



**Unaudited Financial Statements**

**For the Nine Months Ended  
September 30, 2007**

**Prepared by Management**

**Notice to Reader**

The management of Purepoint Uranium Group Inc. is responsible for the preparation of the accompanying unaudited 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**

	September 30, 2007 <i>(unaudited)</i>	December 31, 2006 <i>(audited)</i>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 80,909	\$ -
Accounts Receivable	391,239	161,588
Short-term investments	11,740,609	5,262,139
Prepaid expenses	35,880	25,877
Deposits	396,786	252,568
	<u>12,645,423</u>	<u>5,702,172</u>
Plant and equipment <i>(note 3)</i>	160,409	2,264
Mining properties and deferred exploration expenditures <i>(note 3)</i>	15,429,811	7,484,197
Loans receivable	781,044	-
	<u>\$ 29,016,687</u>	<u>\$ 13,188,633</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ -	\$ 14,580
Accounts payable and accrued liabilities	957,053	578,055
	<u>957,053</u>	<u>592,635</u>
Future income tax liability	2,329,938	2,799,938
	<u>3,286,991</u>	<u>3,392,573</u>
<b>Shareholders' equity</b>		
Share capital <i>(note 4)</i>	23,577,819	8,911,564
Contributed surplus	2,918,495	1,258,504
Deficit	(766,618)	(374,008)
	<u>25,729,696</u>	<u>9,796,060</u>
	<u>\$ 29,016,687</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, Comprehensive Loss and Deficit**

	For the three month period ending September 30, 2007 <i>(unaudited)</i>	For the three month period ending September 30, 2006 <i>(unaudited)</i>	For the nine month period ending September 30, 2007 <i>(unaudited)</i>	For the nine month period ending September 30, 2006 <i>(unaudited)</i>
<b>Revenue</b>				
Interest income	\$ 156,313	\$ 3,230	\$ 403,404	\$ 63,870
<b>Expenses</b>				
Salaries and benefits	53,610	42,847	165,692	139,690
Stock-based compensation <i>(note 5)</i>	237,046	19,712	656,993	130,639
Investor relations	24,077	16,835	98,499	90,865
Professional fees	115,193	22,907	188,969	53,818
General and administration	31,948	6,169	104,423	25,465
Travel	7,138	2,225	14,110	5,544
Transfer agent and filing fees	4,987	6,545	31,207	20,417
Amortization	2,679	377	6,121	1,131
	<u>476,678</u>	<u>117,617</u>	<u>1,266,014</u>	<u>467,569</u>
<b>Loss before recovery of future income taxes</b>	<u>(320,365)</u>	<u>(114,387)</u>	<u>(862,610)</u>	<u>(403,699)</u>
Recovery of future income taxes	<u>30,000</u>	<u>-</u>	<u>470,000</u>	<u>-</u>
<b>Net income (loss) and comprehensive income (loss)</b>	<u>(290,365)</u>	<u>(114,387)</u>	<u>(392,610)</u>	<u>(403,699)</u>
<b>Retained earnings (deficit) beginning of period</b>	<u>(476,253)</u>	<u>(42,228)</u>	<u>(374,008)</u>	<u>242,084</u>
<b>Deficit, end of period</b>	<u>\$ (766,618)</u>	<u>\$ (161,615)</u>	<u>\$ (766,618)</u>	<u>\$ (161,615)</u>
<b>Basic and diluted income (loss) per common share <i>(note 7)</i></b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**Statements of Cash Flows**

	For the three month period ending September 30, 2007 <i>(unaudited)</i>	For the three month period ending September 30, 2006 <i>(unaudited)</i>	For the nine month period ending September 30, 2007 <i>(unaudited)</i>	For the nine month period ending September 30, 2006 <i>(unaudited)</i>
<b>Cash flow from operating activities</b>				
Net income (loss)	\$ (290,365)	\$ (114,387)	\$ (392,610)	\$ (403,699)
Items not affecting cash				
Amortization	2,679	377	6,121	1,131
Stock based compensation	237,046	19,712	656,993	130,639
Recovery of future income taxes	(30,000)	-	(470,000)	-
Increases (decreases) in cash attributable to changes in operating assets and liabilities:				
Accounts receivable	(137,546)	(54,582)	(229,651)	(6,532)
Deposits and prepaid expenses	(25,281)	25,212	(154,221)	131,169
Accounts payable	61,296	(25,439)	378,999	69,570
	<u>(182,171)</u>	<u>(149,107)</u>	<u>(204,369)</u>	<u>(77,722)</u>
<b>Cash flow from investing activities</b>				
Plant and equipment	(123,010)	-	(164,266)	-
Mining properties	(2,705,093)	(1,168,351)	(7,945,614)	(4,153,634)
Loans receivable	(398,044)	-	(781,044)	-
Short-term investments	3,158,345	1,296,877	(6,478,470)	3,987,892
	<u>(67,802)</u>	<u>128,526</u>	<u>(15,369,394)</u>	<u>(165,742)</u>
<b>Cash flow from financing activities</b>				
Issuance of shares	-	-	14,838,374	125,100
Exercise of options and warrants	-	-	830,878	-
	<u>-</u>	<u>-</u>	<u>15,669,252</u>	<u>125,100</u>
<b>Increase (decrease) in cash</b>	<u>(249,973)</u>	<u>(20,581)</u>	<u>95,489</u>	<u>(118,364)</u>
<b>Cash, beginning of period</b>	<u>330,882</u>	<u>78,661</u>	<u>(14,580)</u>	<u>176,444</u>
<b>Cash, end of period</b>	<u>\$ 80,909</u>	<u>\$ 58,080</u>	<u>\$ 80,909</u>	<u>\$ 58,080</u>

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

**Notes to Financial Statements**

September 30, 2007

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**1. Business of the Company**

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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**

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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 Financial Statements**

September 30, 2007

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**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.

**Future accounting changes**

In July 2006, the Accounting Standards Board (“AcSB”) issued a replacement of The Canadian Institute of Chartered Accountants Handbook (Handbook) Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company’s results of operations and financial condition will depend on the nature of future accounting changes.

In December 2006, Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535, Capital Disclosures were issued. All three Sections will be applicable for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 on financial instrument disclosures, places an increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. The new Section removes duplicative disclosures and simplifies the disclosures relating to concentration of risk, credit risk, liquidity risk and price risk currently found in Section 3861. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity’s objectives, policies and processes for managing capital.

The Company has not yet determined the impact of adopting the above accounting standards.

**3. Properties**

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**a) Mining properties**

	September 30, 2007 <i>(unaudited)</i>	December 31, 2006 <i>(audited)</i>
McEwen Lake Property	\$ 119,918	\$ 118,951
Red Willow Property	4,844,895	1,333,187
S. Newnham Lake Property	98,176	72,438
Hook Lake Property	1,535,060	-
Smart Lake Property	798,535	-
Turnor Lake Property	4,620,163	2,998,406
Umfreville Lake Property	1,323,449	1,032,737
William River Property	1,438,999	1,383,662
Fire Eye Lake Property	650,616	544,816
	<u>\$ 15,429,811</u>	<u>\$ 7,484,197</u>

**Notes to Financial Statements**

September 30, 2007

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**3. Properties - continued**

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.

**b) Mining and other plant and equipment**

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	September 30, 2007 <i>(unaudited)</i>	December 31, 2006 <i>(audited)</i>
Mining plant and equipment	\$ 120,568	\$ -
Other plant and equipment	39,841	2,264
	<hr/> \$ 160,409	<hr/> \$ 2,264

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**Notes to Financial Statements**

September 30, 2007

**4. Share Capital**

	Number of shares	Amount
<b>Authorized</b> <i>Common shares</i>	unlimited	-
<b>Issued and outstanding</b> <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	1,799,763	1,359,784
Shares issued in private placement (i)	10,198,700	13,306,470
Balance September 30, 2007 ( <i>unaudited</i> )	73,143,452	\$ 23,577,818

- (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 Financial Statements**

September 30, 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 in 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 \$201,052.

The 2,782,909 warrants issued during the nine month period ended September 30, 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
New Awards granted	155,000	\$ 1.00
New Awards granted	500,000	\$ 0.45
Exercised	(533,333)	\$ 0.30
Outstanding, September 30, 2007	3,508,334	\$ 0.66

- b) The weighted average remaining contractual life and weighted average exercise price of options outstanding and exercisable as at September 30, 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
3,508,334	\$ 0.66	3.96	1,486,667	\$ 0.31

**Notes to Financial Statements**

September 30, 2007

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**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. On June 1, 2007 the Company granted 75,000 stock options at an exercise price of \$1.00 vesting in one year, on June 11, 2007 the Company granted 80,000 stock options at an exercise price of \$1.00 vesting 1/3 on the first, second and third anniversaries respectively over a three year period and on August 23, 2007 the Company granted 500,000 stock options at an exercise price of \$0.45 vesting 1/3 on the first, second and third anniversaries respectively over a three year period.

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 nine month period ended September 30, 2007 was estimated to be \$1,283,355 (2006 - \$19,320). This amount, net of forfeitures, is amortized as stock based compensation over the vesting period of options. In the first nine months of 2007, \$656,993 (2006 - \$130,639) was taken into contributed surplus as stock option expense being recognized on the vesting of options granted.

**6. Commitment**

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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. The Company already met this requirement by spending \$8,066,182 in the first nine months of 2007.

**7. Income (loss) per share**

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

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Net Income (Loss)	(\$290,365.00)	(\$114,387.00)	(\$392,610.00)	(\$403,699.00)
Average Number of Shares	73,142,718	50,005,756	70,134,263	50,005,756
Loss per Common Share	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.01)

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 Financial Statements**

*September 30, 2007*

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**8. Amalgamation**

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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.