

**XEMPLAR ENERGY CORP.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR NINE MONTHS ENDED SEPTEMBER 30, 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 November 29, 2010 for Xemplar Energy Corp. (the "Company") should be read in conjunction with the Company's financial statements for the nine months ended September 30, 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 nine months ended September 30, 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 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. During the current period ended September 30, 2010, the Company sold the Otish interest and abandoned the Corhill property. Recognizing the present price of uranium and the depressed state of the market for uranium explorers in general, the Company has made a decision to actively consider projects outside the uranium sector.

Management has implemented a stringent cost cutting exercise to significantly reduce the Company's burn rate whilst ensuring adequate resources to maximize shareholder value from its Namibian assets. The Company is very well funded, with in excess of \$7.5 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. At the date of acquisition, Namura was the beneficial holder of six exclusive reconnaissance licenses (ERL) covering uranium exploration properties in Namibia. It was also the registered holder of a fourth pending ERL application. These ERLs cover various uranium occurrences and uranium mineralization types, which include Rossing, Langer Heinrich and sandstone-conglomerate and siltstone hosted epigenetic/diagenetic type deposits. The Rossing uranium mine has been in production for more than 30 years has produced between 2,000 and 4,000 tonnes/annually. Paladin's Langer Heinrich deposit has begun pre-selling future mining production and in January 2006 announced two contracts of more than 2 million pounds of uranium oxide. The Company hopes to take the opportunity to repeat that winning formula with its uranium deposits. Consideration for the purchase is payment of \$600,000 cash and issuance of 6,000,000 shares of the Company. Each property is subject to a 3% net smelter return royalty. The Company has the right to reduce the royalty to 1.5% on each property by paying \$3,000,000 per property.

Through its Namibian subsidiary, Namura Mineral Resources (Pty) Ltd., the Company holds a 100% interest in uranium properties in the Engo Valley (pending), Cape Cross, Aus-Garub and Warmbad regions in Namibia, whose combined licensed and pending licensed area covers nearly 7,500 km<sup>2</sup>, making it the largest uranium exploration license holder in the country.

The Company has been informed by the Namibian Ministry of Mines and Energy that the EPL application for the Engo Valley property was rejected on environmental grounds. The Company has launched an appeal, which is allowed under Namibian law, and is working with a Black Empowerment Enterprise partner to help secure the EPL. The Company believes that the government has not given ISR (in situ recovery) methods enough consideration during its review process.

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](http://www.sedar.com).

At the Warmbad project, the Company has been actively engaged in an aggressive exploration and definition drilling program since October 2007. The Company had originally identified 14 large, anomalously radiometric alaskite bodies, which has since been redefined as eight larger bodies, as some of the original alaskite bodies overlap each other. Of these, the Aluriesfontein is the largest, covering 36 square kilometres. These targets were outlined by an airborne radiometric survey, which followed up on an earlier government radiometric survey.

Ongoing exploration work consists of geological mapping, prospecting, radiometric sampling and chemical analysis to evaluate the targets identified by the airborne radiometric survey and to identify drill targets. Up to 10 drill rigs were utilized in the drill evaluation process. Radiometric logging was performed in all drill holes and sampling and chemical analysis of cores and drill chips were carried out on anomalous sections. This work was directed at defining a possible resource/reserve estimate and a possible future feasibility study.

Since drilling started on the Warmbad project, approximately 69,000 metres of reverse circulation drilling and 3,100 metres of diamond drilling has been completed. Assay results have been received and were reported to shareholders. All the Company's news releases were filed on [www.sedar.com](http://www.sedar.com). These results are very encouraging as they confirm (a) wide zones of uraniferous granite (alaskite) at depth and (b) that the geologic model being employed is proving highly successful in prioritizing project drill targets.

Drill results show that the alaskites are relatively thin-sheeted leucogranites which were layered within the country rocks of the Namaqua metamorphic complex. The geology is understood well enough to recognize which alaskites will contain uranium mineralization. The geological groundwork and the drilling continue to confirm the widespread uranium mineralization on the property.

At Cape Cross, six drill programs have completed approximately 12,200 metres of reverse circulation drilling and have identified a number of paleo-channels and calcrete hosted uranium mineralization. Reference is made to the Company's September 16, 2009, news release "Xemplar Reports Drill Assays from the Cape Cross Uranium Project". The Cape Cross property is located near the Trekkopje uranium deposit which is currently being brought into production by Areva in Namibia.

#### 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 quarter ended September 30, 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	<hr/> \$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 previous quarter, 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 \$1,804,063 have been written off.

### Exploration Expenditures by Property

During the year, the Company's exploration work has been focused on its Warmbad, Cape Cross and Aus Garub 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 nine months ended September 30, 2010 is as follows:

<b>Mineral Properties</b>	<b>Corhill \$</b>	<b>Otish \$</b>	<b>Namibia \$</b>	<b>Total\$</b>
<b>Acquisition costs</b>				
Balance, December 31, 2009	319,657	1,204,397	3,341,172	4,865,226
Additions during the year	-	-	-	-
Balance, September 30, 2010	319,657	1,204,397	3,341,172	4,865,226
<b>Exploration costs</b>				
Balance, Dec 31, 2009	248,728	599,666	18,241,367	19,089,761
Total additions during the period	-	-	2,408,513	2,408,513
Balance, September 30, 2010	248,728	599,666	20,649,880	21,498,274
<b>Cumulative Mineral Property Expenditures as at September 30, 2010</b>				
Acquisition	319,657	1,204,397	3,341,172	4,865,226
Exploration	248,728	599,666	20,649,880	21,498,274
Disposal and Abandonment	(568,385)	(1,804,063)	-	(2,372,448)
Total:	-	-	23,991,052	23,991,052

### **Financing Activities**

The Company did not complete any financing during the current nine months. The opening cash from 2009 is sufficient to fund the Company's operations for the remainder of 2010 and into 2011.

### **Quarter End Balance Sheet Position**

On September 30, 2010 the most recent balance sheet date, the Company had cash and cash equivalents \$7,453,956. 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.

### **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 nine months ended September 30, 2010**

For the nine months ended September 30, 2010, Company incurred a net loss of \$2,195,872 or \$0.02 per share as compared to a loss of \$2,409,079 or \$0.02 per share for the same period ending in 2009. The loss in 2010 included a onetime charge for the write off of the Otish Basin Uranium Property, the write off of the Corhill Property and a loss of \$459,247 from the sale of Virginia shares. The loss excluding the write-off and loss from sale of Virginia shares was \$700,178. Income for the nine months ended September 30, 2010 was \$88,124 which consisted of interest income. (2009 - \$132,543)

Operating expenditures for the nine months ended September 30, 2010 totalled \$788,302 compared to \$2,541,622, a decrease of \$1,753,320 from the nine months ended September 30, 2009. The major factors for the decrease were:

- stock based compensation was \$29,590 for 2010 compared to \$1,294,865 for 2009, a decrease of \$1,265,275. This was primarily a result of options being granted and the re-pricing of existing options, which took place during the prior year;
- marketing and promotion decreased by \$213,074 in 2010 as the Company had not participated in certain trade shows and mining conferences held in South Africa, Zurich and London;
- rent, travel, and salaries and wages also declined in nine months ended September 30, 2010 compared to the same period in 2009.

### 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	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Year	2010	2010	2010	2009	2009	2009	2009	2008
Total Revenues	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net Income (Loss)	(675,376)	(835,742)	(684,754)	(737,901)	(417,048)	(581,048)	(1,410,985)	1,638,567
Basic Income(Loss) per share	(0.01)	(0.007)	(0.006)	(0.006)	(0.003)	(0.004)	(0.012)	(0.014)

Significant variances in the Company's reported losses from quarter to quarter are largely due to the granting of stock options, which tend to result in large variations in stock-based compensation expense. Other than the impact of the granting of stock options, 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 net loss in nine months of 2010 directly results from these operating activities. The net income in the fourth quarter of 2008 was a result of foreign exchange gains and reclassification of amortization and repair expenses to capital exploration costs charged to expense in previous quarters.

### Liquidity and Capital Resources

At September 30, 2010, the Company reported a net working capital of \$6,990,356 compared to a net working capital of \$11,066,620 as at September 30, 2009, representing a decrease in working capital of \$4,076,264. As of September 30, 2010 the Company had \$7,453,956 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 nine months ended September 30, 2010, the Company entered into the following transactions with related parties:

- a) Professional fees of \$22,500 (2009 - \$22,500) incurred for accounting services provided by a company owned by one of the directors of the Company.
- b) Consulting fees of \$243,000 (2009 - \$317,750) were paid to companies owned by various directors of the Company.
- c) Rental fees of \$13,500 (2009 - \$13,500) were paid to a company owned by one of the directors of the Company.
- d) Drilling service fees of \$Nil (2009 - \$180,000) were paid to directors and to companies owned by directors.

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

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

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 December 1, 2011. Early adoption of these Sections is permitted and all six Sections must be adopted concurrently.

### *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 December 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.

## **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 November 29, 2010**

The Company is authorized to issue unlimited common shares without par value. As at November 29, 2010, there were 119,572,469 issued and outstanding common shares compared to 119,572,469 issued and outstanding shares at September 30, 2010. There was no change in the share capital.

All of the 3,736,350 warrants outstanding at December 31, 2009 expired on March 20, 2010. The Company currently has no warrants outstanding. Subsequent to the quarter ended September 30, 2010, a total of 2,110,000 new stock options at a price of \$0.30 per share excisable in 5 years were granted to certain directors, officers, employees and consultants. There were 11,150,000 stock options outstanding under the Company's incentive stock option plan. These stock options are exercisable at a price ranging from \$0.30 to \$1.90 with expiry dates extending to November 23, 2015. The Company intends to re-price those stock options for the purchase an aggregate of 9,040,000 common shares having exercise prices from \$0.50 to \$1.90 per share, with different expiry terms to the exercise price of \$0.30 per share. The re-priced options are subject to approval of TSX Venture Exchange and disinterested shareholder approval at the Company's next annual general meeting of shareholders (the "Shareholders' Meeting"), which is scheduled for 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 merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no 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 base and precious metal. Over the past several years, the prices of these commodities have increased substantially, stimulating a rapid growth in exploration expenditures and intensifying the competition for talent and services. These conditions are leading to increased costs and difficulties in scheduling contractors that are optimal from the Company's perspective.

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

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

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