

**Amended and Restated**

**XEMPLAR ENERGY CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2006**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) OF THE COMPANY'S FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS**

The following MD&A with its effective date of April 27, 2007 for Xemplar Energy Corp. (the "Company") should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2006. The financial information in this MD&A is derived from the Company's financial statements which have been prepared in accordance with Canadian generally accepted accounting principles.

All monetary amounts in this MD&A and in the Company's consolidated financial statements are expressed in Canadian dollars, unless otherwise stated. The Company's financial statements include the results of the operations of the Company's wholly-owned subsidiary Namura Mineral Resources (Pty) Ltd. for the year ended December 31, 2006.

This MD&A may contain forward looking statements and information based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of factors beyond its control. Actual results may differ materially from the expected results.

**Description of Business and Overall Performance**

The Company was incorporated on January 12, 1979 under the laws of British Columbia. On July 11, 2005, the Company changed its name from Consolidated Petroquin Resources Limited to Xemplar Energy Corp. as it changed its business focus from development of oil and gas properties to acquiring, exploring and developing mineral properties. The Company is currently focused on the development and exploration of uranium properties in Canada and Namibia.

*Corhill Uranium Property, Northwest Territories*

By an agreement dated July 7, 2005, the Company acquired a 100-per-cent interest in the Corhill uranium-gold-platinum property located north northwest of Yellowknife, Northwest Territories. Upon commencement of commercial production, the vendors will be entitled to a net smelter royalty of 2% on all minerals. The Company can buy down to a 1% net smelter royalty at a cost of \$1,000,000. The purchase price of \$185,000 was paid by issuance of 500,000 shares of the Company and payment of \$65,000 cash.

The Corhill property comprises 18 mineral claims and covers 30,628 acres. The claims straddle the NWT / Nunavut border and are approximately 312 miles NNW of Yellowknife and 90 miles SW of Kugluktuk (Coppermine). The property holds significant potential for Athabasca Basin-type unconformity uranium deposits and the genetically related Coronation Hill (Australia) type mineralization with associated gold and platinum group metals. The property geology is structurally controlled and shows the results of unconformity-related mineralization processes. The Company's objective is to discover world-class, high-grade uranium deposits, similar to those found in the Athabasca Basin in Saskatchewan.

In July 2006, the Company farmed out 70% interest of the Corhill Property to Garuda Capital Corp. The Company had received \$50,000 and 2,000,000 common shares of Garuda pursuant to the property option agreement. Garuda was required to incur \$1,500,000 exploration expenditures over a three-year period, \$300,000 of which must be incurred before January 7, 2007. The Company retains a 2% NSR in the property. In this manner, the Company reduces its exploration expenditure on the Corhill property, at the same time the Company acquires securities (shares and cash) from its partner in addition to the exploration funding. This allows the Company to focus on other early-stage 100% owned properties. During the year,

Garuda paid \$100,000 in cash as part of its exploration expenditures. Subsequent to the year ended December 31, 2006, Garuda failed to meet their obligations.

According to the terms of the agreement, Garuda is required to incur \$300,000 exploration expenditure on the property before January 7, 2007 as its first year commitment. So far, Garuda paid only \$100,000 in cash as part of its exploration expenditures. Garuda has not fully complied with the terms of the property option agreement. The parties are currently negotiating revised terms to the option agreement.

#### *Otish Uranium Property, Quebec*

By an agreement dated September 28, 2005, the Company acquired a 100-per-cent interest in the Otish Uranium Property located north of St-Jean, Otish Basin of Quebec. Upon commencement of commercial production, the vendors will be entitled to a net smelter royalty of 2% of all minerals. The Company can buy down to a 1% net smelter royalty at a cost of \$1,000,000. The purchase price of \$1,185,000 was paid by issuance of 3,000,000 shares of the Company and payment of \$375,000 cash.

The Otish Property is located in Central Quebec, 310 km northeast of the City of Chibougamau. The property consists of 1159 claims in three contiguous blocks, encompassed approximately 147,663 acres. The property is within the Otish Basin that has a rich history of Uranium exploration starting in the late sixties and lasting until 1985. Past exploration for uranium in the Otish Basin, because of its many similarities with the uranium rich Athabasca Basin in Saskatchewan, focused on finding unconformity associated with uranium deposits. The Company has started a data compilation of all previous exploration work. They will be used to prioritize existing drill targets and to generate new drill targets. The Company will use modern exploration methods to search for Athabasca-type unconformity uranium deposits in a classic setting, where uranium concentrating process works. In May, 2006, the Company staked an additional 166 claims contiguous to the Otish properties at a cost of \$19,397.

The Company started and completed the airborne geophysical survey on the property in the fourth quarter 2006. The airborne survey was flown by Aeroquest Ltd. The survey covered 1,740 km on 200m spaced lines. The survey detected a 20 km<sup>2</sup> Archean greenstone belt under shallow cover of proterozoic sediments of the Otish Basin. This belt features long linear magnetic and conductive trends and an historic uranium showing (Lorenz Gully) on Xemplar's properties. The airborne survey also mapped long linear fault zones. This includes a 6km long fault zone with an historic drill intercept of 0.45% U<sub>2</sub>O<sub>8</sub> over 1 m. The Company is currently reviewing the data collected from the survey.

As of December 31, 2006, the Company incurred exploration expenditure \$376,511 on the property of which \$263,317 was airborne survey cost.

#### *Namibian Uranium Properties, Africa*

By an agreement dated March 22, 2006, the Company acquired all of the outstanding shares of Namura Mineral Resources (Pty) Ltd. ("Namura"). Namura is a private company incorporated in the Republic of Namibia, a mining friendly country in Africa. At the date of acquisition, Namura is the beneficial holder of three exclusive reconnaissance licenses (ERL) covering uranium exploration properties in Namibia. It is also the registered holder of a fourth pending ERL application. These ERLs cover various uranium occurrences and uranium mineralization types, which include Rossing, Langer Heinrich and sandstone-conglomerate and siltstone hosted epigenetic/diagenetic type deposits. The Rossing uranium mine has been in production for more than 30 years has produced between 2,000 and 4,000 tonnes/annually. Paladin's Langer Heinrich deposit has begun pre-selling future mining production and in January 2006 announced two contracts of more than 2 million pounds of uranium oxide. The Company hopes to take the opportunity to repeat that winning formula with its uranium deposits. Consideration for the purchase is payment of \$600,000 cash and issuance of 6,000,000 shares of the Company. Each property is subject to a 3% net smelter return royalty. The Company has the right to reduce the royalty to 1.5% on each property by paying \$3,000,000 per property.

At the date of report, through its subsidiary in Namibia the Company was awarded six exclusive prospecting licenses (EPL) covering the Cap Cross Uranium project, Aus Uranium project and Warmbad Uranium project.

With these EPLs, the Company can now start exploration programs including detailed airborne and ground radiometrics, ground radon surveys, percussion drilling, radiometric borehole logging and sampling on the area.

In addition to the six EPLs, the Company was also awarded an exclusive reconnaissance license (ERL) over the Engo Valley Uranium Deposit in Namibia. This licence covers an area of approximately 1,239 Km<sup>2</sup> (123,904 ha or 306,172 acres). An ERL entitles the holder to an exclusive right and a preferential right over the area held. The Engo Valley uranium deposit lies within a Permo-Triassic age Karoo sediments. These sediments are quite extensive in this part of Namibia and little work has been done to explore for this type of occurrence. It is the Company's intention to explore all of these occurrences within the licence area. The Engo Valley Uranium deposit is a significant resource for the Company and it intends to proceed with its development as quickly as possible.

#### *Exploration Expenditures by Property*

The Company's expenditures to explore its mineral properties are capitalized. During 2006, the Company's exploration expenditures were \$760,275 with 17%, 47% and 36% of the expenditures being incurred on the Corhill, Otish and Namibian projects respectively.

A summary of capitalized acquisition and exploration expenditures on the Company's properties for the year ended December 31, 2006 is as follows:

<b>Mineral Properties</b>	<b>Corhill</b>	<b>Otish</b>	<b>Namibian</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Acquisition costs</b>				
Balance Dec 31, 2005	194,657	-	-	194,657
Additions during the year	-	1,204,397	3,341,172	4,545,569
Property option payments received	(50,000)	-	-	(50,000)
Balance Dec 31, 2006	144,657	1,204,397	3,341,172	4,690,226
<b>Exploration costs</b>				
Balance Dec 31, 2005	11,208	23,300	-	229,166
Additions during the year:				
Accounting, legal and general	-	-	20,515	20,515
Camp, field supplies & transport	-	-	84,698	84,698
Fees, licenses and permits	-	62,983	-	62,983
Geological and geophysical	-	26,911	66,160	93,071
Survey, evaluation, mapping	132,801	283,317	66,968	483,085
Travel	-	-	35,922	35,922
Total additions during the year	132,801	353,211	274,263	760,274
Balance Dec 31, 2006	144,009	376,511	274,263	794,783
<b>Cumulative Mineral Property Expenditures as at December 31, 2006</b>				
Acquisition	144,657	1,204,397	3,341,172	4,690,226
Exploration	144,009	376,511	274,263	794,783
Total:	288,666	1,580,908	3,615,435	5,485,009

### *Financing completed*

In February, 2006, the Company completed a private placement in two tranches for the sale of 6.7 million units at a price of \$0.15 per unit for gross proceeds of \$1,005,000. Each unit consisted of 1 common share and 1 share purchase warrant for the purchase of 1 further common share of the Company within two years at a price of \$0.30 per share.

In May 2006, the Company closed another private placement for the sale of 17,344,429 units at a price of \$0.35 per unit for a total of \$6,070,550. Each unit consisted of 1 common share and 1 share purchase warrant for the purchase of 1 further common share of the Company within one year at a price of \$0.47 per share. The proceeds have been used for general working capital, acquisition of mineral property and exploration programs.

### **Selected Annual Information**

The following financial data is derived from the Company's audited financial statements for the year ended December 31, 2006, 2005 and 2004.

		As at and for the financial year ended December 31		
		2006	2005	2004
(a)	Total Revenue	Nil	Nil	Nil
(b)	Net Income (loss)			
	In total	(\$2,096,968)	(\$659,354)	(\$137,557)
	On a per share basis	(\$0.03)	(\$0.02)	(\$0.02)
(c)	Total Assets	\$10,360,939	\$231,920	\$13,639
(d)	Total long term financial liabilities	Nil	\$90,000	\$1,284,449
(e)	Cash dividends declared per share	Nil	Nil	Nil

### **Results of Operations**

The Company had no producing properties, and consequently no sales or revenues. Investment income consisted of interest income which was generated primarily from private placements funds, and accordingly this amount will fluctuate, depending on the time of year that the Company completes its private placement financings.

In fiscal 2006, the Company incurred a loss of \$2,096,968 (2005 - \$659,354) or \$0.03 per share as compared to a loss of \$659,354 or \$0.02 per share for the year ended December 31, 2005. The loss in 2006 was substantially higher than the prior year's loss of which the significant components were stock based compensation of \$1,672,936 (2005 - \$480,810), consulting fees of \$184,257 (2005 -22,500), marketing and promotion expense of \$65,826 (2005 - \$37,531) and travel cost of \$87,160 (2005 - \$909).

The Company's expenditure consisted primarily of capital property expenditure and administrative expense. During fiscal 2006, a total of \$5,255,843 was recorded on acquisition and exploration of mineral properties. All of these costs were deferred.

General and administrative expenses for the year ended December 31, 2006 totaled \$2,096,968 as compared to \$659,354 in 2005, an increase by \$1,437,614. Other than the stock based compensation expense, most categories in the G&A expenses had increased in order to support the Company's increased activities related to the acquisition of mineral properties, investor awareness of the Company and to meet the increased demands of public reporting responsibilities. The Company incurred \$184,257 consulting fees during the year compared to \$22,500 consulting fees incurred during the corresponding year in 2005. Professional fees which included accounting, audit and legal services increased by \$10,000 in 2006. The increase of \$27,605 in transfer agent and exchange fees was attributable to the Company's regulatory filings for the acquisition of mineral properties, private placement and other corporate matters. Travel and promotion activity expense had increased by \$114,546 as the Company conducted marketing and promotion

activities in Europe, South Africa and Canada during the year. The Company has successfully listed on the Frankfurt and Berlin Stock Exchange in Germany for trading.

### Summary of Quarterly Results

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

Quarter Ended	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Year	2006	2006	2006	2006	2005	2005	2005	2005
Total Revenues	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net Income (Loss)	(280,633)	(654,934)	(954,983)	(206,418)	(516,153)	(63,356)	(50,492)	(29,353)
Basic & Diluted Income(Loss) per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)

Significant variances in the Company's report loss from quarter to quarter are largely due to the granting of stock options, which results in the recording of amounts for stock-based compensation expense.

The large increase in net loss from the third quarter 2005 to the fourth quarter was the result of a \$480,810 in stock based compensation expense being included. The stock-based compensation expenses for the quarters commencing from the first quarter 2006 were Q1 2006 - \$120,705; Q2 2006- \$736,660; Q3 2006 -\$565,125, Q4 2006 - \$250,446. Aside from the stock-based compensation expense, other general and administrative expense was relatively consistent.

### Liquidity and Capital Resources

At December 31, 2006, the Company reported a net working capital of \$4,826,811 compared to a net working capital deficiency of \$43,316 as at December 31, 2005, representing an increase in working capital by \$4,870,127. The increase in working capital was attributed to the cash raised by the Company upon completion of two private placements financing during the period. The Company utilized the fund raised for operations and purchase of property.

The Company has been successful in raising the above funds. However, there is no assurance that equity funding will be accessible to the Company at the times and in the amounts required to fund the Company's activities. The Company is dependent on investor sentiment remaining positive towards the mining exploration sector so that funds can be raised through the sale of its securities. Many factors have an influence on investor sentiment, including a positive climate for mineral exploration, a company's track record and the experience of a company's management. The other sources of funds potentially available to the Company are through the exercise of outstanding warrants and stock options. The Company remains dependent on management and its shareholders to ensure that sufficient funds are obtained.

### Off-Balance Sheet Arrangements

The Company has no long term debt, does not have any used lines of credit or other arrangements in place to borrow funds, and has no off-balance sheet arrangements.

### Transactions with Related Parties

During the financial year ended December 31, 2006, the Company entered into the following transactions with related parties:

- a) Professional fees of \$18,000 (2005 - \$18,000) incurred for accounting services provided by a company owned by one of the directors of the Company.
- b) Management fees of \$120,000 (2005 - \$30,000) were paid to a director of the Company. \$90,000 of this fee related to service provided in prior years.

- c) Consulting fees of \$47,500 (2005 - \$30,000) were paid to a company related to a director of the Company.
- d) Technical fees of \$160,563 were paid to a director of the Company.
- e) The Company paid \$75,000 to a Company owned by one of the directors for acquisition of a mineral property.
- f) Rental fees of \$6,000 (2005 - \$12,000) were paid to a company owned by one of the directors of the Company.
- g) The Company issued 2,000,000 shares and paid \$200,000 in cash to a company owned by one of the directors of the Company for the acquisition of Namura Mineral Resources (Pty) Limited.
- h) The Company issued 2,000,000 shares and paid \$200,000 in cash to a director of the Company for the acquisition of Namura Mineral Resources (Pty) Limited.

#### **Fourth Quarter and subsequent events**

During the fourth quarter, the Company's was focused on the exploration activities in its Otish Property and the Namibia uranium properties through its subsidiary, Namura Mineral Resource (Pty) Ltd. ("Namura")

In December, the Company appointed Mr. Peter Koep to the board of directors. Mr. Koep is the senior partner in the law firm P F Koep & Co, which was established in Windhoek (Namibia) in 1982. Mr. Koep has been on the board of the Namibian Stock Exchange (NSX) since its inception and is currently the chairman of the Stock Exchange. He holds a number of other directorships and is a member of the President of Namibia's economic advisory council. Mr. Koep is also Namura's accredited agent in Namibia. The Board is very delighted to attract such a talented and well-respected individual. Mr. Koep also serves on the board of the Company's subsidiary, Namura Mineral Resources (Pty) Ltd.

Subsequent to the year end, the Company raised \$6,772,750 through the exercise of warrants and stock options.

#### **Changes in accounting policies including initial adoption**

Effective January 1, 2002, the Company adopted the new Canadian accounting standard relating to stock based compensation. Under this standard the Company continues to follow the intrinsic method of accounting for stock options granted to employees whereby the proceeds received on exercise options are included in share capital and no compensation expense is recognized. For stock based compensation to non-employees, the Company will calculate a fair value using an option pricing model, and record the expense to earnings over the term of the option.

Effective with the commencement of its 2007 fiscal year, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, CICA Handbook Section 3251, Equity, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation and CICA Handbook Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

The Company will adopt the requirements commencing in the interim period ending March 31, 2007 and is considering the impact this will have on the Company's financial statements.

#### **Financial Instruments**

The Company's financial instruments consist of cash, receivables and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks

arising from these financial statements. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

### **Outstanding Share Data as at April 27, 2007**

The Company is authorized to issue unlimited common shares without par value. As at April 27, 2007, there were 94,831,516 outstanding common shares compared to 79,769,707 outstanding shares at December 31, 2006. The increase resulted from the issuance of shares pursuant to the exercise of warrants and stock options.

There were a total of 15,915,953 warrants outstanding that had a conversion price of ranging from \$0.10 to \$0.47. If these warrants were to be converted, it would put an additional \$4,080,464 into the Company's Treasury. There were 6,600,000 stock options outstanding under the Company's incentive stock option plan. These stock options are exercisable at prices ranging from \$0.2 to \$0.51, with expiry dates ranging to July 05, 2011.

### **Disclosure Controls and Procedures**

The Company has established and maintained disclosure controls and procedures and internal control over financial reporting. The certifying officers carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2006. The Company has very limited administrative staffing. As a result, internal controls which rely on segregation of duties in many cases are not appropriate or possible. Management has implemented certain controls such as frequent reviews and regular preparations of reconciliations of transactions to ensure absence of material irregularities. Based on that evaluation, the CEO and CFO have 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 the reports that the Company files is accumulated and communicated to management as appropriate to allow for timely decisions regarding required disclosure.