

XEMPLAR ENERGY CORP.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010

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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, 2010 and 2009 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, 2010 and 2009 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 27, 2011

**XEMPLAR ENERGY CORP.
CONSOLIDATED BALANCE SHEET**

December 31	2010	2009
ASSETS		
Current		
Cash and cash equivalents	\$ 7,027,631	\$ 9,350,635
Accounts receivable (Note 4)	98,115	198,520
Prepaid expenses and deposits	5,557	21
	7,131,303	9,549,176
Long term investment (Note 5)	511,190	241,280
Property, plant and equipment (Note 6)	2,846,107	4,160,155
Mineral properties (Note 7)	24,306,233	22,924,987
	\$ 34,794,833	\$ 36,875,598
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accruals	\$ 544,853	\$ 657,138
Shareholders' equity		
Share capital (Note 9)	45,040,060	45,040,060
Contributed surplus (Note 9)	25,486,520	24,740,755
(Deficit)	(36,519,020)	(33,162,735)
Accumulated other comprehensive income	242,420	(399,620)
	34,249,980	36,218,460
	\$ 34,794,833	\$ 36,875,598

RELATED PARTY TRANSACTIONS (Note 10)

Approved:

“Gerard A. Pallotta” Director

“Simon Tam” Director

See accompanying Notes.

XEMPLAR ENERGY CORP.
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)

Year ended December 31	2010	2009
Income		
Investment and foreign exchange gains	\$ 54,220	\$ 187,506
Administrative expenses		
Amortization	111,582	153,118
Bank charges, interest and penalties	(22,041)	145,503
Consulting	382,500	585,121
Marketing and promotion	7,312	281,475
Office and general	43,245	50,019
Printing and reproduction	5,373	9,478
Professional fees	132,532	174,562
Rent	97,054	113,320
Repairs and maintenance	8,734	11,649
Shareholder relations	7,072	14,604
Stock-based compensation (Note 11)	745,765	1,254,055
Telephone	26,011	58,716
Transfer agent and exchange fees	24,875	22,488
Travel	164,941	314,629
Utilities	6,947	3,236
Wages and benefits	192,820	126,460
	1,934,722	3,318,433
(Loss) before other items	(1,880,502)	(3,130,927)
Other items		
Gain on sale of property, plant and equipment	20,068	11,385
(Loss) on sale of investments	(459,404)	(27,438)
(Loss) on abandonment of mineral properties	(1,036,447)	-
	(1,475,783)	(16,053)
(Loss) before taxes	(3,356,285)	(3,146,980)
Income taxes (Note 15)	-	-
Net (loss)	(3,356,285)	(3,146,980)
Other comprehensive income		
Unrealized gain on available-for-sale financial assets	242,420	(399,620)
Comprehensive (loss) for the year	\$(3,113,865)	\$(3,546,600)
Basic (loss) per common share	\$(0.03)	\$(0.03)
Weighted average number of common shares outstanding	119,572,469	119,572,469

See accompanying Notes.

XEMPLAR ENERGY CORP.
CONSOLIDATED STATEMENT OF (DEFICIT)

Year ended December 31	2010	2009
Deficit, beginning of year	\$(33,162,735)	\$(30,015,755)
Net (loss) for the year	(3,356,285)	(3,146,980)
(Deficit), end of year	\$(36,519,020)	\$(33,162,735)

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

Year ended December 31	2010	2009
Other comprehensive (loss), beginning of year	\$(399,620)	\$(320,000)
Unrealized gain on available-for-sale financial asset	642,040	(79,620)
Other comprehensive (loss), end of year	\$(242,420)	\$(399,620)

See accompanying Notes.

XEMPLAR ENERGY CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31	2010	2009
CASH FLOWS FROM:		
Operating activities		
Cash paid to suppliers	\$(1,099,334)	\$(1,418,226)
Interest received	58,765	540,573
Other income	-	178,209
	(1,040,569)	(699,444)
Investing activities		
Purchase of property, plant and equipment	-	(248,227)
Mineral properties	(1,537,517)	(5,345,037)
Proceeds from sale of investments	218,726	11,662
Proceeds from sale of equipment	36,357	44,375
	(1,282,434)	(5,537,227)
Financing activities		
Issuance of shares for cash, net of costs	-	-
(Decrease) in cash	(2,323,003)	(6,236,671)
Cash at beginning of year	9,350,635	15,587,306
Cash at end of year	\$ 7,027,631	\$ 9,350,653
Supplemental cash flow disclosure		
The following non-cash transactions were recorded:		
Investing activities		
Shares received for sale of mineral property	\$ 306,000	\$ 270,000

See accompanying Notes.

December 31, 2010

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, 2010 the Company had a working capital of \$6,586,450 (2009 - \$8,892,038).

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.

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”). Results from operations of the subsidiary 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.

December 31, 2010

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, 2010 and 2009, management has determined that there are no material asset retirement obligations to the Company.

December 31, 2010

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 the consolidated statement of comprehensive (loss).

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 and the useful lives of property, plant and equipment owned by the Company. Actual results and values could differ from those estimates and these differences could have a material impact on these financial statements.

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.

December 31, 2010

2 Significant accounting policies (continued)

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

Under Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held to maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financial instruments will be expensed in the period incurred.

The Company has designated its cash as held-for-trading, which is measured at fair value. Marketable securities are classified as available for sale and are measured at fair value with changes in fair value recorded in other comprehensive income. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Company does not have derivatives or embedded derivatives.

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.

December 31, 2010

2 Significant accounting policies (continued)

Changes in accounting policies:

Effective December 1, 2008, the Company adopted new accounting policies of the Canadian Institute of Chartered Accountants (“CICA”) Handbook:

Impairment of long-lived assets

In March 2009, the Emerging Issues Committee (“EIC”) issued EIC-174 “Mining Exploration Costs”, which provides guidance on capitalization of exploration costs related to mineral properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-174. The Company adopted this recommendation in its fair value determinations effective for the year ended December 31, 2009. This new standard did not impact the Company’s financial results in any period presented.

Assessing going concern

The Canadian Accounting Standards Board (“AcSB”) amended CICA Handbook Section 1400 “General Standards of Financial Statement Presentation”, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008 and has been adopted by the Company on January 1, 2009. This section relates to disclosures and did not have an impact on the Company’s financial results.

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.

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

2 Significant accounting policies (continued)

Comparative figures

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

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 7).

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
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\$ 3,305,063

4 Accounts receivable

	2010	2009
Accrued interest	\$ 49,978	\$ 35,014
GST and VAT receivables	43,576	132,551
Other	4,561	30,955
	\$ 98,115	\$ 198,520

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31

5 Long term investment	2010	2009
Virginia Energy Resources Inc. (1,054,000 common shares)	\$ 511,190	\$ 241,280

As part of a mineral property deal, (see Note 7) the Company received 800,000 free trading shares of Virginia Energy Resources Inc. (Virginia), a company listed and trading on the TSX Venture Capital Exchange in Canada. The original amount was based on the share price of \$0.85 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 April 22, 2010, the Company acquired an additional 1,200,000 free trading shares of Virginia in return for assigning all of its interest in an option agreement with respect to the Otish Property. Of all these shares, 900,000 were sold at prevailing market prices during the year. On December 31, 2010 the share price was \$0.485 per share.

6 Property, plant and equipment				2010	2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Computer equipment	\$ 68,495	\$ 63,238	\$ 5,257	\$ 22,857	
Drilling equipment	3,905,697	2,170,902	1,734,795	2,515,934	
Equipment	969,506	536,450	433,056	641,256	
Furniture and fixtures	57,419	15,319	42,100	48,098	
Motor vehicles	1,398,808	767,909	630,899	932,010	
	\$ 6,399,925	\$ 3,553,818	\$ 2,846,107	\$ 4,160,155	

7 Mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge; title to all of its properties is in good standing.

	Exploration and Acquisition Costs	Development Expenditures	Disposal and Abandonment	2010 Total	2009 Total
Canada:					
Corhill Property (see details next page)	\$ 319,657	\$ 248,728	\$ 568,385	\$ -	\$ 468,385
Otish Basin Uranium Property (see details next page)	1,204,397	599,666	1,804,063	-	874,063
Republic of Namibia:					
Namura Uranium Property (see details next page)	3,341,172	20,965,061	-	24,306,233	21,582,539
	\$ 4,865,226	\$ 21,813,455	\$ 2,372,448	\$ 24,306,233	\$ 22,924,987

December 31, 2010

7 Mineral properties (continued)

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.

On September 30, 2010 the Company wrote off the balance of its investment in this property.

Otish Basin Uranium Property

On July 25, 2008 the Company entered into an option agreement with Virginia Energy Resources Inc. (Virginia), whereby Virginia can earn 100% 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;
- 1,800,000 free trading shares of Virginia by the third anniversary of the agreement;
- \$500,000 work commitment prior to January 31, 2010;
- \$1,000,000 work commitment during the second year of the agreement.

On January 15, 2010 Virginia exercised its option to acquire a 100% interest in the property in exchange for the balance of the shares which were delivered to the Company. 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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8 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

9 Share capital

a) Authorized:

Unlimited common shares without par value

b) Issued and outstanding:

	Shares	2010 Amount	Shares	2009 Amount
Balance, beginning of year	119,572,469	\$ 45,040,060	119,572,469	\$ 45,040,060
Issued for property	-	-	-	-
Private placement	-	-	-	-
Exercise of warrants	-	-	-	-
Exercise of options	-	-	-	-
Transfer from contributed surplus on exercise of options	-	-	-	-
Balance, end of year	119,572,469	\$ 45,040,060	119,572,469	\$ 45,040,060

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9 Share capital (continued)

c) Exercise of warrants

No warrants were granted or exercised during the current year. All existing warrants expired during the year.

d) Warrants

	2010		2009	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	3,736,350	\$ 3.97	3,736,350	\$ 3.97
Warrants granted	-	-	-	-
Warrants exercised	-	-	-	-
Warrants expired	(3,736,350)	(3.97)	-	-
Outstanding and exercisable, end of year	-	\$ -	3,736,350	\$ 3.97

As at December 31, 2010, no share purchase warrants of the Company were outstanding.

e) 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. Included in the opening balance were 8,040,000 options repriced to \$0.30 from various strike prices, which reduced the opening weighted average exercise price to \$0.33 from \$1.05. See Note 11.

	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	10,690,000	\$.33	6,340,000	\$.99
Options granted	2,550,000	.30	5,200,000	1.15
Options expired/cancelled	(2,200,000)	(.33)	(850,000)	(1.15)
Options exercised	-	-	-	-
Outstanding and exercisable, end of year	11,040,000	\$.33	10,690,000	\$ 1.05

XEMPLAR ENERGY CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9 Share capital (continued)

e) Options (continued)

The following summarizes the stock options outstanding and exercisable at December 31, 2010:

Exercise Price	Outstanding at December 31, 2010	Exercisable at December 31, 2010	Expiry Date
\$ 0.30	1,000,000	1,000,000	June 2, 2011
\$ 0.30	40,000	40,000	January 9, 2012
\$ 0.30	50,000	50,000	May 9, 2012
\$ 0.30	250,000	250,000	September 1, 2012
\$ 0.30	1,500,000	1,500,000	December 18, 2012
\$ 0.30	1,050,000	1,050,000	June 30, 2013
\$ 0.30	4,600,000	4,600,000	March 2, 2014
\$ 0.30	550,000	550,000	May 28, 2015
\$ 0.30	2,000,000	2,000,000	November 15, 2015
	11,040,000	11,040,000	

f) Contributed surplus	2010	2009
Balance, beginning of year	\$ 24,740,755	\$ 23,425,206
Stock-based compensation expense	745,765	1,254,055
Other stock-based expense	-	61,494
Options exercised	-	-
Balance, end of year	\$ 25,486,520	\$ 24,740,755

10 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, 2010 and 2009:

- 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.

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11 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 May 28, 2010	Granted November 23, 2010	Re-priced December 9, 2010
Number of options	550,000	2,000,000	8,040,000
Dividend rate	0%	0%	0%
Weighted average risk-free interest rate	2.08%	2.39%	1.33% – 2.39%
Expected life	5 Years	5 Years	1.08 - 4.47 Years
Expected volatility	124%	112%	112%
Weighted average strike price	\$ 1.15	\$ 0.30	\$ 0.30
Weighted average spot price	\$ 0.10	\$ 0.21	\$ 0.21
Expiry date	May 28, 2015	November 23, 2015	January 9, 2012 – May 28, 2015
Fair value per option	\$ 0.05	\$ 0.15	\$ 0.07 – 0.15
Stock-based compensation	\$ 29,590	\$ 303,280	\$ 412,895

During the year ended December 31, 2010, the Company issued NIL (2009 – Nil) shares for options exercised.

During the year ended December 31, 2010, the Company granted 2,550,000 (2009 – 5,200,000) options. The Company also re-priced 8,040,000 options from \$1.15 exercise price to \$0.30. Using the above assumptions, the stock-based compensation and other was \$745,765 (2009 - \$1,254,055), which has been recorded in the statement of comprehensive (loss), and credited to contributed surplus.

December 31, 2010

12 Financial instruments and risk management

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and equivalents, marketable securities, receivables, accounts payable and accrued liabilities and loan payable approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of December 31, 2010 and 2009, the Company had cash and equivalents balances of \$7,027,631 and \$9,350,635 to settle current liabilities of \$544,853 and \$657,138, respectively. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk includes currency risk, interest rate risk and price risk. The Company's activities expose it primarily to the financial risks of changes in the price of resources. The Company does not currently have any producing mines subject to this risk.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2010, the Company had \$6,850,000 in a term deposit in a Canadian Bank.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in the Rand currency of Namibia (Rand). Amounts exposed to foreign currency risk include cash of Rand 1,124,057 as of December 31, 2010.

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13 Capital management

The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mining property interests. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties, if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. During the year ended December 31, 2010, the Company was not subject to externally imposed capital requirements.

14 Segmented information

2010 **2009**

The Company operates in one industry segment, but has assets in other geographical locations. Breakdown of assets by geographical area is as follows:

Canada	\$ 7,437,420	\$ 10,662,645
Namibia	27,357,413	26,212,952
	\$ 34,794,833	\$ 36,875,597

15 Income taxes

2010 **2009**

A reconciliation of the statutory income tax rate to the effective rate for the Company is as follows:

(Loss) before income tax	\$(3,356,285)	\$(3,146,980)
Expected income tax recovery	(981,916)	(1,063,980)
Non-deductible items	644,526	386,049
Deductible items	(55,069)	(1,842)
Realization adjustment	392,459	679,773
Income taxes	\$ -	\$ -

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15 Income taxes (continued) **2010** 2009

The significant components of the Company's future income tax assets (liabilities) are as follows:

Future income tax assets (liabilities)	2010	2009
Loss carry-forwards	\$ 26,788,301	\$ 24,142,199
Equipment	3,103,334	4,635,631
Mineral properties and deferred exploration costs	21,569,199	19,620,645
	51,460,834	48,398,475
Valuation allowance	(51,460,834)	(48,398,475)
Total future income tax assets	\$ -	\$ -

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.

The Company has approximately \$26,788,301 of losses available for income tax purposes to reduce taxable income of future years. Amounts by country are \$4,714,213 for Canada and \$22,074,088 for Namibia. These non-capital losses will expire commencing in 2011 through 2029.

In addition, the Company has available mineral resource related expenditure pools totaling approximately \$21,569,199 which may be deducted against future taxable income on a discretionary basis.