

XEMPLAR ENERGY CORP.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008

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AUDITORS' REPORT

**To the Shareholders of
XEMPLAR ENERGY CORP.**

We have audited the Consolidated Balance Sheet of **XEMPLAR ENERGY CORP.** as at December 31, 2008 and 2007 and the Consolidated Statements of Comprehensive (Loss), (Deficit) and Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Delves Freer Anderson Raniga Caine"

DELVES FREER ANDERSON RANIGA CAINE

Certified General Accountants
Surrey, B. C.

April 29, 2009

**XEMPLAR ENERGY CORP.
CONSOLIDATED BALANCE SHEET**

December 31	2008	2007
ASSETS		
Current		
Cash and cash equivalents	\$ 15,587,306	\$ 9,502,889
Accounts receivable (Note 5)	768,559	243,926
Prepaid expenses and deposits	13,025	469,928
	16,368,890	10,216,743
Other receivables (Note 6)	270,000	-
Long term investments (Note 7)	90,000	-
Property, plant and equipment (Note 8)	5,215,585	1,817,951
Mineral properties (Note 9)	16,421,590	8,399,673
	\$ 38,366,065	\$ 20,434,367
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accruals	\$ 236,554	\$ 174,704
Shareholders' equity		
Share capital (Note 10)	45,040,060	25,919,916
Contributed surplus (Note 10)	23,425,206	22,927,181
(Deficit)	(30,015,755)	(28,587,434)
Accumulated other comprehensive income (Note 2)	(320,000)	-
	38,129,511	20,259,663
	\$ 38,366,065	\$ 20,434,367

RELATED PARTY TRANSACTIONS (Note 11)

Approved:

“Mike Magrum” Director

“Simon Tam” Director

See accompanying Notes.

XEMPLAR ENERGY CORP.
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)

Year ended December 31	2008	2007
Income		
Investment and foreign exchange gains	\$ 1,179,777	\$ 404,280
Administrative expenses		
Amortization	12,807	195,257
Bank charges and interest	6,740	6,051
Consulting	495,869	225,550
Donations	-	200,000
Marketing and promotion	324,318	445,065
Office and general	52,627	31,685
Printing and reproduction	26,875	28,868
Professional fees	213,281	158,446
Rent	42,824	36,814
Repairs and maintenance	57	1,079
Shareholder relations	10,538	27,187
Stock-based compensation (Note 12)	865,680	21,535,759
Telephone	92,125	86,898
Transfer agent and exchange fees	121,104	86,428
Travel	294,531	157,430
Utilities	3,629	2,515
Wages and benefits	53,389	48,098
	2,616,394	23,273,130
(Loss) before extraordinary item	(1,436,617)	(22,868,850)
Extraordinary item		
Gain on sale of property, plant and equipment	8,295	-
(Loss) before taxes	(1,428,322)	(22,868,850)
Income taxes (Note 13)	-	-
Net (loss)	(1,428,322)	(22,868,850)
Other comprehensive (loss)		
Unrealized (loss) on available-for-sale financial assets	(320,000)	-
Comprehensive (loss) for the year	\$(1,748,322)	\$(22,868,850)
Basic and diluted (loss) per common share	\$(0.15)	\$(0.23)
Weighted average number of common shares outstanding – fully diluted	118,106,044	100,386,501

See accompanying Notes.

**XEMPLAR ENERGY CORP.
CONSOLIDATED STATEMENT OF (DEFICIT)**

Year ended December 31	2008	2007
Deficit, beginning of year	\$(28,587,434)	\$(5,718,584)
Net (loss) for the year	(1,428,321)	(22,868,850)
(Deficit), end of year	\$(30,015,755)	\$(28,587,434)

**XEMPLAR ENERGY CORP.
CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE (LOSS)**

Year ended December 31	2008	2007
Other comprehensive income, beginning of year (Note 2)	\$ -	\$ -
Unrealized (loss) on available-for-sale financial assets	(320,000)	-
Other comprehensive (loss), end of year	\$(320,000)	\$ -

See accompanying Notes.

XEMPLAR ENERGY CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31	2008	2007
CASH FLOWS FROM:		
Operating activities		
Cash paid to suppliers	\$(1,743,787)	\$(1,996,574)
Interest income	532,955	387,611
Other income	646,822	-
	(564,010)	(1,608,963)
Investing activities		
Purchase of property, plant and equipment	(4,248,685)	(2,008,156)
Mineral properties	(7,855,377)	(2,914,664)
	(12,104,062)	(4,922,820)
Financing activities		
Issuance of shares for cash, net of costs	18,752,489	11,275,882
Increase in cash	6,084,417	4,744,099
Cash at beginning of year	9,502,889	4,758,790
Cash at end of year	\$ 15,587,306	\$ 9,502,889
Supplemental cash flow disclosure		
The following non-cash transactions were recorded:		
Investing activities		
Shares received for sale of mineral property	\$ 170,000	\$ -
Shares receivable for sale of mineral property	510,000	-
	\$ 680,000	\$ -

See accompanying Notes.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31	2008	2007
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1 Nature of business

Xemplar Energy Corp., formerly Consolidated Petroquin Resources Limited (the “Company”), was incorporated on January 12, 1979, under the Company Act of British Columbia. The Company changed its name on July 11, 2005 and changed its business focus from development of oil and gas properties to acquiring, exploring and developing mineral properties.

These 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 for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. As of December 31, 2008 the Company had a working capital of \$16,132,336 (2007 - \$10,042,039).

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with the industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2 Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiary Namura Mineral Resources (Proprietary) Limited (“Namura”) and Canadian Uranium Corp. (“CUC”). Results from operations of the subsidiaries are included in these consolidated financial statements from the date of acquisition. All significant inter-company transactions and balances have been eliminated. The financial statements of Namura were audited by another auditor in Namibia and they expressed their opinion without reservation.

Cash and cash equivalents

Cash and cash equivalents represent cash on deposit and term deposits having terms to maturity of 180 days or less when acquired.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Significant accounting policies (continued)

Mineral properties and deferred exploration and development expenditures

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the value of share consideration and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production or the proceeds from disposal.

Management evaluates each mineral interest on a reporting period basis or as changes in events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether costs are capitalized or charged to operations. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded. The Company defers all exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the estimated reserves available on the related property following commencement of production or written-off to operations in the period related properties are abandoned.

The amounts shown for mineral properties and deferred exploration costs represent costs incurred to date, and do not necessarily represent present or future values which are entirely dependent upon the economic recovery from production or from disposal.

Asset retirement obligation

The Company has adopted the standard for "asset retirement obligation" as set out in the CICA Handbook section 3110. The standard requires the recognition and measurement of liabilities related to the legal obligation to abandon and reclaim property, plant and equipment upon acquisition, construction, development and/or normal use of the asset. The initial liability must be measured at fair value and subsequently adjusted for the accretion of discount and changes in the fair value. The asset retirement cost is capitalized as part of property, plant and equipment and depleted into earnings over time.

At December 31, 2008 and 2007, management has determined that there are no material asset retirement obligations to the Company.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is recorded at cost. Amortization is calculated using the straight line method over the following estimated useful lives:

Computer equipment	3 years
Drilling equipment	5 years
Equipment	5 years
Furniture and fixtures	10 years
Motor vehicle	5 years

The above rates are reduced by 50% in the year of acquisition.

Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at their prevailing market rate.

Foreign currency translation

Foreign operations are integrated with the parent company and, consequently, the financial statements of foreign subsidiaries are translated into Canadian dollars using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Non-monetary assets, liabilities and other items are translated at historical rates. Revenue and expenses are translated at average rates of exchange prevailing during the year. Exchange gains or losses arising from these translations are included in income for the year.

Use of estimates

The preparation of the Company's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and expenses recognized during the reporting period. To these financial statements, the most significant application of estimates is in the assessment of the underlying value of mining properties. Actual results and values could differ from those estimates and these differences could have a material impact on the financial statements.

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2 Significant accounting policies (continued)

Income taxes

Income taxes are accounted for using the future income tax method. Under this method, income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

Stock-based compensation plans

The Company accounts for stock-based compensation using the fair value method for all direct awards of stocks. The fair value of the options granted are estimated at the date of grant using the Black-Scholes Option Pricing model with assumptions for risk-free interest rates, dividend yields, and volatility factors of the expected life of the options. The fair value of direct awards of stock is determined by the quoted price of the Company's stock.

Share issue costs

Commissions paid to underwriters on the issue of the Company's shares are charged directly to share capital.

Financial instruments

The Company has designated its cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; accounts receivable and advances to contractors as loans and receivable; and accounts payable and accrued liabilities as other liabilities.

Fair value - The carrying values of cash and cash equivalents, accounts receivable, advances to contractors, and accounts payable and accrued liabilities equal their fair values.

Credit risk – The Company is exposed to credit risk with respect to its cash and other accounts receivable. Cash and cash equivalents have been placed with a major Canadian financial institution. Other amounts receivable are primarily amounts owing from government agencies and related parties.

Interest rate risk – Interest rate risk consists of two components:

- I. To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- II. To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Currency risk – The Company is exposed to foreign currency fluctuations to the extent expenditures incurred by the Company are not denominated in Canadian dollars. As at December 31, 2008 the Company had investments in mineral properties through a fully integrated subsidiary that requires the Company to fund exploration costs in Namibian currency.

The Company's ability to continue to fund its subsidiary will be affected by foreign currency rate fluctuations. The Company does not utilize derivatives or other techniques to manage foreign currency risk.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Significant accounting policies (continued)

Non-monetary consideration

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date of the agreement to issue shares as determined by the management.

Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

Comprehensive income

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.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Derivatives that qualify as hedging instruments must be designated as either a “cash flow hedge,” when the hedged item is a future cash flow, or a “fair value hedge,” when the hedge item is a recognized asset or liability. The unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair market value in the consolidated balance sheet, and unrealized gains and losses from both items are included in earnings. For derivatives that do not qualify as hedging instruments, unrealized gains and losses are reported in earnings.

As at January 1, 2007, there was no effect on the Company’s Balance sheet from adopting these standards.

Capital management

For interim and annual periods beginning January 1, 2008, the Company has adopted the CICA Handbook Section 1535, “Capital Disclosures”, which requires disclosure of the Company’s objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance.

The Company currently has no source of revenue and its principal source of capital is from the issuance of common shares. The Company’s capital management objective is to raise sufficient equity funds to maintain its exploration projects and to manage the equity funds raised which best optimizes its exploration programs and the interests of its equity shareholders at an acceptable risk. To meet the objectives, management monitors the Company’s ongoing capital requirements against restricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. During the year ended December 31, 2008, the Company is not subject to externally imposed capital requirements. Management is of the opinion that the amounts and changes in the Company’s capital is readily determinable in these financial statements.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Significant accounting policies (continued)

Future accounting changes

Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and is not expected to have an impact on the Company's financial results at adoption on October 1, 2008.

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 AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with International Financial Reporting Standards ("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 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 July 31, 2010. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 Business combination

On May 26, 2006, the Company acquired all the issued and outstanding shares of Namura, a company based in the Republic of Namibia. The Company paid \$600,000 in cash and issued 6,000,000 shares of the Company. Namura is the beneficial holder of three Exclusive Reconnaissance Licenses covering uranium exploration properties in Namibia (Note 9).

The business combination was accounted for using the purchase method and the results from the operations of Namura included in these statements are from May 26, 2006. The following is a summary of the consideration paid and fair value of assets acquired and liabilities assumed by the Company:

Consideration paid:		
Cash	\$	600,000
Common shares		2,610,000
Transaction cost		95,063
		\$ 3,305,063
Assets acquired:		
Cash	\$	29,890
Mineral property		3,341,173
		3,371,063
Liabilities assumed:		
Mineral property		66,000
		\$ 3,305,063

4 Dissolution of subsidiary

On January 1, 2007, the Company purchased all the outstanding shares of Canadian Uranium Corp. which had been incorporated on December 15, 2006. CUC was a shell company at the time of purchase and the purchase price paid was the cost of incorporation. The Company intends to transfer some of its mining property rights to CUC for the purpose of forming joint venture exploration partnerships with other companies (see Note 9).

In the last fiscal quarter of 2008, the Company decided not to pursue any joint venture agreement through this subsidiary and on November 12, 2008 officially dissolved CUC. CUC had no assets or liabilities.

5 Accounts receivable	2008	2007
Accrued interest	\$ 426,844	\$ 75,489
GST and VAT receivables	326,603	168,437
Deposits and advances	15,112	-
	\$ 768,559	\$ 243,926

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6 Other receivables

This amount is due from Santoy Resources Limited (“Santoy”) pursuant to an option agreement to sell 60% interest in one of the Company’s mineral properties (see Note 9). Per agreement, Santoy has to pay the Company 3,000,000 of its shares on September 5, 2011, the third anniversary of the agreement. The original amount was based on the share price of \$0.17 prevailing on the date of agreement. The amount receivable is adjusted based on the share prices on a quarterly basis and any gain or loss is recognized as other comprehensive gain or loss. On December 31, 2008 the share price was \$0.09 per share and hence other comprehensive loss of \$240,000 was recognized.

7 Long term investment	2008	2007
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Santoy Resources Limited (1,000,000 common shares)	\$ 90,000	\$ -
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As part of a mineral property deal with Santoy, (see Note 9) the Company received 1,000,000 free trading shares of Santoy a company listed and trading on the TSX Venture Capital Exchange in Canada. The original amount was based on the share price of \$0.17 prevailing on the date of agreement. The amount receivable is adjusted based on the share prices on a quarterly basis and any gain or loss is recognized as other comprehensive gain or loss. On December 31, 2008 the share price was \$0.09 per share and hence other comprehensive loss of \$240,000 was recognized.

8 Property, plant and equipment	2008	2007
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	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 62,608	\$ 26,117	\$ 36,491	\$ 40,687
Drilling equipment	3,864,734	612,722	3,252,012	1,018,119
Equipment	861,916	134,404	727,512	64,924
Furniture and fixtures	50,574	3,792	46,782	11,706
Motor vehicle	1,406,647	253,859	1,152,788	682,515
	\$ 6,246,479	\$ 1,030,894	\$ 5,215,585	\$ 1,817,951

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31				2008	2007
9 Mineral properties					
	Acquisition Costs	Exploration and Development Expenditures	Disposal and Abandonment	2008 Total	2007 Total
Canada:					
Corhill Property (see details below)	\$ 319,657	\$ 248,728	\$ 100,000	\$ 468,385	\$ 293,385
Otish Basin Uranium Property (see details next page)	1,204,397	599,665	930,000	874,062	1,794,325
Republic of Namibia:					
Namura Uranium Property (see details next page)	3,341,172	11,737,971	-	15,079,143	6,311,963
	\$ 4,865,226	\$ 12,586,364	\$ 1,030,000	\$ 16,421,590	\$ 8,399,673

Corhill Property

By agreement dated July 7, 2005, the Company acquired a 100% interest in the Corhill Property entailing approximately 30,628 acres located 312 miles northwest of Yellowknife and 90 miles southwest of Kugluktuk in the Northwest Territories. Upon commencement of commercial production, the vendor will be entitled to a net smelter royalty of 2% on all minerals. The purchaser can buy down to a 1% net smelter royalty at a cost of \$1,000,000. The purchase price of \$194,657 was paid by issuance of 500,000 shares of the Company and payment of \$74,657 cash. Included in the purchase price is \$9,657 paid for legal fees directly attributed to the purchase of the property.

On July 17, 2006 the Company entered into an option agreement with Garuda Ventures Canada Inc. ("Garuda"), whereby Garuda can earn a 70% interest in the Company's Corhill Property located in central Quebec by making cash payment of \$50,000, and issuing 2,000,000 shares of Garuda Capital Corp. (parent company of Garuda) which is listed on the Nasdaq Over the Counter Bulletin Board. The shares received have a hold period of two years and hence will be recorded in the books when the hold period expires. Garuda also has to incur \$1,500,000 of exploration expenditure on the property in different tranches over the three year period. During the year ended December 31, 2006, Garuda paid \$100,000 in cash towards the exploration costs incurred by the Company.

In June 2007, due to failure of Garuda Capital Corp. to meet the expenditure obligations, the Company and Garuda Capital Corp. signed another agreement to transfer the Corhill property rights to CUC. This agreement will supersede the earlier agreement with Garuda Capital Corp.

On September 25, 2008 the Company signed a rescission agreement with Garuda Capital Corp. to void the initial agreement. The Company paid \$175,000 in cash to Garuda and returned the 2,000,000 shares of Garuda Capital Corp. received originally.

XEMPLAR ENERGY CORP.
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9 Mineral properties (continued)

Otish Basin Uranium Property

By agreement dated September 28, 2005, the Company acquired a 100% interest in the Otish Basin Uranium Property entailing 1,159 claims and covering approximately 14,663 acres located 310 kilometres northeast of the city of Chibougamau in central Quebec. Upon commencement of commercial production, the Vendor 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 \$2,000,000. The purchase price of \$975,000 is payable as follows:

Cash	\$ 300,000
Shares – 3,000,000 @ \$0.27 each	810,000
Finders fee in cash	75,000
Total acquisition cost	\$ 1,185,000

On September 5, 2008 the Company entered into an option agreement with Santoy, whereby Santoy can earn 60% interest in the Company’s Otis Basin Uranium Property in exchange for:

- \$250,000 in cash;
- 1,000,000 free trading shares of Santoy on closing;
- 3,000,000 free trading shares of Santoy on the third anniversary of the agreement;
- \$500,000 work commitment prior to January 31, 2009;
- \$1,000,000 work commitment during the second year of the agreement.

Santoy has the option to acquire 100% interest by delivering 6,000,000 free trading shares of Santoy to the Company in addition to the above amounts. The Company will retain a 3% smelter royalty which can be reduced to 1.5% at a cost of \$1,500,000.

Namura Uranium Property

On March 22, 2006 the Company entered into a purchase agreement to acquire 100% of the outstanding shares of Namura Mineral Resources (Proprietary) Limited (“Namura”). Namura is a privately owned company incorporated in the Republic of Namibia. Namura is the beneficial holder of two Exclusive Reconnaissance Licenses and six Exclusive Prospective Licenses (“EPL’s”) covering uranium exploration properties in Namibia. The purchase price is comprised of a payment of \$600,000 in cash and the issuance of 6,000,000 common shares of the Company. Each of the properties is subject to a 3% net smelter return royalty. The Company has the rights to reduce the royalty to 1.5% on each property by paying \$3,000,000 per property to the vendors.

XEMPLAR ENERGY CORP.
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10 Share capital

a) Authorized:

Unlimited common shares without par value

b) Issued and outstanding:

	Shares	2008 Amount	Shares	2007 Amount
Balance, beginning of year	112,357,469	\$ 25,919,916	79,769,707	\$ 13,943,150
Issued for property (Note 8)				
Private placement	6,555,000	18,174,489	-	-
Exercise of warrants	400,000	120,000	29,937,762	10,299,882
Exercise of options	260,000	458,000	2,650,000	976,000
Transfer from contributed surplus on exercise of options	-	367,655	-	700,884
Balance, end of year	119,572,469	\$ 45,040,060	112,357,469	\$ 25,919,916

c) Shares issued for property

During the fiscal years 2007 and 2008, the Company issued the following shares for acquisition of mineral property rights and claims:

	Amount	Price/Share	Total
For the year ended December 31, 2007			
Otish Basin Uranium Property	3,000,000	\$ 0.270	\$ 810,000
Namura Mineral Resources	6,000,000	\$ 0.435	2,610,000
	9,000,000		\$ 3,420,000
For the year ended December 31, 2008	-	-	-

d) Private placement

On March 20, 2008 the Company issued 6,555,000 units through Canaccord Capital Corporation (the "Underwriters") a private placement at \$3.00 per unit for a total of \$19,665,000, where each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitling the holder to acquire one further common share at \$4.00 within two years from the date of issuance. A total of \$1,490,511 was paid as Underwriter's fees. The Company applied the residual approach and allocated the net proceeds of \$18,174,489 to the common shares and \$Nil to the warrants. The Underwriters were also issued 458,850 warrants to purchase the same number of shares at a price of \$3.75 per share.

All shares issued through private placement are subject to a hold period of four months from the day of issue.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31	2008	2007
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10 Share capital (continued)

e) Exercise of warrants

During the fiscal year 2008, 400,000 warrants were exercised to acquire 400,000 common shares of the Company at a price of \$0.30 per share.

During the fiscal year 2007, 29,937,762 warrants were exercised to acquire 29,937,762 common shares of the Company at a price ranging from \$0.30 to \$0.47 per share.

f) Warrants

	2008		2007
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	400,000	\$ 0.30	30,337,762 \$ 0.10 - 0.47
Warrants granted	3,277,500	4.00	-
Warrants exercised	458,850	3.75	(29,937,762) 0.10 - 0.47
Warrants expired	(400,000)	0.30	-
Outstanding and exercisable, end of year	3,736,350	\$3.75 - 4.00	400,000 \$ 0.30

As at December 31, 2008, the following share purchase warrants of the Company were outstanding:

	Exercise Price	Number of Warrants	Expiry Date
	\$ 4.00	3,736,350	March 20, 2010
	\$ 0.30	458,850	March 20, 2010

g) Options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the current issued and outstanding common shares. Options granted under the Plan may have a maximum term of (5) five years. The exercise price of options granted under the Plan will not be less than the discounted market price as calculated and defined in accordance with the policies of the TSX Venture Exchange. Stock options granted under the Plan are subject to a (4) four month hold period from the date the options are granted in addition to any other restrictions which may be imposed at the discretion of the Directors.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31	2008	2007
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10 Share capital (continued)

g) Options (continued)

	Number of Options	2008 Weighted Average Exercise Price	Number of Options	2007 Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	10,650,000	\$ 0.20 – 6.50	6,800,000	\$ 0.20 - 0.58
Options granted	1,500,000	0.95	6,500,000	0.80 - 6.50
Options exercise	(260,000)	0.80 – 1.80	(2,650,000)	0.20 - 0.80
Options expired	(5,550,000)	0.50 – 6.50	-	-
Outstanding and exercisable, end of year	6,340,000	\$ 0.20 – 6.50	10,650,000	\$ 0.20 - 6.50

The following summarizes the stock options outstanding and exercisable at December 31, 2008:

Exercise Price	Outstanding at December 31, 2008	Exercisable at December 31, 2008	Expiry Date
\$ 0.20	100,000	100,000	June 30, 2010
\$ 0.30	500,000	500,000	September 30, 2010
\$ 0.50	1,000,000	1,000,000	June 2, 2011
\$ 0.58	400,000	400,000	December 18, 2011
\$ 0.80	40,000	40,000	January 9, 2012
\$ 1.90	500,000	500,000	May 9, 2012
\$ 1.80	450,000	450,000	September 1, 2012
\$ 6.50	350,000	350,000	November 6, 2012
\$ 6.50	1,500,000	1,500,000	December 18, 2012
\$ 0.95	1,500,000	1,500,000	June 30, 2013
	6,340,000	6,340,000	

h) Contributed surplus

	2008	2007
Balance, beginning of year	\$ 22,927,181	\$ 2,092,306
Stock-based compensation expense	865,680	21,535,759
Options exercised	(367,655)	(700,884)
Balance, end of year	\$ 23,425,206	\$ 22,927,181

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31	2008	2007
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11 Related party transactions

The following amounts were paid or accrued to directors or companies controlled by directors or officers of the Company for services provided during the years December 31, 2008 and 2007:

- a) Professional fees of \$30,000 (2007 - \$21,000) incurred for accounting services provided by a company owned by one of the directors of the Company.
- c) Consulting fees of \$286,955 (2007 - \$120,000) were paid to companies owned by various directors of the Company.
- d) Technical fees of \$103,000 (2007 - \$221,200) were paid to a director of the Company.
- f) Rental fees of \$15,500 (2007 - \$12,000) were paid to a company owned by one of the directors of the Company.

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, unless otherwise noted.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31	2008	2007
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12 Stock-based compensation

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire up to 10% of the issued and outstanding common shares. The fair value of each option granted is estimated on the grant date using the Black-Scholes Option-Pricing model with the following assumptions:

	Granted June 30, 2008
Number of options	1,500,000
Dividend rate	0%
Weighted average risk-free interest rate	3.13%
Expected life	5 Years
Expected volatility	118%
Weighted average strike price	\$ 0.95
Weighted average spot price	\$ 0.72
Expiry date	June 30, 2012
Fair value per option	\$ 0.5771
Stock-based compensation	\$ 865,650

During the year ended December 31, 2008, the Company issued 1,500,000 (2007 - 2,650,000) options which vested immediately. Using the above assumptions, the fair value of the stock options vested during the year ended December 31, 2008 was \$865,680 (2007 - \$21,535,759), which has been recorded in the statement of operations, and credited to contributed surplus.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

13 Income taxes	2008	2007
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A reconciliation of the statutory income tax rate to the effective rate for the Company is as follows:

Statutory income tax rate	(36%)	(36%)
Tax losses not benefited	36%	36%
Effective tax rate	-	-

The Company has approximately \$3,159,335 of non-capital losses available for income tax purposes to reduce taxable income of future years. These non-capital losses will expire commencing in 2009 through to 2028.

In addition, the Company has available mineral resource related expenditure pools totalling approximately \$2,307,100 which may be deducted against future taxable income on a discretionary basis.

Future income tax benefits which may arise as a result of these losses have not been recognized in these financial statements as their realization is uncertain.