

**XEMPLAR ENERGY CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

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 May 5, 2008 for Xemplar Energy Corp. (the "Company") should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2007. 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 subsidiaries, Namura Mineral Resources (Pty) Ltd. and Canadian Uranium Corp. for the year ended December 31, 2007.

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's primary objective is to develop mineral properties to a stage where they can be operated profitably. Currently, the Company has mineral interest holdings located in Canada and Namibia, a mining friendly country in South Africa, with a view for finding uranium deposits.

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. ("Garuda") 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. In 2006, Garuda paid \$100,000 in cash as part of its exploration expenditures.

Under 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. During the year ended December 31, 2006, Garuda paid \$100,000 in cash towards the exploration costs incurred by the Company. In 2007, Garuda did not make further contributions towards the exploration expenditures. Essentially, Garuda failed to meet their expenditure obligations and the parties had been negotiating a new agreement. In June 2007, the Company and Garuda entered into an initial agreement to transfer the Corhill property rights to Canadian Uranium Corp. ("CUC"), the Company's newly created subsidiary. This agreement would supersede the earlier property option agreement with Garuda should it be successfully concluded. As date of report, the agreement had not closed.

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 completed an airborne geophysical survey on the property in 2006. The airborne survey was flown by Aeroquest Ltd. The survey covered 1,740 km on 200m spaced lines. The survey detected a 20 km² 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% U₂O₈ over 1 m. The Company is reviewing the data collected from the survey and any decision on further exploration plan shall be contingent on the result of the review.

During the year 2007, exploration activity on the Otish Property was related to maintaining the titles in good standing. Accordingly, the Company paid \$181,467 claim renewal fee to the Quebec Authority and geological consulting fees of \$31,950 in this regard.

The Company is considering alternative strategies with respect to these properties. The Company intends to transfer its mining property rights to Canadian Uranium Corp. ("CUC"), the Company's newly created subsidiary, for the purpose of forming joint venture exploration partnerships with other companies. The Company has entered into preliminary discussions with interested parties and will continue its efforts in 2008.

Namura Uranium Properties, Namibia

On March 22, 2006, the Company acquired 100% of the issued and outstanding shares of Namura Mineral Resources (Pty) Ltd. ("Namura"), a private company incorporated in the Republic of Namibia, South Africa. At the date of acquisition, Namura was 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.

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 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 Km² (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.

In October 2007, the Company commenced drilling at its Warmbad Project in Namibia. Preliminary results are encouraging. As reported in its press release dated November 6, 2007, the company believes it has effectively discovered a new uranium province in the Warmbad area, with over 14 large mineralised alaskitic bodies that outcrop in an area of approximately 40 kms by 28 kms. Ground truthing of over 1200 sites on all 14 of these bodies has shown clear evidence of visual surface uranium mineralisation. Over 100 outcrop samples have been collected and sent for analysis. Helicopter radiometric data collected over these bodies show distinct uranium channel anomalies.

On completion of the preliminary drill program at Big Yellow, approximately 10 RC holes are planned for the Gaobis Alaskite. This outcropping mineralised alaskite is located some 14 kms to the west of Big Yellow. This body has a strike of approximately 4 kms and has a surface area of approximately 4 square kilometres. The body dips to the east. Helicopter radiometric data over the Gaobis alaskite shows a distinct uranium channel anomaly. On completion of these ten holes the drilling rigs will be moved to the Houms River area.

With the results from the positive airborne radiometric survey (reported, October 15, 2007) and recent drilling results (reported February 4, 2008), the Company has achieved the completion of phases 1 and 2 of its planned work programs as set out in the Company's 43-101F1 Technical Report filed on www.sedar.com, dated May 4, 2006 by Roscoe Postle Associates Inc.

These results show the existence of 14 large uraniumiferous granite (alaskitic) bodies. These bodies cover a surface area of approximately 30 square kilometres. Surface sampling has shown (reported May 7, 2007) the bodies to be mineralised. An initial drilling program (reported February 4, 2008) has shown that at least two of these bodies extend to depth, in some cases in excess of 200 metres. The analysis of the drill samples from these holes has shown (reported February 4, 2008) that wide widths are mineralised. This sampling has also shown that portions of the bodies are not mineralised or have low grades, which is not unusual for these alaskitic occurrences. It must be stressed that this recent drilling program is only the beginning of a major drilling campaign to systematically test all of the bodies discovered to date. In this respect, these recent drill results are viewed by the company as being very encouraging.

Encouraged by the foregoing results, the Company has commenced a Phase 3 exploration program which will be comprised of a 40,000 metre definition drilling program over the Company's 14 uraniumiferous (alaskitic) bodies. This will involve the deployment of some 6 drilling rigs, the radiometric logging of all holes drilled, the sampling and chemical analysis of all cores and drill chips. Results in the form of equivalent uranium grades

(eU3O8) from the radiometric logging program will be released as they become available, these equivalent uranium results will be contingent on the final chemical assay results. This work is directed at defining a possible resource/reserve estimate and a possible future feasibility study.

Contingent upon favorable results from Phase 3, the Company would then consider a Phase 4 program leading to a more targeted drilling program with which to develop a resource.

Canadian Uranium Corp.

In 2007, the Company created a wholly owned subsidiary, Canadian Uranium Corp. ("CUC") to allow it to consider alternative strategies with respect to some of its mining property interest. CUC was a shell company at the time of purchase and the purchase price paid was the cost of incorporation.

Exploration Expenditures by Property

For the past year, the Company has focused its exploration work on the Warmbad properties in Namibia. All costs related to the acquisition, exploration and development of mineral properties are capitalized.

A summary of capitalized acquisition and exploration expenditures on the Company's properties for the year ended December 31, 2007 is as follows:

Mineral Properties	Corhill	Otish	Namibian	Total
	\$	\$	\$	\$
Acquisition costs				
Balance Dec 31, 2006	144,657	1,204,397	3,341,172	4,690,226
Additions during the year	-	-	-	-
Balance December 31, 2007	144,657	1,204,397	3,341,172	4,690,226
Exploration costs				
Balance Dec 31, 2006	144,009	376,511	274,263	794,783
Additions during the period:				
Accounting and legal	-	-	29,054	29,054
Camp, field supplies & transport	-	-	303,887	303,887
Drilling	-	-	762,298	762,298
Equipment rental and repairs	-	-	207,033	207,033
Fees, licenses and permits	-	181,467	61,274	242,741
Geological and geophysical	4,719	31,950	911,898	948,567
Survey, evaluation, mapping	-	-	381,812	381,812
Travel	-	-	39,272	39,272
Total additions during the year	4,718	213,417	2,696,528	2,914,663
Balance December 31, 2007	148,728	589,928	2,970,791	3,709,446
Cumulative Mineral Property Expenditures as at December 31, 2007				
Acquisition	144,657	1,204,397	3,341,172	4,690,226
Exploration	148,728	589,928	2,970,791	3,709,447
Total:	293,385	1,794,325	6,311,963	8,399,673

Financing

During the year, the Company received a total of \$11,275,882 from the exercise of share purchase warrants and stock options.

Year End Balance Sheet Position

On December 31, 2007, the most recent balance sheet date, the Company had cash and cash equivalents \$9,502,889. Cash and cash equivalents represent cash on deposit and term deposits having terms to maturity of 180 days or less when acquired. To increase interest revenue, the Company has placed excess cash into short term flexible GICs. The short term investments are made with a major Canadian Bank and no asset backed investments have been entered into by the Company. The Company does not hold any non-bank asset-back commercial paper.

The Company had \$469,928 deposits and prepaid expense of which \$436,432 were paid to suppliers for the purchase of drilling rigs and field equipment for drilling on the properties in Namibia.

Selected Annual Information

The following financial data is derived from the Company's audited financial statements for the year ended December 31, 2007, 2006 and 2005.

		As at and for the financial year ended December 31		
		2007	2006	2005
(a)	Total Revenue	Nil	Nil	Nil
(b)	Net Income (loss)			
	In total	(\$22,868,850)	(\$2,096,968)	(\$659,354)
	On a per share basis (basic)	(\$0.23)	(\$0.03)	(\$0.02)
	On a per share basis (diluted)	(\$0.21)	(\$0.02)	-
(c)	Total Assets	\$20,434,367	\$10,360,939	\$231,920
(d)	Total long term financial liabilities	Nil	Nil	\$90,000
(e)	Cash dividends declared per share	Nil	Nil	Nil

Results of Operations

The Company has no producing properties, and consequently no sales or revenues. Investment income consists of interest income which is earned on cash balances held on deposit with a major bank. The amount fluctuates from period to period depending on the Company's cash balance and interest rates.

Comparison of year ended December 31, 2007 to year ended December 31, 2006

For the year ended December 31, 2007, Company incurred a net loss of \$22,868,850 (2006 - \$2,096,968) or \$0.23 per share as compared to a loss of \$2,096,968 or \$0.03 per share for the year ended December 31, 2006. The loss in 2007 was substantially higher than the prior year's loss of which the significant components were stock based compensation and the level of operating expenditures, partially offset by interest income.

Interest income of \$404,280 was up with \$285,871 as a result of the increased cash balances on hand for the year ended December 31, 2007.

Operating expenditures for the year ended December 31, 2007 totaled \$23,273,130 compared to \$2,215,377, an increase of \$21,057,753 from the year ended December 31, 2006. The major factors for the increase were:

- stock based compensation were \$1,672,936 for 2006 compared to \$21,535,7598 for 2007, the increase of \$19,862,823 being due to the impact of the six stock options granted during 2007 for a total of 1,900,000 more options than in 2006 and higher stock prices in the current year;
- amortization increased from \$1,467 for 2006 to \$195,257 for 2007, the increase of \$193,790 being due to the purchase of drilling equipment, computer equipment, office furniture and fixtures, and motor vehicles for use in Namibia;
- consulting fees increased from \$184,257 for 2006 to \$225,550, the increase of \$41,293 due principally to the engagement of consultants to provide services related to the listing of Company's common stock on the Namibian Stock Exchange, to review the Company's equity position and to provide management consulting services. The Company was successfully listed on the Namibian Stock Exchange in October 2007;
- donations incurred due to the Company, through its subsidiary, has set up a trust in Namibia for the purposes of providing funds for the welfare of the people in Warmbad. The Company contributed \$200,000 to the Trust;
- marketing and promotion had increased by \$379,239 in 2007 to promote investor awareness of the Company. During the year, the Company had participated in trade shows and mining conference held in South Africa, London and Frankfurt. Promotional materials were printed and distributed;
- printing and reproduction increased from \$nil in 2006 to \$28,868 in 2007 due to the administrative activities relating to the operation in Namibia;
- professional services expenses for 2007 were \$158,446 compared to \$58,886 for 2006, an increase of \$99,560. Professional fees include legal, audit, accounting services. The increase was due to the requirement to retain more professionals for advises on tax matters, employment regulations and corporate structure. The increase was also due to professional services required in connection with the Company's effort to list its common stock for sale on the Namibian Stock Exchange.
- rent increased by \$28,813 due to full years rental cost for office location in Namibia;
- shareholder relations increased by \$27,187 due to the additional usage of emails, web-site hosting and other media for the dissemination of the Company's news release;
- transfer agent and exchanges fees for the year had increased by \$20,000 due to the listing fees paid to the Namibian Stock Exchange;
- travel cost increased from \$87,160 for 2006 to \$157,430 for 2007, the increase of \$70,270 being due to the travel expenses incurred by the directors and consultants to visit property site in Namibia and meet investors in Europe;
- wages and benefits increased from \$nil in 2006 to \$48,098 in 2007 due to employees, including a office manager and accounting staff being hired in Namibia. Other than salary, employee insurance and staff training cost were also provided in this category.

Comparison of 3 months ended December 31, 2007 to 3 months ended December 31, 2006

For the three months ended December 31, 2007, the Company incurred a net loss of \$18,624,927 or \$0.19 per share as compared to a loss of \$280,633 or \$0.00 per share for the three months ended December 31, 2006.

Interest income for the quarter ended December 31, 2007 was \$347,968 compared with the quarter ended December 31, 2006 of \$59,759, an increase of \$288,209 due to increased cash balances on hand.

Operating expenditures for the quarter ended December 31, 2007 totaled \$18,972,894, an increase of \$18,631,579 from the 2006 comparable quarter. Major factors for the increase were:

- stock based compensation increased from \$250,446 for Q4 2006 to \$18,715,760 for Q4 2007, the increase of \$17,042,824 being due to the impact of two grants of options during the current quarter for a total of 4,350,000 options granted at an exercise price of \$6.5 per share;
- amortization expenses increased from \$1,467 for Q4 2006 to \$139,567 for Q4 2007, the increase of \$138,100 being due to the purchase of drilling equipment, computer equipment, office furniture and fixtures, and motor vehicles for use in Namibia;
- consulting fees increased by \$89,615 in the current quarter due to the engagement of consultants to provide management and financial advisory services;
- donations made in the fourth quarter of 2007. The Company contributed \$200,000 to the Warmbad-Kara Community Trust, a newly set up trust for the purpose of providing funds for the welfare of the people in Warmbad;
- marketing and promotion had increased by \$327,434 in the current quarter as a result of more resources being allocated to increasing investor awareness of the Company, including trade shows activities in Frankfurt and London;
- professional services expenses for the current quarter were higher due to a higher level of legal, audit and accounting services required;
- transfer agent and exchanges fees for the current quarter had increased by \$17,600 as a result of listing fees paid to the Namibian Stock Exchange;
- travel expenses in the fourth quarter of 2007 were \$100,648 higher than in the comparative quarter in 2006 due to the travel costs incurred by certain directors and consultants to visit Namibia and to meet investors in Europe;
- wages and benefits increased as additional employees being hired in Namibia;
- office and miscellaneous expense increased in the current quarter because of increase expenditures for computer and related supplies between the two quarters.

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	2007	2007	2007	2007	2006	2006	2006	2006
	\$	\$	\$	\$	\$	\$	\$	\$
Total Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss)	(18,624,927)	(1,552,349)	(2,230,295)	(461,279)	(280,633)	(654,934)	(954,983)	(206,418)
Basic Income(Loss) per share	(0.19)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(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 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, Q1 2007 -\$273,036, Q2 2007-\$1,951,093, Q3 2007 - \$595,870,Q4 2007 -\$18,715,760. The numbers were derived from the Company's amended and re-stated

interim financial statements for the periods ended March 31, 2007, June 30, 2007 and September 30, 2007, which have been filed on Sedar.

Other than the impact of the granting of stock options, the level of operating expenditures represents the ongoing corporate activities as discussed above.

Liquidity and Capital Resources

At December 31, 2007, the Company reported a net working capital of \$10,042,039 compared to a net working capital of \$4,826,811 as at December 31, 2006, representing an increase in working capital by \$5,215,228. The increase was mainly due to receiving \$11,275,882 cash proceeds from the exercise of warrants and stock options. The Company held \$9,502,889 in its cash account. The amount is sufficient to fund the Company's exploration and administrative expenses through 2008.

The Company has been successful in raising the funds to enable it to meet the working capital requirements. 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, 2007, the Company entered into the following transactions with related parties:

- a) Professional fees of \$21,000 (2006 - \$18,000) incurred for accounting services provided by a company owned by one of the directors of the Company.
- b) Management fees of \$nil (2006 - \$120,000) were paid to a director of the Company. \$90,000 of this fee related to service provided in prior years.
- c) Consulting fees of \$120,000 (2006 - \$47,500) were paid to the companies owned by two directors of the Company.
- d) Technical fees of \$221,200 (2006 -\$160,563) were paid to a director of the Company.
- e) The Company paid \$nil (2006 -\$75,000) to a Company owned by one of the directors for acquisition of a mineral property.
- f) Rental fees of \$12,000 (2006 - \$12,000) were paid to a company owned by one of the directors of the Company.
- g) Marketing, promotion and travel expenses of \$181,416 were paid to directors and to companies owned by directors.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Fourth Quarter and subsequent events

For the fourth quarter, the Company continued to focus the exploration and drilling activities on its Namibian properties.

Subsequent to year end, the Company has arranged a bought-deal financing with Canaccord Capital Corp. as "Underwriters". The financing was closed on March 20, 2008 and the Company issued 6,555,000 units at a price of \$3 per unit for gross proceeds of \$19,665,000 (net proceeds of \$18,213,450). Each Unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for two years from the closing date at an exercise price of \$4.00. The company paid to Canaccord Capital Corp., a cash commission of \$1,376,550 equal to 7% of the gross proceeds. The company also granted Underwriter's Warrants equal to 7% of the Units issued entitling Canaccord to purchase up to 458,850 common shares of the Company at a price of \$3.75 for a period of one year from the completion of the private placement. All of the securities issued under the private placement are subject to a four-month hold period expiring on July 21, 2008. Proceeds of this private placement will be used towards funding exploration activities on the Company's exploration properties in Namibia and for general corporate purposes.

Changes in accounting policies including initial adoption

Effective January 1, 2007, the Company adopted CICA Handbook Section 1530, Comprehensive Income, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, and CICA Handbook Section 3865, Hedges. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduces a new component of equity referred to as comprehensive income.

As at January 1, 2007, there was no effect on the Company's Balance Sheet from adopting these standards. As prescribed by these standards, prior periods have not been restated. The adaptation of these new standards had no impact on the Company's consolidated net income. The unrealized gains and losses included in "Accumulated other comprehensive income" were recorded net of taxes, which were nil.

Recent Accounting Pronouncements

The CICA has issued five new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company will adopt the requirements commencing in the interim period ending March 31, 2008 and is considering the impact this will have on the Company's financial statements.

CICA Handbook Section 1535 – Capital Disclosures

This Section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. The Company does not expect the adoption of this standard will have a material impact on the financial statements as the standard relates to note disclosure.

CICA Handbook Section 3031 - Inventories

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company does not expect the adoption of this standard will have a material impact on the financial statements as the Company does not hold inventories at this time.

CICA Handbook Section 3862 – Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements to enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies

and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments. The Company does not expect the adoption of this standard will have a material impact on the Company's financial statements as the standard related to note disclosure.

Convergence with International Financial Reporting Standards ("IFRS")

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards over a transitional period currently expected to be approximately five years. In February 2008, The AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

CICA Handbook Section 1400 – Going-concern

In June 2007, the CICA Amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of a company's ability to continue as a going concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern. This new section is effective for the years beginning on or after January 1, 2008. The Company is in the process of assessing the impact of this new section on its 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 May 5, 2008

The Company is authorized to issue unlimited common shares without par value. As at May 5 2008, there were 119,572,469 issued and outstanding common shares compared to 112,357,469 issued and outstanding shares at December 31, 2007. The increase resulted from the issuance of shares pursuant to the completion of a private placement, exercise of share purchase warrants and stock options.

There were a total of 3,736,350 warrants outstanding that had a conversion price of ranging from \$3.75 to \$4.00. If these warrants were to be converted, it would put an additional \$14,830,687 into the Company's Treasury. There were 10,390,000 stock options outstanding under the Company's incentive stock option plan. These stock options are exercisable at prices ranging from \$0.2 to \$6.5, with expiry dates ranging to December 18, 2012.

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, 2007. 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. There is no change in the Company's internal control over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Risk Factors relating to the Company's business

The Company is in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary funds to complete the development and future profitable production or the proceeds of disposition thereof.

The Company is exposed to a number of risks, including the financial risks associated with the fact that it has no operating cash flow and must access the capital markets to finance its activities. The Company has been successful in raising the funds. However, there can be no assurance it will continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs.

There is intense competition within the minerals industry to acquire properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurance that the Company will be able to execute its exploration programs on its proposed schedules and with its cost estimates, whether due to weather conditions in the areas it operates, increasingly stringent environment regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, such as the availability of essential supplies and services.

Many of the professional technical services, materials and supplies used in uranium exploration are not unique to this sector, but are also required in exploring for base and precious metal. Over the past several years, the prices of these commodities have increased substantially, stimulating a rapid growth in exploration expenditures and intensifying the competition for talent and services. These conditions are leading to increased costs and difficulties in scheduling contractors that are optimal from the Company's perspective.

Mineral exploration and development is a speculative business. It involves substantial expenses and a high degree of risks, which even a combination of experience, knowledge and careful evaluation may not be able to mitigate. There is no certainty that the expenditures made or to be made by the Company in the exploration and development of the mineral properties in which it has an interest will result in the discovery of mineralized materials in commercial quantities. While the rewards to an investor can be substantial if an economically viable discovery is made, few properties which are explored are ultimately developed into producing mines.

Even if the Company discovers uranium deposits, the marketability of the products, will be affected by numerous factors beyond the control of the Company. These factors include, but are not limited to, market fluctuations, the proximity and capacity of natural resource markets, processing equipment and government regulations, including regulations relating to price, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

The Company, through its subsidiary, is involved in mineral exploration in Namibia, South Africa. There are a number of associated risks over which the Company will have no control, including changes of laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange, repatriation of earnings and civil unrest. There are no assurances that the economic and political conditions in Namibia will continue as they are at the present time.