

This Management's Discussion and Analysis ("MD&A") prepared as of April 24, 2011, reviews the financial condition and results of operations of Monarch Energy Limited ("Monarch", or the "Company") for the six month financial period ended March 31, 2011, and other material events up to the date of this report. The following discussion should be read in conjunction with the Company's September 30, 2010 annual audited consolidated financial statements and related notes together with Management's Discussion & Analysis and the unaudited interim consolidated financial statements and related notes for the financial period ended March 31, 2011.

The financial data included in the discussion provided in this report has been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts are in Canadian dollars, unless otherwise stated.

DESCRIPTION AND OVERVIEW OF BUSINESS

Monarch Energy Limited is an active exploration company listed on the TSX Venture Exchange, trading under the symbol "MNL".

The Company's current activities are focused on the exploration for and development of petroleum and natural gas reserves in mineral properties located on and offshore Long Point, on the Port au Prince Peninsula, Newfoundland and Labrador. The Company also has interests in producing wells in the province of Alberta. During the financial period ended March 31, 2011, the Company received revenues from its producing properties in Alberta.

In the past, Monarch has accessed, and in the future will continue to access, the equities market to raise the funds needed to continue its exploration programs and to meet its ongoing working capital requirements.

RESULTS OF OPERATIONS

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going-concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business.

The Company reported a net loss from continuing operations of \$(516,486) and cash outflows from operations of \$(150,059) for the three months ended March 31, 2011 compared with a loss of \$(23,683) and cash outflows from operations of \$(10,115) for the same three-month period ending March 31, 2010. The increased loss for the current period, relative to the three month period ending March 31, 2010, can be largely attributed to the stock-based compensation recorded this period.

Petroleum revenues, net of royalties, for the three month period ended March 31, 2011 were \$20,445 compared to \$26,689 for three month period ending March 31, 2010. Petroleum revenues have decreased due to lower volumes in the three month period. Overall revenues of \$57,974 and \$56,876 were comparable the six month periods ending March 31, 2011 and 2010 respectively. Lower production volumes were off-set by the higher prices realized from petroleum sales.

Petroleum and natural gas related expenses were \$28,806 in for the three months ended March 31, 2011 compared to \$129,753 for the three-month period ending March 31, 2010. These expenses include \$nil (Q2-FY2010 - \$2,014) in depletion, \$1,658 (Q2-FY2010 - \$1,658) in accretion of asset retirement obligations, \$20,241 (Q2-FY2010 - \$125,917) in production expenses and \$907 (Q2-FY2010 - \$164) in transportation costs, both costs associated with petroleum revenues. The overall decrease of \$100,947 in petroleum and natural gas related expenses is largely attributable to the decrease in workovers incurred in the three month period ended March 31, 2011 relative to March 31, 2010.

The Company incurred filing fees of \$14,214 during the past fiscal quarter compared to fees of \$7,799 for the same three month period ending March 31, 2010. The increased costs can be attributed to filing fees

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associated with the Company's recent property acquisition and the timing of the filing fees associated with its regulatory requirements.

A foreign exchange loss of \$(62,571) for the three month period ended March 31, 2011, compared to a foreign exchange gain of \$124,448 for the comparable three month period in 2010 was recorded. As the Company's funds are predominately held in US dollars, the weakening of the US currency relative to the Canadian dollar has resulted in this exchange loss. In prior periods, the Company had previously conducted much of its exploration activities on its North Sea projects located in the United Kingdom; the strengthened Canadian dollar had a positive impact as these expenditures and liabilities were reported in the foreign currency.

The Company incurred \$73,838 in professional fees during the three months ended March 31, 2011 compared to \$13,371 for the same three month period ended March 31, 2010. The increased fees can be directly attributed to the costs associated with the Company's annual audit (\$28,050), accounting activities relating to the sale of the UK subsidiary (\$4,151) and additional legal fees associated with the sales of the UK subsidiary (\$8,458). The other increased costs can be largely attributed to the overall increased activities of the Company.

Stock-based compensation expense of \$320,000 was recorded during the three month period ended March 31, 2011 compared to \$Nil for the same three month period ended March 31, 2010.

During the quarter, the Company realized the sale of its UK subsidiary. The sale resulted in a gain of \$1,284,426. Income from the discontinued operations was \$65,067 which was attributed to foreign exchange. The net gain from the sale of the UK subsidiary (\$1,349,493) substantially reduced the loss of the Company for the quarter ended March 31, 2011.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

Quarter ended	Petroleum revenue, net of royalties	Net income/ (loss)	Net loss per share ⁽¹⁾
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)
March 31, 2010	\$ 26,689	\$ (23,585)	\$ (0.00)
December 31, 2009	\$ 30,187	\$ (80,366)	\$ (0.00)
September 30, 2009	\$ 135,026	\$ (3,106,964)	\$ (0.08)
June 30, 2009	\$ 42,052	\$ (4,003,266)	\$ (0.00)

⁽¹⁾ 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. Additionally, the granting of incentive stock options, which results in the recording of amounts for stock-based compensation can be quite large in any given quarter.

RESOURCE PROPERTIES

CANADA

Odd Twins Project

On January 6, 2011 the Company announced that it has entered into a Letter of Intent with Tectonics Inc., of Calgary, Alberta, for the acquisition of an interest in mineral properties located on and offshore Long Point, on the Port au Port Peninsula, Newfoundland and Labrador. The acquisition will be a Related Party transaction, as the principal of Tectonics is George S. Langdon, who is the President and a director of Monarch. On March 24, 2011, the Company obtained regulatory approval for the transaction.

The Company obtained a 60% working interest (subject to a 2% NSR) in Mineral License 016508M, comprising 68 claims (approx. 1700 hectares, 4352 acres); Mineral License 018019M, comprising 121 claims (approx. 3025 hectares, 7744 acres); Mineral License 018035M, comprising 121 claims (approx. 3025 hectares, 7744 acres); and Mineral License 018387M comprising 3 claims (approx. 75 hectares, 290 acres) (collectively, the "licensed area"). The Company has agreed to enter into a joint venture with the holder of the remaining 40% interest for the exploration, development and exploitation of the licensed area. The consideration paid for the working interest will be the issuance to Tectonics or its assigns of 39,450,000 shares of the Company, following a 1.75:1 consolidation, at a deemed price of \$0.05 per share.

Focus of Exploration

The focus of the mineral exploration on the licensed area is a feature known as the "Odd Twins Magnetic Anomaly". This feature has been identified on magnetic surveys, covers a license area of 19,840 acres and includes two prospective sandstone units with a gross thickness of up to 506 meters. The possibility of low cost energy from the production of oil and gas in west Newfoundland raises the potential of commercial extraction of iron, titanium and chromium oxides. Preliminary estimates from limited outcrop indicate a concentration of heavy metals (magnetite, ilmenite and chromite) at approximately 5% of the total rock.

A 2010 work program conducted by Canadian Imperial Venture Corp. ("CIVC") included the drilling of three core holes with orientations both normal and parallel to the dip of the sandstone units. The former will help establish the attitude and thickness of the units, while the latter will explore lateral changes in facies, and therefore, clast and heavy mineral composition, in a direction perpendicular to the ancient shoreline, which in general shows the most rapid facies transitions. Currently, an evaluation is underway which will consist of core examination, petrographic studies, field sampling and possibly trenching for bulk sample separation analysis, and other germane studies, directed toward an early assessment of potential commerciality. The results of this evaluation are expected to be released in early 2011.

The cost of the initial work program (\$200,000) was paid 100% by CIVC to earn a 40% interest in ML 016508M and ML 018387M. CIVC has the option to earn a 40% stake in ML 018019M and 018035M by issuing 5 million shares per license and spending \$200,000 per license.

Economic Climate for Strategic Metals

Recently there has been a worldwide thrust to accumulate strategic metals, and indeed commodities in general, by emerging, particularly Asian, economies. Iron, titanium and chromium in particular have participated in dramatic price run-up in the last several years.

Technical Report

The Company has undertaken to pay the cost of obtaining an NI 43-101 compliant technical report.

Virginia Hills Area, Alberta

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.

UNITED KINGDOM

On January 6, 2011, the Company entered into an agreement to sell its' UK subsidiary Monoil Limited and Monoil's wholly owned subsidiary Monoil UK Limited to a third party. For the consideration of USD\$1, the third party company will assume all interests or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security, interest, title, retention or any other security or arrangement.

LIQUIDITY AND CAPITAL RESOURCES

The Company currently has operations that are generating some cash flow. The Company's financial success relies on management's ability to find economically recoverable reserves.

In order to finance its acquisition-seeking activities and corporate overhead, the Company is dependent on investor sentiment remaining positive towards the petroleum and natural gas sector generally, and towards Monarch in particular, so that funds can be raised through the sale of the Company's securities. Many factors have an influence on investor sentiment, including a positive climate for petroleum and natural gas exploration, a company's track record and the experience and caliber of a company's management. There is no certainty that equity funding will be available at the times and in the amounts required to fund the Company's activities. Note 1 to the Company's consolidated financial statements further discusses the going concern issue. The financial statements do not include any adjustments that might result from these uncertainties.

Monarch has financed its activities through equity financings. Debt financing has not been used in the past and the Company has no current plans to use debt financing in the future.

Cash and Financial Conditions

The Company had a cash balance of \$76,725 at March 31, 2011 as compared to cash balance of \$428,926 at September 30, 2010.

The Company had a working capital deficiency of approximately \$(87,568) as at March 31, 2011 compared with a working capital deficiency of approximately \$1,245,000 as at September 30, 2010. Over the past twelve months, the Company's use of funds has been associated with general and administrative expenditures.

Monarch has no exposure to non bank asset-backed commercial paper. The Company has no debt, does not have any unused lines of credit or other arrangements in place to borrow funds and no off-balance sheet arrangements. Monarch does not use hedges or other financial derivatives.

Investing Activities

For the three months ended March 31, 2011, the Company had \$(23,429) cash outflows from investing activities. These cash costs were associated with legal fees (\$3,429) and an NI 43-101 compliant technical report (\$20,000) relating to the Odd Twins Project.

There were no material differences in the actual use of proceeds from the Company's previous disclosure in this regard.

Financing Activities

During the three and six months ended March 31, 2011, no shares or warrants were issued for cash or otherwise.

On February 1, 2011, the Company cancelled its remaining outstanding stock options and has granted incentive stock options to directors, officers and a consultant to purchase a total of 5,300,000 shares. The options are exercisable at \$0.10 for a period of five years. The fair-value associated with these options was \$320,000 using the Black-Scholes valuation model.

Outstanding Share Data

On January 25, 2011, the Company consolidated its common shares on the basis of one new share for every 1.75 old shares. As at December 31, 2010, the number of unconsolidated outstanding common shares was 93,146,991. The number of common shares outstanding following the consolidation was 53,226,852.

During the three month period ended March 31, 2011, the Company issued 39,450,000 to Tectonics Inc. The principal of Tectonics is George S. Langdon, who is the President and a director of Monarch

As at March 31, 2011 and the date of this MD&A, the Company had 92,676,852 shares issued and outstanding.

Outlook

It is anticipated that in the foreseeable future, Monarch will rely on the equity markets to meet its financing needs. Should cash flow build from exploration success, the Company will be in a position to finance projects from cash flow.

Without continued external funding to finance further exploration on its property interests, there is substantial doubt as to the Company's ability to operate as a going concern. Although Monarch has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve successful exploration results or obtain adequate financing.

Management and the Board of Directors review the approved work plans and budgets for the various exploration projects at regular intervals throughout the year, and make revisions to the budgets for individual projects in response to exploration success (or the lack thereof) on such projects.

Management and the Board of Directors continuously review and examine proposals and projects for the Company and conduct their due diligence in respect of the same.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

Included in expenses are the following transactions with related parties totalling \$38,160:

- a) Paid or accrued management fees totalling \$7,000 (Q2FY10 - \$Nil) to the President of the Company.
- b) Paid or accrued consulting fees totalling \$6,160 (Q2FY10 – \$30,000) to a director of the Company.
- c) Paid or accrued management fees totalling \$25,000 (Q2FY10 - \$Nil) to an officer of the Company.

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles and requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives of capital assets, reserves used in calculating depletion, accretion and ceiling tests, the assumptions used in determining the fair value of asset retirement costs and the assumptions used in determining the fair value of non-cash stock-based compensation. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates.

CHANGES IN ACCOUNTING POLICIES

No new accounting policies were adopted during the six months ended March 31, 2011.

NEW ACCOUNTING STANDARDS:

New accounting standards:

Effective for the year ended September 30, 2010, the Company adopted new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"), as listed below. These standards were adopted on a prospective basis and are primarily related to disclosures. There were no adjustments recorded to the opening balance sheet items or deficit as a result of the Company's initial adoption of these standards.

Goodwill and intangible assets

Effective October 1, 2009, the Company adopted the CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. The adoption of this standard did not have a significant effect on these financial statements.

Business combinations, consolidated financial statements and non-controlling interest

Effective October 1, 2009, the Company adopted the CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replaced the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states

that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008).

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements.

These standards are effective January 1, 2011, however early adoption is permitted. The Company adopted these sections on October 1, 2009; the adoption of these sections did not have a significant effect on the Company's financial statements.

Future accounting policies

International Financial Reporting Standards ("IFRS")

In 2006 the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's existing GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company the transition date will be October 1, 2011 and this will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company has completed the diagnostic phase of planning for the implementation of IFRS. It has determined that the principal areas of impact will be IFRS 1 – first time adoption; presentation of financial statements; asset retirement obligations; impairment of assets; flow through shares and share-based payments. The Company expects its detailed analysis of relevant IFRS requirements and of IFRS 1 will be complete by the end of its fiscal quarter ending June 30, 2011, along with its determination of changes to accounting policies and choices to be made. The Company has not yet reached the stage where a quantified impact of conversion on its financial statements can be measured. The Company expects to complete its quantification of financial statement impacts by the end of its fiscal year ending September 30, 2011.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, accounts payable and accrued liabilities and due to related parties. Due to their short-term nature, the fair values of cash and cash equivalents, short-term investments, amounts receivable and accounts payable and accrued liabilities approximate their carrying values, unless otherwise noted. The fair value of amounts due to related parties cannot be reasonably estimated due to uncertainty as to timing and method of repayment and the lack of a ready market for such related party amounts. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these instruments.

FORWARD-LOOKING STATEMENTS

Certain information set forth in this document includes forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Monarch's control, including but not limited to: the execution and outcome of current or future exploration activities; information included or implied in the various independently produced and published technical reports;

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anticipated drilling and resource estimation plans; cash flow projections; volatility in market prices for petroleum and natural gas; currency fluctuations; and other general market and industry conditions.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Monarch will derive from them.

The Company disclaims any intention and assumes no obligation to update any forward-looking statements, even if new information becomes available, as a result of future events or for any other reason. Risks that could cause the Company's actual results to materially differ from its current expectations are described in this document.

ADDITIONAL SOURCES OF INFORMATION

Additional information relating to Monarch Energy Limited can be found on the SEDAR website at www.sedar.com or the Company's website at www.monarchenergy.ca.