

**MOUNT DAKOTA ENERGY CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS PERIOD ENDED APRIL 30, 2016**

June 28, 2016-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, 2016 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.

The unaudited consolidated financial statements as at and for the three months ended April 30, 2016, which are discussed in this MD&A, have been prepared in accordance with International Financial Reporting Standards ("IFRS")

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 1 boe per day during the three months ended April 30, 2016 consisting of sales in oil compared to 5 boe the previous year's period in 2015. Mechanical failure on the Alsike 1 is responsible for the lower production. The down hole pump needs to be changed which the Company does not have sufficient funds to do at this time.

#### **FINANCIAL RESULTS**

Gross petroleum and natural gas revenue during the three months ended April 30, 2016 was \$1,994 compared to \$15,552 during the previous period ending in 2015. Lack of production from the mechanical failure of the pump at Alsike 1 was responsible for the significantly lower revenues. There is generally a sixty day delay from the time of production to the recovery of revenues from the Company's operator. The period end receivable is, therefore, recovered in the following period. There is also a sixty day delay in discharging payables to the operator which results in the period-end payable being discharged in the following period.

Operating Income	For three months ended April 30, 2016 (\$)	For three months ended April 30, 2015 (\$)
<b>Revenues</b>	1,994	15,552
<b>Royalties (refund)</b>	-	-
<b>Production Costs</b>	2,642	16,376
<b>Gross Operating Profit (Loss)</b>	(698)	(823)

#### **General and Administrative**

General and administrative expenditures for the three months ended April 30, 2016 were \$64,774 as compared to \$65,948 for 2015. As of April 30, 2016 \$1,281,739 (2015-\$1,251,739) 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.

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

For the three months ended April 30, 2016 the Company reported a comprehensive loss of \$65,363 compared to a loss of \$66,630 for the comparative period in 2015.

Operating Income	For three months ended April 30, 2016 (\$)	For three months ended April 30, 2015 (\$)
Gain (loss)	(65,363)	(66,630)
Basic/diluted Income (loss) per share	(0.02)	(0.02)
Total Assets	184,994	193,215
Total Liability	1,860,169	1,803,028

**Depletion**

There were depletion and depreciation expenses of \$5,200 for the three months ended April 30, 2016 compared to \$3,500 for the comparative 2015 year.

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

Three-Month Period Ended	IFRS April 30, 2016	IFRS January 31, 2016	IFRS October 31, 2015	IFRS July 30, 2015
Revenue	1,944	2,937	11,465	23,147
Oil & Gas Expenditures	2,642	18,629	15,313	34,988
General & Admin.	64,774	68,618	49,954	96,816
Other Income	109	112	111	129
Total Loss	(65,363)	(84,198)	(53,690)	(108,528)
Loss Per Share basic & diluted	(0.02)	(0.02)	(0.00)	(0.01)

Three-Month Period Ended	IFRS April 30, 2015	IFRS January 31, 2014	IFRS October 31, 2014	IFRS July 30, 2014
Revenue	15,552	4,500	19,364	33,500
Oil & Gas Expenditures	16,376	24,033	15,955	20,849
General & Admin.	65,948	48,878	28,062	63,834
Other Income	141	323	122	157
Total (Loss)	(66,630)	(67,835)	(24,532)	(51,026)
Loss Per Share basic & diluted	0.00	(0.01)	0.00	(0.01)

**LIQUIDITY AND CAPITAL RESOURCES**

The Company depends on credit by companies controlled by directors as well as credit from vendors to maintain operations. The directors of the Company will continue the accrued billings until Mount Dakota is self-sufficient and the Company has good relationships with its vendors. At April 30, 2016 the Company had negative cash flows from operations of \$34,795, accumulated deficit of \$7,692,379 and a working capital deficiency of \$1,686,564. The Company currently has no bank loans outstanding. The net debt outstanding is \$1,700,132. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### RESERVES

(Proved Plus Probable Constant Price Discounted at 10%)

	January 31, 2016	January 31, 2015	Change
Net Reserves (BOE)	14,000	18,300	-23.4%
Net Present Value (\$) Before Taxes	330,000	427,000	-22.7%

Disruptions in production and low commodity prices were responsible for the lower valuation during the 2016 period compared to the previous year. Production for the Company's well has been projected to year 2033 in 2016 compared to 2034 in 2015 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

On January 22, 2016, the Company consolidated its common shares on the basis of one post-consolidated common share for each four pre-consolidated common share of the Company.

As of April 30, 2016, 3,615,022 common shares are outstanding. All comparative tables and disclosures have been adjusted accordingly.

As at April 30, 2016, no Class A or B preference shares have been issued.

### RELATED PARTY TRANSACTIONS

During the three months period ended April 30, 2016, the Company entered into the following related party transactions:

- (a) Accounting expense totalling \$2,700 (2015 - \$2,700) provided by a company controlled by a director of the Company has been charged to operations and \$5,670 has been included in accounts payable and accrued liabilities.
- (b) Rent totalling \$9,000 (2015 - \$9,000) for office premises provided by a company controlled by a director of the Company.
- (c) On March 31, 2014 the Company has signed a loan agreement with a party related to one of its directors to borrow an aggregate of \$100,000 and an additional \$10,000 during fiscal 2016 at a rate of 15% per annum.

During the three months period ended April 30, 2016, the Company signed an additional loan agreement to borrow \$30,000 at 15% per annum and further received an unsecured, non-interest bearing advance of \$1,500 from a director of the Company.

The Company charged a total amount of \$4,574 (2015 - \$3,750) of accrued interest to operations.

As of April 30, 2016, the outstanding amount of interest is \$32,074 (January 31, 2016 - \$27,500).

- (d) On March 31, 2014, amounts due to related parties of \$1,116,739 were assigned to parties related to a director. During fiscal 2016, additional amounts due to related parties of \$135,000 were accrued. As of April 30, 2016, the outstanding amount is \$1,281,739 (January 31, 2016 - \$1,251,739).
- (e) Consulting expense totalling \$30,000 (2015 - \$30,000) provided by a director and a company controlled by a director of the company have been charged to operations and included in accounts payable and accrued liabilities.

### LOAN

On March 31, 2014 the Company has signed a loan agreement with a party related to one of its directors to borrow an aggregate of \$100,000 and an additional \$10,000 during fiscal 2016 at a rate of 15% per annum.

During the three months period ended April 30, 2016, the Company signed an additional loan agreement to borrow \$30,000 at 15% per annum and further received an unsecured, non-interest bearing advance of \$1,500 from a director of the Company.

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## 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.

## 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.

## 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 April 30, 2016, the Company did not have any off-balance sheet arrangements or proposed transactions.

#### FINANCIAL INSTRUMENTS AND RISK

##### Financial Instruments

As at April 30, 2016, 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.

	April 30, 2016	April 30, 2015
	\$	\$
Fair value through profit or loss	2,434	39,166
Loans and receivables	59,126	58,665
Other financial liabilities	1,700,132	1,453,071

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 April 30, 2015 are as follows:

	Balance at April 30, 2016	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	2,434	2,434	–	–

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 April 30, 2016, 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 April 30, 2016, the Company's maximum risk exposure to credit risk is the carrying value of accounts receivable of \$Nil.

##### 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 April 30, 2016, the Company had a working capital deficiency of \$1,686,564.

Contractual undiscounted cash flow requirements for financial liabilities as at April 30, 2016 are as follows:

	Less Than 1 Month	1 – 3 Months	3 months to 1 year	Total
	\$	\$	\$	\$
Accounts payable and accrued Liabilities	274,819	-	-	274,819
Due to related parties	-	-	1,251,739	1,251,739
Loan payable	-	-	173,574	173,574
	<b>274,819</b>	<b>-</b>	<b>1,425,313</b>	<b>1,700,132</b>

#### 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.

#### FINANCIAL INSTRUMENTS AND RISK (continued)

##### 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 PRONCEMENTS AND 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.

**IFRS 15, Revenue from Contracts with Customers** – IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

New accounting standards effective for the Company on February 1, 2019

**IFRS 16, Leases** – IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

#### 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 April 30, 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.

#### SUBSEQUENT EVENTS

On May 13, 2016 the Company signed a loan agreement with a party related to one of its directors to borrow an aggregate of \$20,000 at the rate of 15% per annum for the term of one year

**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.