

**MOUNT DAKOTA ENERGY CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS PERIOD ENDED JULY 31, 2017**

September 28, 2017-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 six months ended July 31, 2017 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 condensed consolidated interim financial statements for the six months ended July 31, 2017, 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 did not have any production to report during the six months ended July 31, 2017. The Company decided that mechanical failures and the low price of crude oil did not justify continued investment in the operations of Alsike I.

**FINANCIAL RESULTS**

Gross petroleum and natural gas revenue during the six months ended July 31, 2017 was Nil compared to \$1,944 during the previous period ending in 2016. The Company has decided to abandon its oil and gas assets as they were deemed uneconomic by management. The Company is exploring business interests outside of the oil and gas sector.

Operating Income	For six months ended July 31, 2017 (\$)	For six months ended July 31, 2016 (\$)
<b>Revenues</b>	-	1,944
<b>Royalties (refund)</b>	-	-
<b>Production Costs</b>	1,251	4,704
<b>Gross Operating Profit (Loss)</b>	(1,251)	(2,760)

**General and Administrative**

General and administrative expenditures for the six months ended July 31, 2017 were \$122,877 as compared to \$151,349 for 2016. Lower depletion, depreciation, legal and accounting charges were responsible for the lower general and administrative expenditures for the six month period ending 2017 compared to the previous year. As of July 31, 2017, \$1,454,239 (July 31, 2016-\$1,329,739) was due to related parties and 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 six months ended July 31, 2017 the Company reported a comprehensive loss of \$102,347 compared to a loss of \$153,869 for the comparative period in 2016.

Operating Income	For six months ended July 31, 2017 (\$)	For six months ended July 31, 2016 (\$)
Gain (loss)	(102,347)	(154,109)
Basic/diluted Income (loss) per share	(0.01)	(0.04)
Total Assets	86,036	187,544
Total Liability	1,881,264	1,951,228

**Depletion**

There were depletion and depreciation expenses of Nil for the six months ended July 31, 2017 compared to \$10,400 for the comparative 2016 year.

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

Three-Month Period Ended	IFRS July 31, 2017	IFRS April 30, 2017	IFRS January 31, 2016	IFRS October 31, 2016
Revenue	Nil	Nil	Nil	Nil
Oil & Gas Expenditures	767	484	751	194
General & Administrative	73,664	49,214	50,141	56,712
Other Income	21,647	134	136	137
Total (Loss)	(52,784)	(49,564)	(163,479)	(56,769)
Loss Per Common Share - Basic & Diluted	(0.01)	(0.01)	(0.04)	(0.02)

Three-Month Period Ended	IFRS July 31, 2016	IFRS April 30, 2016	IFRS January 31, 2015	IFRS October 31, 2015
Revenue	Nil	1,944	2,937	11,465
Oil & Gas Expenditures	2,062	2,642	18,629	15,313
General & Administrative	86,575	64,774	68,618	49,954
Other Income	130	109	112	111
Total (Loss)	(88,508)	(65,363)	(84,198)	(53,690)
Loss Per Common Share - Basic & Diluted	(0.02)	(0.02)	(0.02)	(0.00)

**LIQUIDITY AND CAPITAL RESOURCES**

For the six months ended July 31, 2017, the Company reported a net loss of \$102,347, negative cash flows from operating activities of \$26,356, an accumulated deficit of \$8,103,483 and a working capital deficiency of \$1,867,983. 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 \$1,881,264.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### RESERVES

(Proved Plus Probable Constant Price Discounted at 10%)

	January 31, 2017	January 31, 2016	Change
Net Reserves (BOE)	-	14,000	-100%
Net Present Value (\$) Before Taxes	-	330,000	-100%

There was no reserve value given to the Company's assets because production had been suspended over six months. The reserve engineer will only allocate reserve values for assets that have been producing six months or longer.

### OUTSTANDING SHARES

As of the date of this MD&A, 7,362,562 common shares are outstanding and no Class A or B preference shares have been issued.

### RELATED PARTY TRANSACTIONS

During the six months ended July 31, 2017, the Company entered into the following related party transactions:

- Accounting expense totalling \$5,400 (2016 - \$5,400) provided by a company controlled by a director of the Company has been paid or accrued during the period. As at July 31, 2017, \$Nil (2016 - \$5,670) has been included in due to related parties.
- Rent totalling \$18,000 (2016 - \$18,000) for office premises provided by a company controlled by a director of the Company has been charged to operations. \$36,500 (2016 - \$33,000) is owing as at July 31, 2017 and has been included in due to related parties.
- On January 13, 2016, the Company signed a loan agreement with a party related to one of its directors to borrow an aggregate of \$10,000 at a rate of 15% per annum. During the period ended July 31, 2017, the Company charged \$744 (2016 - \$744) to operations. Principal and a total amount of \$2,317 (2016-\$817) in interest has been accrued and included in loans payable.

Further, during fiscal 2017, the Company repaid loans in the total amount of \$150,000 to a party related to a director of the Company and related interest of \$49,684 (2016 - \$37,972) has been included in loans payables as at July 31, 2017.

Further during fiscal 2017, the Company received unsecured, non-interest bearing advances of \$5,016 from a director of the Company and \$7,800 from a relative of a director, of which \$2,486 has been repaid during fiscal 2017 and a total of \$10,330 remains included in loans payable.

During the six months period ended July 31, 2017, the Company charged a total amount of \$744 (2016 - \$744) of accrued interest to operations and is included in loans payables.

As at July 31, 2017, the outstanding amount of total loan principal payable is \$20,330 (January 31, 2016 - \$20,330), total interest is \$49,684 (January 31, 2017 - \$48,941) for a total amount of loans payable of \$70,014 (January 31, 2017 - \$69,271).

- On March 31, 2014, the Company entered into debt assignment agreements with parties related to a director for total amounts owing of \$1,116,739.
- Consulting expenses totalling \$60,000 (2016 - \$60,000) provided by a director and a company controlled by a director of the Company have been accrued during the period. As at July 31, 2017, \$300,000 (2016 - \$180,000) has been included in due to related parties.

### BUSINESS PROSPECTS AND OUTLOOK

The dramatic decline in crude oil prices has become an unforeseen challenge for the Company. The Company has decided to seek business opportunities outside of the oil and gas sector.

### BUSINESS RISKS

Significant changes in the global imbalance of supply and demand of oil and gas as well as continuing regulatory pressures in Alberta have made the efficacy of continuing in the oil and gas sector difficult. The Company is pursuing opportunities outside of the oil and gas sector.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

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(e).

### *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 July 31, 2017, the Company did not have any off-balance sheet arrangements or proposed transactions.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### FINANCIAL INSTRUMENTS AND RISK

#### Financial Instruments

As at July 31, 2017, the Company's financial instruments consist of cash, deposits, accounts payable and accrued liabilities, due to related parties, and loans payable.

The Company classifies its cash as fair value through profit or loss, its deposits as loans and receivables and its accounts payable and accrued liabilities, 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.

	July 31, 2017	July 31, 2016
	\$	\$
Fair value through profit or loss	10,006	1,192
Loans and receivables	72,754	72,201
Other financial liabilities	1,881,264	1,790,991

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 July 31, 2017 are as follows:

	Balance at January 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
Financial Assets:				
Cash	10,006	10,006	–	–

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 July 31, 2017, 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 July 31, 2017, the Company's maximum risk exposure to credit risk is the carrying value of accounts receivable of \$Nil.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 July 31, 2017, the Company had a working capital deficiency of \$1,867,983. The carrying value of balances due within 12 months approximate their fair values due to their relatively short period to maturity.

#### Foreign Exchange Risk

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

#### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. As at July 31, 2017, \$70,014 in loans and interest payable is owing and is subject to compound interest at a fixed rate of 15% per annum. The Company is therefore not exposed to significant interest rate risk on its financial instruments.

## MANAGEMENT DISCUSSION AND ANALYSIS (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.

### Accounting standards issued but not yet effective

The following new accounting standards and interpretations are not yet effective and have not been applied in the preparation of the consolidated financial statements:

**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.

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

**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.

The Company is currently assessing the impact of these standards on its consolidated financial statements.

### 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 July 31, 2017. 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.