

**XEMPLAR ENERGY CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR TWELVE MONTHS ENDED DECEMBER 31, 2010**

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 2, 2010 for Xemplar Energy Corp. (the "Company") should be read in conjunction with the Company's financial statements for the twelve months ended December 31, 2010. 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 twelve months ended December 31, 2010.

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

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.

The main focus of the Company is uranium mining exploration and development in Namibia, a historically mining friendly country in South Western Africa, with a view for finding uranium deposits. The Company has previously owned certain mineral interest holdings at the Otish Property and Corhill Property located in the Ouebec province and Northwest Territories of Canada, but has divested from these interests to focus exploration efforts in Namibia. While the price of uranium and the state of the market for uranium explorers in general has strengthened recently, the Company continues to actively consider potential joint venture opportunities to develop its Namibian assets as well as projects outside the uranium sector.

Management's cost management and containment program was successful, and the Company's burn rate has been significantly reduced during the period. This has ensured adequate resources to maximize shareholder value from its Namibian assets, while still meeting exploration milestones. The Company is very well funded, with approximately of \$7 million in its treasury, to develop existing projects and to pursue new opportunities.

Mineral Properties

Namura Uranium Properties, Namibia

On March 22, 2006, the Company acquired a 100% ownership in Namura Mineral Resources (Pty) Ltd. ("Namura"), a private company in the Republic of Namibia, South Western Africa. Namura is the holder of eight exclusive reconnaissance licenses (ERL) covering uranium exploration properties in Namibia. 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 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.

The Company's main areas of exploration in Namibia are the Warmbad and Cape Cross properties. The target on the Warmbad property is uranium hosted in granite (alaskites) similar to that being mined at the Rossing uranium mine in Namibia. The target on the Cape Cross property is calcrete hosted uranium similar to the Trekkopje uranium deposit which is currently being brought into production by Areva in Namibia.

On June 15, 2006, the Company's 43-101 Technical Reports, prepared by Roscoe Postle Associates Inc., for the Warmbad, Aus and Cape Cross properties, were filed on www.sedar.com.

Cape Cross Project

The Cape Cross project consists of three adjoining EPL's which are situated within the uranium corridor in Namibia. World-class uranium mines such as Rossing and Langer Heinrich are located within the uranium corridor, as well as uranium deposits (trekkopje, Valencia, Rossing South, Idadome, Marenica, Tubas, and Etango), which are being developed.

An extensive and systematic ground exploration program, covering an approximate 49-kilometer area, has been completed. Uranium mineralization has been detected both in calcrete and alaskite rocks. These two geological environments host the major uranium deposits in Namibia.

Within the boundaries of Xemplar's current property holdings, General Mining & Finance Corp. Ltd., and Gold Fields Prospecting (Pty) Ltd., completed a significant amount of trenching as well as a shallow (maximum 25 meters) surface drilling program in the Mile 72 area during the 1970's to expose both pedogenic and primary uranium mineralization. Regional and detailed surface radiometric surveys discovered approximately eight radiometric anomalies.

A new target area has been identified to the west of the historic workings which displayed high grade surface uranium mineralization. An extensive and systematic ground exploration program, covering an approximate 49-kilometer area, has been completed. Uranium mineralization has been detected both in calcrete and alaskite rocks. These two geological environments host the major uranium deposits in Namibia. Reference is made to the Company's 2010 November 11, 2010 November 30, and 2011, January 20 News Releases for further information on work performed and XRF assay data for grab samples.

All the Company's news releases were filed on www.sedar.com.

Sampling in the present grid area will continue in 2011, on traverses spaced 500 meters apart. Anomalous areas will be in-filled with traverses at a 250 meter spacing to increase the resolution and to outline the areas containing the highest uranium grades. On completion of the analysis and evaluation of the geological, structural, and assay data, a surface drill program will be carried out to test mineralization at depth across delineated target areas.

Warmbad Project

In 2007, airborne radiometric survey data identified fourteen (14) extensive alaskite bodies with an anomalous radiometric signature. Subsequent detailed surface radiometric surveys, geological mapping and surface drilling refined the alaskite bodies to eight (8) major zones displaying continuous low grade uranium mineralization. The Warmbad exploration model is similar to Rossing style uranium mineralization, with the potential for a high tonnage / relative low grade uranium deposits.

In 2008 & 2009, Xemplar drilled 71,000 metres and identified a number of sizable zones of uranium mineralization. Exploration to date confirms our belief that the Warmbad Project could well develop into a new uranium province which benefits from local power and water supply. The Company is now at a stage where it needs to engage a strategic partner to take the Warmbad Project to its full potential. Reference is made to the Company's 2010 November 11 News Release for further summary information on the Warmbad Project.

Corhill Uranium Property, Northwest Territories

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 six 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. The effect of the rescission agreement is that the Company now holds 100% interest rights in the Corhill property, and is currently evaluating the property and considering alternative strategies.

During the year ended December 31, 2010, the Company decided to abandon the project and wrote off total deferred costs of \$468,385.

Otish Uranium Property, Quebec

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 \$1,185,000 is payable as follows:

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

On July 25, 2008, the Company entered into an option agreement with Virginia, whereby Virginia can earn 60% interest in the Company's Otish Basin Uranium Property in exchange for:

- \$250,000 in cash;
- 200,000 free trading shares of Virginia on closing;
- 600,000 free trading shares of Virginia on the first 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.

Virginia has the option to acquire 100% interest by delivering 1,200,000 free trading shares of Virginia to the Company in addition to the above amounts. The Company will retain a 3% net smelter royalty which can be reduced to 1.5% at a cost of \$1,500,000.

During the year ended December 31, 2010, Virginia exercised its option to take a 100% interest in the Otish Quebec uranium property under the terms laid out in the July 25, 2008 option agreement. To complete its acquisition of the Xemplar Otish Property, Virginia delivered 1.2 million common shares to Xemplar which was subject to a four month hold period, which ended on April 22, 2010. All related acquisition and deferred exploration costs associated with these claims in the amount of \$874,063 have been written off.

Exploration Expenditures by Property

During the year, the Company's exploration work has been focused on its Warmbad and Cape Cross Projects 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, 2010 is as follows:

Mineral Properties	Corhill \$	Otish \$	Namibia \$	Total \$
Acquisition costs				
Balance, December 31, 2009	\$ 144,657	\$ 274,397	\$ 3,341,172	\$ 3,760,226
Additions during the year	-	-	-	-
Balance, December 31, 2010	144,657	274,397	3,341,172	3,760,226
Exploration costs				
Balance, December 31, 2009	323,728	599,666	18,241,367	19,164,761
Additions during the year	-	-	2,723,694	2,723,694
Balance, December 31, 2010	323,728	599,666	20,965,061	21,888,455
Cumulative Mineral Property Expenditures				
Acquisition costs	144,657	274,397	3,341,172	3,760,226
Explorations costs	323,728	599,666	20,965,061	21,888,455
Disposals and abandonments	(468,385)	(874,063)	-	(1,342,448)
Balance, December 31, 2010	\$ -	\$ -	\$ 24,306,233	\$ 24,306,233

Financing Activities

The Company did not complete any financing during the current year. The opening cash from 2010 is sufficient to fund the Company's operations for the remainder of 2011 and into 2012.

Year End Balance Sheet Position

On December 31, 2010 the most recent balance sheet date, the Company had cash and cash equivalents \$7,027,631. 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-backed commercial paper.

Selected Annual Information

The following financial data is derived from the Company's audited financial statements for the year ended December 31, 2010, 2009 and 2008.

		As at and for the financial year ended December 31		
		2010	2009	2008
(a)	Total Revenue	Nil	Nil	Nil
(b)	Net Income (loss)			
	In total	(\$3,356,285)	(\$3,146,980)	(\$1,428,322)
	On a per share basis (basic)	(\$0.03)	(\$0.03)	(\$0.15)
(c)	Total Assets	\$34,794,833	\$36,875,598	\$38,366,065
(d)	Total long term financial liabilities	Nil	Nil	Nil
(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.

For the year ended December 31, 2010

For the year ended December 31, 2010, Company incurred a net loss of \$3,356,285 or \$0.03 per share as compared to a loss of \$3,146,980 or \$0.03 per share for the year ended December 31, 2009. The net loss in 2010 was higher than the prior year's loss was largely due to the write-off of mineral properties in the amount of \$1,036,447 and a loss on sale of marketable securities in the amount of \$459,404, though there was a significant decrease in the operating expenditures.

Operating expenditures for the year ended December 31, 2010 totalled \$1,934,722 as compared to \$3,318,433 from the year ended December 31, 2009, a decrease of \$1,383,711. The major factors for the decrease were:

- stock based compensation was \$745,765 for 2010 compared to \$1,254,055 for 2009, a decrease of \$508,290. This was primarily a result of less options being granted, lower grant price and the re-pricing of existing options, which took place during the current year;
- amortization decreased from \$153,118 for 2009 to \$111,582 for 2010, a decrease of \$41,536;
- consulting and professional fees decreased by \$244,651 during the current year;
- marketing and promotion decreased by \$274,163 in 2010 as the Company had reduced its marketing and promotion activities. During the year 2010, the Company had not participated in certain trade shows and mining conferences that were held in South Africa, Zurich and London;
- travel expenses also reduced by \$149,688 as compared to last year.

For the three months ended December 31, 2010

For the three months ended December 31, 2010, the Company recorded a net loss of \$1,160,413 whereas in the comparable quarter in 2009, the Company recorded a net loss of \$737,899. The major reason was due to a \$716,174 non-cash stock based compensation was recorded in the quarter whereas there was \$nil amount was recorded in the 2009 fourth quarter.

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	2010	2010	2010	2010	2009	2009	2009	2009
Total Revenues	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net Income (Loss)	(1,160,413)	(675,376)	(835,742)	(684,754)	(737,899)	(417,048)	(581,048)	(1,410,985)
Basic Income(Loss) per share	(0.010)	(0.006)	(0.007)	(0.006)	(0.006)	(0.003)	(0.004)	(0.012)

Significant variances in the Company's reported loss from quarter to quarter arise from: (i) the granting of stock options, which results in the recording of amounts for stock-based compensation expense that can be quite large in relation to other general and administrative expenses incurred in any given quarter; and (ii) decisions to write off acquisition and deferred exploration costs when management concludes there has been an impairment in the carrying value of a mineral property or the property is abandoned. Other than these, the level of operating expenditures driving the net losses for the periods reflect the ongoing corporate activities to develop the properties as discussed above.

The \$1,160,413 loss in the fourth quarter of 2010 was largely due to the recording stock-based compensation expense (2010 - \$716,174; 2009 - \$Nil) and loss on sale of marketable securities (2010 - \$399,778; 2009 - \$157.50)

Liquidity and Capital Resources

At December 31, 2010, the Company reported a net working capital of \$6,586,450 compared to a net working capital of \$8,892,038 as at December 31, 2009, representing a decrease in working capital by \$2,305,588. As of December 31, 2010 the Company has \$7,027,631 in its cash accounts. The company continues to utilize its cash resources to fund project exploration and administrative requirements. As the Company has no significant income, cash reserves, unless replenished by capital fundraising, will continue to decline as the Company utilizes these funds to conduct its operations.

The Company's operations to date have been financed by sales of its common shares. The Company has been successful in raising the funds need to meet its working capital requirements. However, there is no assurance that future 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 global economy and financial markets have experienced significant volatility and uncertainty. Continuation of these conditions could adversely affect the accessibility of equity funding. Presently, the Company is in good financial condition, has not planned any changes to its strategy to acquire and explore potential properties, and continues to manage and monitor its costs of operations.

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, 2010, the Company entered into the following transactions with related parties:

- a) Professional fees of \$30,000 (2009 - \$30,000) incurred for accounting services provided by a company owned by one of the directors of the Company.

- b) Consulting fees of \$319,500 (2009 - \$470,050) were paid to companies owned by various directors of the Company.
- c) Technical fees of \$Nil (2009 - \$180,000) were paid to a director of the Company.
- d) Rental fees of \$18,000 (2009 - \$18,000) 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.

Fourth Quarter and subsequent events

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

Changes in accounting policies

Future Accounting Changes

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011.

International Financial Reporting Standards ("IFRS")

In 2006, the 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 2009, 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 is continuing the process of assessing the adoption of IFRS for 2011, it has not finalized the applicable accounting policy choices and IFRS exemptions, and thus is not in a position to fully quantify the associated financial reporting impact of the transition to IFRS at this time. The Company is in the process of assessing the adoption of IFRS for 2011 and the financial statements for the first quarter of 2011 will be reported reflecting those requirements.

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 2 2011

The Company is authorized to issue an unlimited number of common shares without par value. As at the date of this MD&A, the Company had the following securities outstanding:

- (1) Common shares – 119,572,469
- (2) Share purchase warrants – nil
- (3) Stock options – 11,040,000

There are a total of 11,040,000 stock options outstanding under the Company's incentive stock option plan. These stock options are exercisable at a price of \$0.30 per share, with expiry dates extending to November 15, 2015.

During the year, a total of 9,040,000 previously granted options were amended to decrease the exercise price to \$0.30 per share. Out of all these options, 8,650,000 were granted to the insiders of the Company and 390,000 stock options were granted to non-insiders. The options are an important component of the Company's executive compensation strategy providing directors and consultants with long-term equity-based performance incentives. The options were re-priced to bring those more in-line with current market prices and recent grant of the Company's incentive stock options at an exercise price of \$0.30 per share.

The re-pricing of the options required the approval of the Exchange and disinterested shareholders of the Company. The Company received the Exchange's approval in December 2010. The Company will seek disinterested shareholder approval of the re-priced stock options granted to insiders in accordance with Exchange policy at its next annual general meeting which will be held on May 24, 2011.

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 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 merits, 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 assurances 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 section, but are also required in exploring for based 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.