



**Unaudited Financial Statements
March 31, 2007**

Prepared by Management

Notice to Reader

The management of Purepoint Uranium Group Inc. is responsible for the preparation of the accompanying interim financial statements. The interim financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by management to present fairly the financial position, operation results and cash flows of the Company.

These interim financial statements have not been audited, reviewed or otherwise verified for accuracy and completeness of information by the auditor of the Company.



Chief Executive Officer



Chief Financial Officer

Balance Sheets

| | March 31, 2007 <i>(unaudited)</i> | December 31, 2006 <i>(audited)</i> |
|---|--------------------------------------|---------------------------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 93,382 | \$ - |
| Accounts Receivable | 132,579 | 161,588 |
| Short-term investments | 17,815,083 | 5,262,139 |
| Prepaid expenses | 13,165 | 25,877 |
| Deposits | 375,338 | 252,568 |
| | <u>18,429,547</u> | <u>5,702,172</u> |
| Equipment | 7,955 | 2,264 |
| Mining properties and deferred exploration expenditures <i>(note 3)</i> | <u>10,002,654</u> | <u>7,484,197</u> |
| | <u>\$ 28,440,156</u> | <u>\$ 13,188,633</u> |
| Liabilities | | |
| Current Liabilities | | |
| Bank indebtedness | \$ - | \$ 14,580 |
| Accounts payable and accrued liabilities | <u>621,908</u> | <u>578,055</u> |
| | 621,908 | 592,635 |
| Future income tax liability | <u>2,799,938</u> | <u>2,799,938</u> |
| | <u>3,421,846</u> | <u>3,392,573</u> |
| Shareholders' equity | | |
| Share capital <i>(note 4)</i> | 22,985,936 | 8,911,564 |
| Contributed surplus | 2,714,744 | 1,258,504 |
| Deficit | <u>(682,370)</u> | <u>(374,008)</u> |
| | <u>25,018,310</u> | <u>9,796,060</u> |
| | <u>\$ 28,440,156</u> | <u>\$ 13,188,633</u> |

The accompanying notes are an integral part of these financial statements.

Approved by the Board

Signed: **"James Doak"**

James Doak

Signed: **"Allan Beach"**

Allan Beach

Statements of Operations and Deficit

| | For the three month period ending March 31, 2007 <i>(unaudited)</i> | For the three month period ending March 31, 2006 <i>(audited)</i> |
|--|---|---|
| Revenue | | |
| Interest income | \$ 63,165 | \$ 36,718 |
| Expenses | | |
| Salaries and benefits | 52,433 | 47,386 |
| Stock-based compensation <i>(note 5)</i> | 193,488 | 55,464 |
| Investor relations | 31,566 | 22,137 |
| Professional fees | 35,018 | 7,749 |
| General and administration | 44,777 | 11,385 |
| Travel | 1,975 | 2,752 |
| Transfer agent and filing fees | 11,341 | 12,831 |
| Amortization | 929 | 377 |
| | <u>371,527</u> | <u>160,081</u> |
| Net loss | (308,362) | (123,363) |
| (Deficit) retained earnings, beginning of period | <u>(374,008)</u> | <u>242,084</u> |
| (Deficit) retained earnings, end of period | <u>\$ (682,370)</u> | <u>\$ 118,721</u> |
| Basic and diluted loss per common share <i>(note 7)</i> | <u>\$ (0.00)</u> | <u>\$ (0.00)</u> |

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

| | For the three month period ending March 31, 2007 <i>(unaudited)</i> | For the three month period ending March 31, 2006 <i>(unaudited)</i> |
|---|---|---|
| Cash flow from operating activities | | |
| Net loss for the period | \$ (308,362) | \$ (123,363) |
| Items not affecting cash | | |
| Amortization | 929 | 377 |
| Stock-based compensation | 193,488 | 55,464 |
| Increases (decreases) in cash attributable to changes in operating assets and liabilities: | | |
| Accounts receivable | 29,009 | (42,383) |
| Deposits and prepaid expenses | (110,058) | 107,594 |
| Accounts payable | 43,853 | 272,937 |
| | <u>(151,141)</u> | <u>270,626</u> |
| Cash flow from investing activities | | |
| Mining properties and deferred explorations expenditures | (2,518,457) | (1,810,053) |
| Equipment | (6,620) | - |
| Short-term investments | (12,552,944) | 1,564,750 |
| | <u>(15,078,021)</u> | <u>(245,303)</u> |
| Cash flow from financing activities | | |
| Issuance of shares | 14,863,204 | 59,375 |
| Exercise of warrants and options | 473,920 | - |
| | <u>15,337,124</u> | <u>59,375</u> |
| Increase (decrease) in cash | 107,962 | 84,698 |
| Cash, beginning of period | (14,580) | 176,444 |
| Cash, end of period | <u>\$ 93,382</u> | <u>\$ 261,142</u> |

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

March 31, 2007

1. Business of the Company

Purepoint Uranium Group Inc. (“the Company”) is a Canadian resource company. The Company completed a reverse take over transaction (the “RTO”) with Casablanca Capital Corp. (“Casablanca”) on May 30, 2005 and Subsequently Casablanca changed its name to Purepoint Uranium Group Inc. The Company’s principal assets are mineral properties located in Saskatchewan. The Company is engaged in the acquisition, exploration and development of properties for the purpose of producing uranium. The Company has not earned any revenue to date from its operations and is therefore considered to be in the development stage. The ability of the Company to realize the costs it has incurred to date on these and other properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company’s interest in the underlying mining claims, the ability to obtain necessary financing and attain profitable operations, or alternatively, upon the disposal of properties, or the Company’s interests therein, on an advantageous basis.

In order to meet future expenditures and cover administrative costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. In the event the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain or complete the acquisition of its property interests. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write downs of the carrying values of certain assets.

2. Significant Accounting Policies

The accompanying unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, accordingly, certain disclosures normally included in annual statements prepared in accordance with generally accepted accounting principles are not provided. These unaudited interim financial statements have been prepared following accounting principles consistent with those used in the audited annual financial statements and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2006. The results of operations for the interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

Adoption of new accounting recommendations

Financial instruments

Effective January 1, 2007, the Company adopted CICA Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855 (“Section 3855”), *Financial Instruments—Recognition and Measurement*, and CICA Handbook Section 3865, *Hedges*. These new standards contain comprehensive requirements for the recognition and measurement of financial instruments, the treatment of financing costs and the application of hedge accounting. CICA Handbook Section 1530 also introduces a new component of equity referred to as comprehensive income.

The Company’s financial instruments consist of cash and cash equivalents, short-term investments (comprised entirely of GIC’s with short-term maturities), accounts receivable and accounts payable. It is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments.

Notes to Consolidated Financial Statements

March 31, 2007

2. Significant Accounting Policies - continued

Accordingly, the fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. The new standards had no impact on the Company as the carrying values of all financial assets and liabilities at January 1, 2007 approximated their fair values.

3. Mining Properties

| | March 31, 2007 <i>(unaudited)</i> | December 31, 2006 <i>(audited)</i> |
|--------------------------|--------------------------------------|---------------------------------------|
| Turnor Lake Property | \$ 3,864,796 | \$ 2,998,406 |
| Red Willow Property | 2,177,376 | 1,333,187 |
| Hook Lake Property | 379,225 | - |
| Smart Lake Property | 71,389 | - |
| William River Property | 1,612,716 | 1,383,662 |
| Fire Eye Lake Property | 589,594 | 544,816 |
| Umfreville Lake Property | 1,111,872 | 1,032,737 |
| S. Newnham Lake Property | 76,188 | 72,438 |
| McEwen Lake Property | 119,498 | 118,951 |
| | <u>\$ 10,002,654</u> | <u>\$ 7,484,197</u> |

These properties are all located at the Athabasca Basin, Northern Saskatchewan. The Company owns 100% interest in a total of 51 claims covering 249,521 hectares. In addition, the Company paid a \$15,000 deposit on a Mineral Prospecting Permit that grants the Company the exclusive right to explore and prospect for all minerals on 27,276 hectares of land in the same region. This deposit will be refunded when the Company makes the required exploration expenditures as follows:

- a) \$1.25 per hectare for a total of \$34,095 in first permit year; and
- b) \$4.00 per hectare for a total of \$109,104 in subsequent permit year.

Notes to Consolidated Financial Statements

March 31, 2007

4. Share Capital

| | Number of shares | Amount |
|---|------------------|---------------|
| Authorized <i>Common shares</i> | unlimited | - |
| Issued and outstanding <i>Common shares</i> | | |
| Balance, March 24, 2004 (Date of incorporation) | 543,800 | \$ 2 |
| Share issued in private placement | 764,644 | 320,000 |
| Balance December 31, 2004 | 1,308,444 | 320,002 |
| Shares in private placement | 285,834 | 1,657,996 |
| Shares issued in RTO | 50,000 | 75,000 |
| Balance May 30, 2005, (Date of RTO) | 1,644,278 | 2,052,998 |
| RTO share exchange | 33,241,278 | 36,236 |
| Shares issued in private placement | 14,750,000 | 4,061,617 |
| Option exercised | 120,000 | 24,000 |
| Tax benefits renounced on flow-through shares | - | (2,370,374) |
| Balance December 31, 2005 | 49,755,556 | \$ 3,804,477 |
| Options and warrants exercised | 4,260,433 | 2,088,684 |
| Shares issued in private placement | 7,129,000 | 4,145,044 |
| Tax benefits renounced on flow-through shares | - | (1,126,641) |
| Balance December 31, 2006 (<i>audited</i>) | 61,144,989 | \$ 8,911,564 |
| Options and warrants exercised | 1,284,583 | 473,920 |
| Shares issued in private placement (i) | 10,198,700 | 13,600,452 |
| Balance March 31, 2007 (<i>unaudited</i>) | 72,628,272 | \$ 22,985,936 |

- (i) The Company completed a private placement of 4,138,000 common share units and 6,060,700 flow-through common shares for gross proceeds of \$16,000,255, realized in two tranches as following:
On March 9, 2007 the Company completed a private placement of 3,438,000 units at \$1.45 per unit and 5,260,700 flow-through common shares at \$1.65 for gross proceeds of \$13,665,255. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of \$2.00 per share for a period of twenty-four months from date of issue. The company paid a commission of \$819,915 in cash and 608,909 in broker warrants exercisable at \$1.45 for twelve months. The securities issued were restricted from resale before July 10, 2007.

Notes to Consolidated Financial Statements

March 31, 2007

4. Share Capital - continued

On March 20, 2007 the Company completed a private placement of 700,000 units at \$1.45 per unit and 800,000 flow-through common shares at \$1.65 for gross proceeds of \$2,335,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of \$2.00 per share for a period of twenty-four months from date of issue. The company paid a commission of \$140,100 in cash and 105,000 broker warrants exercisable at \$1.45 for twelve months. The securities issued were restricted from resale before July 21, 2007. Other expenses of private placements amounted to \$177,037.

The 2,782,909 warrants issued during the three month period ended March 31, 2007 were assigned a fair value, net of the pro-rata issue costs, of \$1,531,904 calculated using the Black-Scholes model. The assumptions used in the model for valuing the 2,069,000 "unit warrants" were 0% dividend rate, 102% expected volatility, 4.5% risk-free interest rate and expected life of two years. The assumptions used in the model for valuing the 713,909 broker warrants were 0% dividend rate, 102% expected volatility, 4.5% risk-free interest rate and expected life of one year.

5. Stock-Based Compensation

- a) The Company has a stock option plan (the "Plan"). Under the Plan, the Company can grant options up to 10% of the total number of issued and outstanding shares. The Company accounts for the options using the fair value based method of accounting.

The following table reflects the continuity of options outstanding:

| | Number of options | Exercise price |
|------------------------------|-------------------|----------------|
| Outstanding, January 1, 2007 | 1,586,667 | \$ 0.31 |
| New Award granted | 1,800,000 | \$ 0.90 |
| Exercised | (533,333) | \$ 0.30 |
| Outstanding, March 31, 2007 | 2,853,334 | \$ 0.68 |

On January 11, 2007 the Company granted 1,800,000 stock options vesting over a two year period.

- b) The weighted average remaining contractual life and weighted average exercise price of options outstanding and exercisable as at March 31, 2007 are as follows:

| Options outstanding | | | Options Exercisable | |
|---------------------|---------------------------------|---|---------------------|---------------------------------|
| Number Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (years) | Number Exercisable | Weighted Average Exercise Price |
| 2,853,334 | \$ 0.68 | 4.11 | 646,668 | \$ 0.59 |

Notes to Consolidated Financial Statements

March 31, 2007

5. Stock-Based Compensation - continued

On January 11, 2007 the Company granted 1,800,000 employee stock options at an exercise price of \$0.90 with a vesting of 50 % on the first and second anniversaries respectively.

The following principal assumptions were used in applying the Black-Scholes option-pricing model:

Risk-free interest rate – 4.5%
Dividend rate – 0%
Expected volatility – 102%
Expected life – 3 years

Using the Black-Scholes pricing model, the weighted average fair value of options granted during the three month period ended March 31, 2007 was estimated to be \$1,049,862 (2006 - \$Nil). This amount, net of forfeitures, is amortized as stock based compensation over the vesting period of options. In the first three months of 2007, \$193,488 (2006 - \$55,464) was taken into contributed surplus as stock option expense being recognized on the vesting of options granted.

6. Commitment

In connection with the issuance of flow-through shares, the Company renounced a total of \$3,119,160 of qualifying expenditures to the shareholders in 2006 of which \$611,301 had been spent as of December 31, 2006. Pursuant to this flow-through issue, the Company is required to spend \$2,507,859 on Canadian Exploration Expenditures in 2007. In the first three months of 2007, the Company already spent \$2,493,362.

7. Loss per share

The computations for basic loss per common share are as follows:

| | Three months ended March 31, 2007 | Three months ended March 31, 2006 |
|--------------------------|--------------------------------------|--------------------------------------|
| Net Loss | (\$308,362.00) | (\$123,363.00) |
| Average Number of Shares | 64,226,702 | 49,874,306 |
| Loss per Common Share | (\$0.00) | (\$0.00) |

Diluted earnings per share are not presented as the exercise of the potentially dilutive options would have an anti-dilutive effect on earnings per share and/or the options' exercise price was greater than the average market price of the common shares for the reporting period.

Notes to Consolidated Financial Statements

March 31, 2007

8. Amalgamation

Pursuant to Articles of Amalgamation the Company amalgamated with its wholly owned subsidiary Purepoint Uranium Group Inc. effective January 1, 2007. The name of the amalgamated company is Purepoint Uranium Group Inc.