Management's Discussion and Analysis of Operations
For the Three and Six Months Ended March 31, 2012 and 2011

This Management's Discussion and Analysis ("MD&A) is prepared as of May 30, 2012 and should be read in conjunction with the audited annual financial statements of Monarch Energy Limited ("Monarch' or "Company") for the year ended September 30, 2011, and the unaudited interim financial statements of Monarch for the three and six month periods ended March 31, 2012 and 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information, including the Annual Information Form can be found on SEDAR, www.sedar.com. All amounts are in Canadian dollars.

Caution Regarding Forward Looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of gold; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to:

- *The Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic resources;*
- *Management's assessment of future plans for the Centremaque Prospect gold project, Bourlamaque, Township, Quebec, Canada.*
- *Management's economic outlook regarding future trends;*
- *The Company's ability to meet its working capital needs at the current level in the short term;*
- *Expectations with respect to raising capital;*

- *Sensitivity analysis on financial instruments may vary from amounts disclosed; and*
- *Governmental regulation and environmental liability.*

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, other factors could also cause materially different results. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

General

Monarch Energy Limited is a Canadian publicly listed public company whose shares trade on the TMX Venture Exchange under the symbol "MNL".

The Company is in the process of exploring its petroleum and natural gas properties, and mineral property interests, and has yet to determine whether its properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of its properties, confirmation of the Company's interest in the underlying permits and licenses, and future profitable production or proceeds from the disposition of the Company's properties.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

Results of Operation

Management has been evaluating other petroleum, natural gas, and mineral properties with a view to acquiring or optioning other properties that would become the major focus for Monarch.

Revenue and Expenses

For the three months ended March 31, 2012

The net loss for the three months ended March 31, 2012 was $77,491 ($0.00/share) compared to net income in 2010 of $833,007 ($0.01/share).

Petroleum and natural gas revenues dropped to $8,869 for the three months ended March 31, 2012 from $20,446 revenue for the three months ended March 31, 2011. The revenue was generated from its Alberta interests and decreased as a result of lower natural gas prices.

Expenses decreased from $536,931 for the three months ended March 31, 2011 to $85,407 for the three months ended March 31, 2012.

The Company’s significant expenses consisted of the following:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	**2011**	**2012**	**2011**
Office, general and administrative	$7,216	$ 51,034	19,434	83,571
Management fees	10.500	7,000	21,000	7,000
Consulting fees	20,362	13,660	38,363	31,160
Stock-based compensation	-	320,000	-	320,000
Professional fees	37,887	73,838	45,500	99,584
Foreign exchange loss (gain)	1	62,571	3	17,695

Office, general, and administrative decreased from $51,034 for the quarter ended March 31. 2011 to $7,216 for the quarter ending March 31, 2012. The decrease was attributed to reduced investor relation costs, travel costs and rent expense.

Management fees commenced October 2011 for the President at the rate of $3,500 per month to total $10,500 for the three months ended March 31, 2012.

Consulting fees in the quarter ending March 31, 2012 were reasonably in line with the quarter ending March 31, 2011.

Professional fees decreased for the quarter ended March 31, 2011 from $73,838 to $37,887 for the quarter ending March 31, 2012 primarily as a result of decreased legal work in 2011.

Foreign exchange decreased from a loss of $62,571 for the quarter ending March 31, 2011 to a loss of $1 for the quarter ending March 31, 2012. This decrease is attributed to the activities in the North Sea project located in the United Kingdom whereby the operations and currency held are impacted by fluctuations in the foreign exchange rate. The North Sea project was divested in January 2011.

Exploration and Property Update

Centremaque Property, Quebec

During the previous fiscal year, the Company entered into an option agreement with Golden Valley Mines Ltd. (TMXV: GZZ) of Val-d’Or, Quebec to earn up to a 70% interest in the Centremaque Prospect, situated in Bourlamaque Township, Quebec. Terms of the acquisition include a work commitment of $2,250,000 over three years ($250,000 by July 26, 2012; $500,000 by July 26, 2013 and $1,500,000 by July 26, 2014). In addition, the Company has to complete a Definitive Feasibility Study (“DFS”) for the Property at its sole cost, within 10 years of signing, to earn a 70% interest, leaving Golden Valley Mines Ltd. with a free carried interest of 30%. The Company issued 9,175,008 of its common shares (fulfilled) as well as cash payment of $35,000 in connection with this option agreement to be paid on or before February 29, 2012. (Extended to July 15, 2012)

The Centremaque Gold Property is comprised of six mining claims, located approximately 6-km southeast of the town of Val-d'Or, Québec along the highly prolific Cadillac-Larder Fault Zone of the Abitibi Greenstone Belt. At least twenty-seven (27) diamond drill core holes (5,865 m) are reported to be drilled on the property between 1940 and 1994 with the majority of the historical drilling taking place in 1947 and 1987-1988. The drill holes encountered numerous intersections assaying gold grades greater than 1.0 g/t Au and including an intersection grading 15.87 g/t Au over 0.31 m (Ministère de l'Énergie et des Ressources naturelles, Documentation technique GM 04715, GM 06851-A, GM 06851-B, GM 36084, GM 46225, GM 47483, GM 52639, GM 58144).

The Property is strategically located within the prolific Val-d'Or gold mining camp, located approximately 6 km to the south (of the Sigma and Lamaque Mines where from 1937 to 2000, the Sigma Underground Mine continuously operated and produced 24.8 Mt grading 5.48 g/t Au totaling of 4.4 million oz Au. The adjacent Lamaque underground mine, which is part of the same vein system as Sigma, produced 24.2Mt grading 5.81 g/t Au totaling of 4.55 million oz Au was closed due to low gold prices -- Century Mining Website, August 2011).

Recent geophysical surveying conducted by Golden Valley Mines over the claims (magnetic and Induced Polarization surveys) along lines spaced 50 meters apart, have outlined several anomalies warranting further drill testing based on an initial interpretation of the data.

Virginia Hills Area, Alberta, Canada

On July 14, 2006, the Company entered into a Petroleum, Natural Gas and General Conveyance to acquire various working interests in 4 producing oil wells in the Virginia Hills area of Alberta, Canada.

Summary of Quarterly Results

The following table is a summary of selected unaudited financial information for the eight most recent fiscal quarters.

Quarter ended	Petroleum and natural gas revenue, net of royalties	Net income (loss)	Net income (loss) per share
March 31, 2012	$ 7,916	$ (77,491)	$ (0.00)
December 31, 2011	$ 19,300	$ (31,980)	$ (0.00)
September 30, 2011	$ 34,570	$ (3,426,282)	$ (0.05)
June 30, 2011	$ 19,408	$ (101,820)	$ (0.00)
March 31, 2011	$ 20,445	$ 833,007	$ 0.01
December 31, 2010	$ 37,529	$ 24,381	$ (0.00)
September 30, 2010	$ 46,905	$ (45,674)	$ (0.00)
June 30, 2010	$ 51,060	$ (24,751)	$ (0.00)

Liquidity

Although the Company has some petroleum revenue, the majority of financing of operations is achieved by issuing share capital and from the proceeds of property divestitures. In addition, the Company may receive grants in the future from the Quebec government as a result of any exploration expenses incurred in the Province of Quebec. Monarch ended the three month period at March 31, 2012 with a bank position of $10,157 (September 30, 2011 - $11,947), accounts receivable of $28,271 (September 30, 2011 - $15,610) and prepaid expenses and deposits of $Nil (September 30, 2011 - $5,470). The Company has accounts payable relating to exploration activities and administrative activities in the amount of $431,397 (September 30, 2011 - $376,745) and due to related parties in the amount of $107,673 (September 30, 2011 - $44,803). The Company also has a future reclamation provision of $62,107 (September 30, 2011 - $61,669) with the majority of the costs to be incurred between 2012 and 2015. Monarch had a working capital deficiency of $500,642 at March 31, 2012 (September 30, 2011 - $388,521).

Capital Resources

The Company's primary capital assets at March 31, 2012 are its exploration and evaluation assets of $370,282 (September 30, 2011 - $367,000), reclamation bonds of $27,634 (September 30, 2011 - $27,634) and property and equipment of $1,206 (September 30, 2011 - $1,400).

The Company's properties are in good standing at this time however the spending commitments needed to maintain these claims in good standing will require future financings and/or property sales.

Financing Activities

The Company was not involved in any financing activities during the three month period ended March 31, 2012.

Investing Activities

The Company was not involved in any financing activities during the three month period ended March 31, 2012.

Off-Balance Sheet Arrangements

At the date of this report, the Company had no material off-balance sheet arrangements

Transactions with Related Parties

The following related party transactions occurred and were reflected in the consolidated financial statements during the three months ended December 31, 2011 and 2010 as follows:

		December 31, 2011		December 31, 2010
Management fees and directors fees expense:				
Management fees were charged by officers for corporate administrative and financial management services	$	10,500	$	-
Consulting fees were charged by directors for corporate governance services	$	18,000	$	-

As at March 31, 2012, accounts payable and accrual liabilities include $91,723 (September 30, 2011 - Nil) owing to related parties.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Proposed Transactions

There are currently no unusual transactions proposed.

Critical Accounting Policies and Estimates

Going concern

These unaudited interim financial statements have been prepared in accordance with IFRS 1 and IAS 34 on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception and the inability to raise additional financing may impact the future assessment of the Company as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to attain future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available in the future. These financial statements do not include any adjustments to the amounts and classification of asset's and liabilities that might be necessary should the Company not be able to continue as a going concern.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of carrying value of resource properties, warrants, stock-based compensation, and deferred tax assets and liabilities. Financial results as determined by actual events could differ from those estimates.

Exploration and evaluation assets

Exploration and evaluation assets (E&E) consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment.

E&E costs consist of:

- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs are written off to operations.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available. The Company assesses each cash generating unit ("CGU") annually to determine whether any indication of impairment exists.

Where an indicator of impairment exists, a formal estimate of recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties.

Option payments received on a mining interest are recorded as a reduction in the amounts recorded as mining interest costs and any excess is recognized as income.

Asset Retirement Obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Asset retirement obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

Impairment

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Equipment

Recognition and Measurement

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Equipment is depreciated annually on a straight-line basis using rates of 20% and 30% respectively. Mill equipment once ready for its intended use will be depreciated annually on a straight line basis at a rate of 20%.

Share-based Payment

The Company accounts for share-based payment using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

Warrants, stock options, and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for E&E assets, are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration for E&E assets is based upon the trading price of those shares on the TSX on the date of the agreement to issue shares as determined by the Board of Directors.

Reclamation Obligation

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of an E&E interest. The Company’s exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and is measured at the net present value. The corresponding increase to the asset is amortized over the life of the asset. The liability is adjusted each period for the unwinding of discount with the associated expense included in net income.

The Company has made, and intends to make in the future, expenditures to comply with such

Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the share component is credited to share capital and the value of the warrant component is credited to contributed surplus. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the contributed surplus account is recorded as an increase to share capital.

Foreign Currency Translation

The Company's functional and presentation currency is the Canadian dollars. Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

Financial Instruments

Under Canadian income tax legislation, a company is permitted to issue shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. To account for flow-through shares, the Company allocates total proceeds from the issuance of flow-through shares between the offering of shares and the sale of tax benefits.

The total amount allocated to the offering of shares is based on the quoted price of the underlying shares. The remaining amount which is allocated to the sale of tax benefits is recorded as a liability and is reversed when the tax benefits are renounced. The difference between the amount originally recorded as a liability and the estimated income tax benefits on date of renouncement is recognized as a gain or loss in earnings. The tax effect of the renunciation is recorded at the time the Company makes the renunciation, which may differ from the effective date of renunciation. If the flow-through shares are not issued at a premium, a liability is not established and on renunciation the full value of the tax assets renounced is recorded as a deferred tax expense.

NON-DERIVATION FINANCIAL ASSETS AND LIABILITIES

Cash and cash equivalents

Cash and cash equivalents include cash, and those short-term money market instruments that are readily convertible to cash with an original term of less than 90 days. The Company has classified its cash and cash equivalents as financial assets at fair value through profit and loss.

Marketable Securities

The Company has classified marketable securities available for sale. Financial instruments classified as being available for sale are measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income, except for impairment losses and, in the case of monetary items such as securities denominated in foreign currency, which are recorded in foreign exchange gains and losses. When these investments are de-recognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized costs using the effective interest method, less any impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been negatively impacted. Evidence of impairment could include:

- Significant financial difficulty of the issuer or counter party; or
- Default or delinquency in interest or principal payments; or
- It becomes probable that the borrower will enter into bankruptcy or financial reorganization.

The carrying amount of the financial asset is directly reduced by any impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Other liabilities

Accounts payable and accrued liabilities are classified as other liabilities at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

Financial instruments recorded at FVTPL

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a financial value hierarchy that reflects the significance of the inputs used in marking the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices including Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – valuation techniques using inputs for the asset and liability that are not based on observable market data (unobservable inputs).

<u>Provisions</u>

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at March 31, 2012,

<u>Flow through Shares</u>

Upon the issuance of flow through shares, the Company records the initial proceeds to capital stock, net of any tax liability, if any. The liability on the statement of financial position represents the premium of the financing price in excess of the market share price on the date of the flow through share financing. The financial liability pertaining to the premium is recognized in the statement of operations consistent with expenditure renunciations. As the Company renounces expenditures to meet flow through requirements, the corresponding liability is reversed to net income. The Company does not recognize deferred income taxes related to the resultant temporary differences

<u>Revenue Recognition</u>

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Conversion to IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates that have been previously made. Accordingly, estimates used in the preparation of the Company's opening IFRS statements of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company has elected to apply the following exemptions in accordance with IFRS 1, which provides specific one-time choices and mandates specific one-time exceptions with respect to first time adoption of IFRS.

Choices available at first-time adoption

i) Share-based payment – IFRS 2, Share Based Payment, permits the application of that standard only to equity instruments granted after November 7, 2002 that had not vested by January 1, 2010. Accordingly, the Company has applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

ii) Business combinations – IFRS 3, Business Combinations may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to January 1, 2010. The Company has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to January 1, 2010 and such business combinations will not be restated.

iii) Deemed cost – IFRS 1, First time adoption provides a choice between measuring items of property, plant and equipment and mining interests at their fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The Company has decided to continue to apply the cost model for its capital assets and mining interests and has not re-measured them to fair value under IFRS. The historical basis under Canadian GAAP has been designated as the deemed cost under IFRS at Transition Date.

IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively

Property, plant and equipment

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, which is the same as under Canadian GAAP.

Risks and Uncertainties

The company's principal activity is petroleum, natural gas and mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environment, oil, gas and metal prices, political and economical.

The Company has no significant source of operating cash flow and no revenue from operations. The Company has not determined whether its resource properties contain reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

The property interests that the company has or has an option to earn an interest in are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Oil, gas and mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's properties may not result in any discoveries of commercial bodies of resources. If the Company's efforts do not result in any discovery of commercial resources, the Company will be forced to look for other exploration projects or cease operations.

The Company may be subject to risks which could not reasonably be predicted in advance. Events such as labour disputes, environmental issues, natural disasters or estimation errors are prime examples of industry related risks.

The Company is in the business of petroleum, natural gas and metals exploration and as such, its prospects are largely dependent on movements in the price of oil, gas and various metals. Prices fluctuate on a daily basis and are affected by a number of factors well beyond the control of the Company. The resource exploration industry in general is a competitive market and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist. Due to the current grassroots nature of its operations, the Company does not enter into price hedging programs.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

Environmental Risks and Hazards

All phases of Monarch's exploration operations are subject to environmental regulations in the jurisdictions it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Monarch's operations. Environmental hazards may exist on the properties on which Monarch holds interests, which are unknown to Monarch at present and which may have been caused by previous or existing owners or operators of the properties. Monarch may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently and may in the future be required in connection with Monarch's operations. To the extent such approvals are required and not obtained; Monarch may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities which may cause operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Monarch and cause increases in exploration expenses, capital expenditures and production costs. They may also cause a reduction in levels of production at producing properties or they may require abandonment or delays in development of new mining properties.

Production of mineral properties may involve the use of dangerous and hazardous substances such as sodium cyanide. While all steps will be taken to prevent discharges of pollutants into the environment, Monarch may become subject to liability for hazards against which it cannot be insured. The Company is subject to all environmental acts and regulations at the federal and provincial levels.

To the Company's knowledge, there are no liabilities to date which relate to environment risks or hazards.

Evaluation of Disclosure Controls

As required by Multilateral Instrument 52-109, management carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2012. These controls continue to be monitored regularly and in the future, an independent party will be engaged to test these controls. Based on the current evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company to satisfy its continuous disclosure obligations, and are effective in ensuring that information required to be disclosed in reports that the Company files is accumulated and communicated to management as appropriate to allow for timely decisions regarding required disclosure. These comments are made within the context that the Company is a small business and as such there is little segregation of duties.

Corporate Governance Matters

Monarch has an independent audit committee and a compensation committee that meets periodically as required to review and approve financial statements and to approve management compensation.

Share Data

The following sets forth the outstanding securities of the Company as at March 31, 2012 and May 30, 2012:

The authorized capital of the Company consists of an unlimited number of common shares

(a) Common Shares – 101,851,860
(b) Stock Options – 5,300,000
(c) Warrants – Nil

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.monarchenergy.ca and by assessing the Company's public documents filed on SEDAR at www.sedar.com

Signed

"Alex Falconer"
CFO
May 30, 2012