

## **Management's Discussion and Analysis of Operations For the Three Months ended March 31, 2013 and 2012**

*This Management's Discussion and Analysis ("MD&A") is prepared as of May 29, 2013 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, 2012, and 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](http://www.sedar.com). All amounts are in Canadian dollars.*

*Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.*

### **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 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 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.

## **Selected quarterly Information**

The following table sets forth selected financial information for Monarch for the three months ended March 31, 2013 and 2012. This information has been derived from the Company's financial statements for each of those quarters, and should be read in conjunction with those financial statements and the notes thereto.

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Petroleum revenues, net of royalties	\$-	\$ 8,869
Petroleum and natural gas related expenses	\$461	\$ 953
Office, general and administrative	\$4,427	\$ 7,216
Management fees	\$10,500	\$ 10,500
Gain (loss) for the year	\$(58,194)	\$ (77,491)
Loss per share	\$(0.00)	\$ 0.00
Total assets	\$50,959	\$ 90,944
Total Liabilities	\$89,968	\$ 71,759
Working capital (deficiency)	\$(39,009)	\$ (10,164)

Per share amounts are calculated using the weighted average number of shares outstanding. Fully diluted loss per share amounts have not been calculated, as they would be anti-dilutive.

## **Revenue and Expenses**

### **For the three months ended March 31, 2013**

The net loss for the three months ended March 31, 2013 was (\$58,194) (\$0.00/share) compared to net loss for the three months ending March 31, 2012 of (\$77,491) (\$0.00/share).

Petroleum and natural gas revenues decreased to \$nil for the three months ended March 31, 2013 from \$8,869 revenue for the three months ended March 31, 2012. The revenue was generated from its Alberta interests that were sold during the previous year. No other revenue is to be expected.

Loss from operations decreased to \$58,194 for the three months ended March 31, 2013 from \$77,491 for the three months ended March 31, 2012.

Office, general, and administrative decreased slightly from \$7,216 to \$4,427 for the three months ended March 31, 2013 due to the relative inactivity of the Company.

Management fees are for the President at the rate of \$3,500 per month to total \$10,500 for the three months ended March 31, 2013 and 2012.

Consulting fees decreased for the three months ending March 31, 2013 from March 31, 2012 by \$3,362 due to lack of activity for the Company.

Professional fees decreased for the three months ended March 31, 2013 from the three months ended March 31, 2012 by \$37,887 to \$19,780 primarily as a result of a lower audit fee and the lower need for professional fees.

## Exploration and Property Update

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.

## 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, 2013	\$ Nil	\$ (57,969)	\$ (0.00)
December 31, 2012	\$ 3,348	\$ (34,707)	\$ (0.00)
September 30, 2012*	\$ 115,669	\$ 275,476	\$ (0.00)
June 30, 2012*	\$ 10,355	\$ (57,927)	\$ (0.00)
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)
*IFRS reporting			Fully diluted loss per share amounts are not shown as they would be anti-dilutive.

There can be significant variances in the Company's reported loss from quarter to quarter arising from factors that are difficult to anticipate in advance or to predict from past results. One of these factors includes the volatility of petroleum and natural gas prices which have fluctuated widely during recent years

## Liquidity

The majority of financing of operations is achieved by issuing share capital. At the three months ended March 31, 2013, the Company had a bank position of \$2,657 (September 30, 2012 - \$27,601), accounts receivable of \$18,783 (September 30, 2012 - \$20,240), and due from related party of \$nil (September 30, 2012 - \$28,747). The Company has accounts payable relating to administrative activities in the amount of \$40,615 (September 30, 2012 - \$37,405) and due to related parties in the amount of \$49,353 (September 30, 2012 - \$14,675). The Company had a negative working capital of (\$68,528) at March 31, 2013 (September 30, 2012 - \$24,508).

## Capital Resources

The Company's primary capital assets at March 31, 2013 are its exploration and evaluation assets of \$Nil (September 30, 2012 - \$Nil), reclamation bonds of \$28,402 (September 30, 2012 - \$28,402) and property and equipment of \$881 (September 30, 2012 - \$1,012).

## Financing Activities

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

## Investing Activities

The Company was not involved in any financing activities during the three months ended March 31, 2013.

## Off-Balance Sheet Arrangements

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

## Transactions with Related Parties

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	<b>Three months ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Share-based compensation	-	-
Short-term benefits*	\$ 27,500	\$ 36,862
	<u>\$ 27,500</u>	<u>\$ 36,862</u>

\*include base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in consulting fees and management fees.

Other related parties:

There were no transactions with other related parties during the year ended December 31, 2012.

As at March 31, 2013, amounts due to related parties consist of \$49,353 (September 31, 2012 - \$14,675) to companies controlled by officers and directors of the Company.

Amounts due to and from related parties are due on demand within specific terms of repayment.

### **Events After Quarter End**

Nil

### **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.

## **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, 2013. 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, 2013:

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](http://www.monarchenergy.ca) and by assessing the Company's public documents filed on SEDAR at [www.sedar.com](http://www.sedar.com)

Signed

*"Alex Falconer"*  
CFO  
May 29, 2013