial assets and liabilities measured at fair value on a recurring basis as of January 31, 2015 are as follows:

| | Balance at January 31, 2015 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Financial Assets: | | | | |
| Cash and cash equivalents | 104,207 | 104,207 | – | – |

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risk exposures is described below.

**Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents and accounts receivable. To minimize the credit risk related to cash and cash equivalents, the Company places these instruments with high credit quality financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts. As at January 31, 2015, cash and cash equivalents do not exceed the amounts covered by federal deposit insurance. The Company continuously monitors accounts receivable to minimize risk. As at January 31, 2015, the Company's maximum risk exposure to credit risk is the carrying value of accounts receivable of $4,500.

**Liquidity Risk**

The Company manages liquidity risk by maintaining adequate cash and credit facilities with financial institutions and other parties. The Company continuously monitors and reviews both actual and forecasted cash flows.

As at January 31, 2015, the Company had a working capital deficiency of $1,334,257.

**FINANCIAL INSTRUMENTS AND RISK (continued)**

Contractual undiscounted cash flow requirements for financial liabilities as at January 31, 2015 are as follows:

| | Less Than 1 Month $ | 1 – 3 Months $ | 3 months to 1 year $ | Total $ |
|---|---|---|---|---|
| Accounts payable and accrued Liabilities | 195,822 | 28,000 | – | 223,822 |
| Due to related parties | – | – | 1,116,739 | 1,116,739 |
| Loan payable | – | – | 112,500 | 112,500 |
| | 195,822 | 28,000 | 1,229,239 | 1,453,061 |

**Foreign Exchange Risk**

The Company's functional currency is the Canadian dollar. The Company is not exposed to significant currency risk.

**Interest Rate Risk**

On March 31, 2014, the Company has signed a loan agreement to borrow $100,000 at a rate of 15% per annum for the term of one year and is furthermore not exposed to significant interest rate price risk or cash flow on its financial instruments.

**Commodity Price Risk**

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of its commodities. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

**RECENT ACCOUNTING PROUNCEMENTS AND ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

**Recent Accounting Prouncements**

The mandatory adoption of the following new and revised accounting standards and interpretations on February 1, 2014 had no significant impact on the Company's consolidated financial statements for the years presented:

*IAS 36 – Impairment of Assets*

In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a cash-generating until ("CGU") for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

*IFRIC 21 – Levies*

In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

**Accounting Standards Issued but not yet Effective**

New accounting standards effective for the Company on February 1, 2018:

IFRS 9 Financial Instruments - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. In December 2011, the IASB extended the mandatory effective date for IFRS 9 to on or after January 1, 2018 with early adoption permitted.

**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, 2015. 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.