



**Unaudited Financial Statements**

**For the Six Months Ended  
June 30, 2007**

**Prepared by Management**

**Balance Sheets**

	June 30, 2007 <i>(unaudited)</i>	December 31, 2006 <i>(audited)</i>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 330,882	\$ -
Accounts Receivable	253,693	161,588
Short-term investments	14,898,954	5,262,139
Prepaid expenses	50,014	25,877
Deposits	357,371	252,568
	<u>15,890,914</u>	<u>5,702,172</u>
Equipment	40,078	2,264
Mining properties and deferred exploration expenditures <i>(note 3)</i>	12,724,718	7,484,197
Loans receivable	383,000	-
	<u>\$ 29,038,710</u>	<u>\$ 13,188,633</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ -	\$ 14,580
Accounts payable and accrued liabilities	895,693	578,055
	<u>895,693</u>	<u>592,635</u>
Future income tax liability	2,359,938	2,799,938
	<u>3,255,631</u>	<u>3,392,573</u>
<b>Shareholders' equity</b>		
Share capital <i>(note 4)</i>	23,577,883	8,911,564
Contributed surplus	2,681,449	1,258,504
Deficit	(476,253)	(374,008)
	<u>25,783,079</u>	<u>9,796,060</u>
	<u>\$ 29,038,710</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 June 30, 2007 <i>(unaudited)</i>	For the three month period ending June 30, 2006 <i>(unaudited)</i>	For the six month period ending June 30, 2007 <i>(unaudited)</i>	For the six month period ending June 30, 2006 <i>(unaudited)</i>
<b>Revenue</b>				
Interest income	\$ 183,926	\$ 23,925	\$ 247,091	\$ 60,640
<b>Expenses</b>				
Salaries and benefits	59,649	49,458	112,082	96,843
Stock-based compensation ( <i>note 5</i> )	226,459	55,463	419,947	110,927
Investor relations	42,856	51,892	74,422	74,029
Professional fees	38,758	23,161	73,776	30,911
General and administration	27,698	7,916	72,475	19,298
Travel	4,997	567	6,972	3,319
Transfer agent and filing fees	14,879	1,040	26,220	13,871
Amortization	2,513	377	3,442	754
	417,809	189,874	789,336	349,952
<b>Loss before recovery of future income taxes</b>	(233,883)	(165,949)	(542,245)	(289,312)
Recovery of future income taxes	440,000	-	440,000	-
<b>Net income (loss) and comprehensive income (loss)</b>	206,117	(165,949)	(102,245)	(289,312)
<b>Retained earnings (deficit) beginning of period</b>	(682,370)	118,728	(374,008)	242,084
<b>Deficit, end of period</b>	\$ (476,253)	\$ (47,228)	\$ (476,253)	\$ (47,228)
<b>Basic and diluted income (loss) per common share (<i>note 7</i>)</b>	\$ 0	\$ 0	\$ 0	\$ 0

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

**Statements of Cash Flows**

	For the three month period ending June 30, 2007 <i>(unaudited)</i>	For the three month period ending June 30, 2006 <i>(unaudited)</i>	For the six month period ending June 30, 2007 <i>(unaudited)</i>	For the six month period ending June 30, 2006 <i>(unaudited)</i>
<b>Cash flow from operating activities</b>				
Net income (loss)	\$ 206,117	\$ (165,949)	\$ (102,245)	\$ (289,312)
Items not affecting cash				
Amortization	2,513	377	3,442	754
Stock based compensation	226,459	55,463	419,947	110,927
Recovery of future income taxes	(440,000)	-	(440,000)	-
Increases (decreases) in cash attributable to changes in operating assets and liabilities:				
Accounts receivable	(121,114)	90,433	(92,105)	48,050
Deposits and prepaid expenses	(18,882)	(1,637)	(128,940)	105,957
Accounts payable	273,785	(177,928)	317,638	95,009
	<u>128,878</u>	<u>(199,241)</u>	<u>(22,263)</u>	<u>71,385</u>
<b>Cash flow from investing activities</b>				
Equipment	(34,636)	-	(41,256)	-
Mining properties	(2,722,064)	(1,175,230)	(5,240,521)	(2,985,283)
Loans receivable	(383,000)	-	(383,000)	-
Short-term investments	2,916,129	1,126,265	(9,636,815)	2,691,015
	<u>(223,571)</u>	<u>(48,965)</u>	<u>(15,301,592)</u>	<u>(294,268)</u>
<b>Cash flow from financing activities</b>				
Issuance of shares	-	65,725	14,839,189	125,100
Exercise of options and warrants	332,193	-	830,128	-
	<u>332,193</u>	<u>65,725</u>	<u>15,669,317</u>	<u>125,100</u>
<b>Increase (decrease) in cash</b>	<u>237,500</u>	<u>(360,073)</u>	<u>345,462</u>	<u>(97,783)</u>
<b>Cash, beginning of period</b>	<u>93,382</u>	<u>261,142</u>	<u>(14,580)</u>	<u>176,444</u>
<b>Cash, end of period</b>	<u>\$ 330,882</u>	<u>\$ 78,661</u>	<u>\$ 330,882</u>	<u>\$ 78,661</u>

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

**Notes to Financial Statements**

June 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 Consolidated Financial Statements**

June 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.

**3. Mining Properties**

	June 30, 2007 <i>(unaudited)</i>	December 31, 2006 <i>(audited)</i>
McEwen Lake Property	\$ 119,949	\$ 118,951
Red Willow Property	3,359,585	1,333,187
S. Newnham Lake Property	88,230	72,438
Hook Lake Property	886,201	-
Smart Lake Property	356,392	-
Turnor Lake Property	4,537,566	2,998,406
Umfreville Lake Property	1,286,098	1,032,737
William River Property	1,437,954	1,383,662
Fire Eye Lake Property	652,743	544,816
	<u>\$ 12,724,718</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**

June 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	1,798,513	1,359,034
Shares issued in private placement (i)	10,198,700	13,307,285
Balance June 30, 2007 ( <i>unaudited</i> )	73,142,202	\$ 23,577,883

- (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**

June 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 six month period ended June 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
Exercised	(533,333)	\$ 0.30
Outstanding, June 30, 2007	3,008,334	\$ 0.70

- b) The weighted average remaining contractual life and weighted average exercise price of options outstanding and exercisable as at June 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
3,008,334	\$ 0.70	4.07	366,667	\$ 0.33

**Notes to Consolidated Financial Statements**

June 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 and 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.

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 six month period ended June 30, 2007 was estimated to be \$1,137,541 (2006 - \$Nil). This amount, net of forfeitures, is amortized as stock based compensation over the vesting period of options. In the first six months of 2007, \$419,947 (2006 - \$110,927) 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 \$5,240,521 in the first six 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 June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Net Income (Loss)	\$206,117.00	(\$165,949.00)	(\$102,245.00)	(\$289,312.00)
Average Number of Shares	72,932,052	50,005,756	68,605,103	50,005,756
Loss per Common Share	\$0.00	(\$0.00)	(\$0.00)	(\$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 Consolidated Financial Statements**

*June 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.