



Purepoint Uranium Group Inc.
(A Development Stage Company)

Consolidated Financial Statements

December 31, 2009 and 2008

Purepoint Uranium Group Inc.
(A Development Stage Company)

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December 31, 2009 and 2008

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Auditors' Report

To the Shareholders of
Purepoint Uranium Group Inc.
(A Development Stage Company)

We have audited the consolidated balance sheets of Purepoint Uranium Group Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended and for the cumulative period from inception on March 24, 2004 to December 31, 2009. 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 audits.

We conducted our audits 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended and for the cumulative period from inception on March 24, 2004 to December 31, 2009, in accordance with Canadian generally accepted accounting principles.

Signed: *"MSCM LLP"*

**Chartered Accountants
Licensed Public Accountants**

Toronto, Ontario
April 15, 2010

Purepoint Uranium Group Inc.
(A Development Stage Company)

Consolidated Balance Sheets
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash	\$ 27,139	\$ 25,171
Short-term investments	2,042,172	3,104,423
Accounts receivable	8,634	37,276
Prepaid expenses and deposits	51,011	76,068
	2,128,956	3,242,938
Deposits on drilling	100,000	284,299
Long-term investments	1,000,000	-
Property and equipment (note 3)	522,714	568,879
Mining properties and deferred exploration expenditures (note 4)	17,254,903	21,165,454
	\$ 21,006,573	\$ 25,261,570
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 87,288	\$ 233,998
Future income tax liability (note 8)	2,214,606	3,910,555
	2,301,894	4,144,553
Shareholders' equity		
Share capital (note 6(a))	21,729,521	20,990,257
Contributed surplus (note 6(c))	3,354,627	3,082,608
Deficit	(6,379,469)	(2,955,848)
	18,704,679	21,117,017
	\$ 21,006,573	\$ 25,261,570

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

Approved by the Board

Signed: "James Doak"

Director

Signed: "Allan Beach"

Director

Purepoint Uranium Group Inc.
(A Development Stage Company)

Consolidated Statements of Operations, Comprehensive Loss and Deficit
for the periods ended December 31, 2009 and 2008

	Years ended December 31,		Cumulative period from inception to December 31, 2009
	2009	2008	
Revenue			
Interest	\$ 51,030	\$ 231,027	\$ 936,906
Expenses			
Stock-based compensation (note 7)	94,325	249,267	1,417,383
Salaries and benefits	183,267	248,383	947,978
Professional fees (note 5)	163,889	223,958	847,515
General and administration	214,235	223,723	710,181
Investor relations	38,984	85,108	465,618
Transfer agent and filing fees	31,834	31,396	154,860
Travel	32,578	72,758	152,131
Other taxes	-	9,261	137,884
Amortization	11,488	11,668	34,284
	770,600	1,155,522	4,867,834
Loss from operations	(719,570)	(924,495)	(3,930,928)
Mining properties and exploration expenditures write down (note 4)	4,400,000	1,731,340	6,251,257
Impairment of property and equipment (note 3)	-	262,736	262,736
Impairment of deposit receivable	-	33,199	33,199
Reverse takeover costs	-	-	83,803
Loss before recovery of future income taxes	(5,119,570)	(2,951,770)	(10,561,923)
Recovery of future income taxes (note 8)	(1,695,949)	(854,640)	(4,182,454)
Net loss and comprehensive loss for the period	(3,423,621)	(2,097,130)	\$ (6,379,469)
Deficit, beginning of year	(2,955,848)	(858,718)	
Deficit, end of year	\$ (6,379,469)	\$ (2,955,848)	
Basic and diluted (loss) per common share (note 9)	\$ (0.05)	\$ (0.03)	

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

Purepoint Uranium Group Inc.
(A Development Stage Company)

Consolidated Statements of Cash Flows
for the periods ended December 31, 2009 and 2008

	Years ended December 31,		Cumulative period from inception to December 31, 2009
	2009	2008	
Cash flow from operating activities			
Net loss for the year	\$ (3,423,621)	\$ (2,097,130)	\$ (6,379,469)
Items not affecting cash			
Amortization	11,488	11,668	34,284
Stock-based compensation	94,325	249,267	1,417,383
Mining properties and exploration expenditures write down	4,400,000	1,731,340	6,251,257
Impairment of property and equipment	-	262,736	262,736
Impairment of deposit receivable	-	33,199	33,199
Reverse take over costs	-	-	8,803
Shares issued for reverse takeover costs	-	-	75,000
Recovery of future income taxes	(1,695,949)	(854,640)	(4,182,454)
	(613,757)	(663,560)	(2,479,261)
Changes in non-cash items relating to operating activities:			
Accounts receivable	28,642	287,833	(8,634)
Prepaid expenses and deposits	25,057	34,967	(28,694)
Accounts payable and accrued liabilities	(165,646)	(354,319)	(126,650)
	(725,704)	(695,079)	(2,643,239)
Cash flow from investing activities			
Deposits on drilling	184,299	25,722	(155,516)
Mining properties and deferred exploration expenditures	(435,836)	(5,145,024)	(24,111,958)
Short-term investments	1,062,251	5,742,713	(2,042,173)
Long-term investments	(1,000,000)	-	(1,000,000)
	(189,286)	623,411	(27,309,647)
Cash flow from financing activities			
Proceeds from issuances of shares and warrants, net of costs	916,958	10,000	26,818,194
Issuance of warrants	-	-	3,170,634
Reverse take over costs	-	-	(8,803)
	916,958	10,000	29,980,025
Increase (decrease) in cash	1,968	(61,668)	27,139
Cash, beginning of year	25,171	86,839	-
Cash, end of period	\$ 27,139	\$ 25,171	\$ 27,139
Non-cash financing activities:			
Fair value of broker warrants issued under private placement	\$ 177,694	\$ -	

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

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

1. Business of the Company and Going Concern

Purepoint Uranium Group Inc. ("Purepoint" or the "Company") is a Canadian resource company. 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.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

The Company has generated significant losses since its inception which have resulted in an accumulated deficit of \$6,379,469 as of December 31, 2009 (2008 - \$2,955,848). The Company's working capital as of December 31, 2009 was \$2,041,668 (2008 - \$3,008,940).

2. Significant Accounting Policies

Basis of presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, William River Exploration Corp. All significant intercompany accounts and transactions have been eliminated.

Short-term investments

Short-term investments consists of guaranteed investment certificates with original maturities of greater than 90 days but not more than one year and are carried at fair value.

Long-term investments

Long-term investments consist of guaranteed investment certificates with original maturities of one to three years and are carried at fair value.

Financial Instruments

The Company's financial instruments include cash, short-term investments, long-term investments, accounts receivable and accounts payable and accrued liabilities.

Cash, short-term investments and long-term investments are classified as held-for-trading and are measured at fair value with changes in fair value recognized in net income (loss).

Accounts receivable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities, both of which are measured at amortized cost.

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies - continued

Property and equipment

Property and equipment are recorded at cost. Amortization is provided over the expected useful lives of the property and equipment using the following methods and annual rates:

Exploration field equipment	Declining balance 20 %
Exploration drill equipment	Unit-of-production over 5,000 utilization days; salvage value 20%
Exploration drill accessories	Declining balance 25 %
Exploration furniture and equipment	Declining balance 25 %
Office computer equipment	straight-line over 3 years
Office furniture and fixtures	straight-line over 5 years
Leasehold improvements	straight-line over the term of the lease (up to 6 years)

Mining properties and deferred exploration expenditures

Mining property acquisition costs and related direct exploration and development expenditures, net of recoveries, are deferred until the properties are placed into production. These net costs will be amortized against income using the units of production method based on estimated recoverable reserves if the properties are brought into commercial production, or written off if the properties are abandoned or the carrying value is determined to be in excess of possible recoverable amounts.

The cost of mining properties includes any cash consideration paid, and the fair market value of shares issued, if any, on the acquisition of property interests. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The recoverability of amounts shown for mining properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

Mineral properties are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When events or changes in circumstances suggest possible impairment, estimated future net cash flows for a mine or development project are calculated using estimated future prices, mineral resources and operating and capital costs on an undiscounted basis. When estimated future undiscounted cash flows are less than the carrying value, the asset is considered impaired. Reductions in carrying values are recorded to the extent the book values exceed the fair values of the mining properties.

Joint ventures

A portion of the Company's exploration activities is conducted jointly with others whereby the Company enters into agreements that provide for specified percentage interest in mining properties. Joint venture accounting, which reflects the Company's proportionate interest in mining properties is applied by the Company only when commercial feasibility is established and the parties enter into formal agreements for ownership and mining participation terms.

2. Significant Accounting Policies - continued

Stock-based compensation plan

The Company has in effect a Stock Option Plan ("the Plan"), which is described in Note 7. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes model with the assumptions described in Note 7. Consideration paid on the exercise of stock options is credited to share capital.

Loss per share

The basic earnings (loss) per share has been calculated based upon the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share considers the potential exercise of outstanding options, warrants and other convertible instruments. The treasury stock method is used to calculate diluted earnings (loss) per share and assumes any option proceeds would be used to purchase common shares at the average market price during the year.

Development stage company

The Company has disclosed additional comparative information in conformity with Canadian Institute of Chartered Accountants ("CICA") Handbook AcG-11 Enterprises in the Development Stage. Accordingly, the consolidated statements of operations, comprehensive income (loss) and deficit and cash flows disclose cumulative balances from the inception of the development stage being March 24, 2004.

Environmental expenditures

The operations of the Company are subject to regulations governing the environment, including future site removal and reclamation costs for mining properties. The Company's policy is to meet standards set by those regulations and incur expenditures to comply with them.

Asset retirement obligations

The Company accounts for obligations associated with the retirement of tangible long-lived assets by recording them as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized in the accounts of the related long-lived assets and are amortized over the useful lives of the related assets. It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or costs estimates. Changes in estimates are accounted for prospectively from the period these estimates are revised. At December 31, 2009 and 2008, the Company does not have any asset retirement obligations.

Income taxes

The Company accounts for income taxes using the asset and liability method of accounting. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies - continued

Measurement uncertainty

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management judgment include assessing the recoverability of mining properties and deferred exploration expenditures, stock-based compensation and future income tax assets. The reported amounts and note disclosures are determined to reflect the most probable set of economic conditions and planned course of action. Actual results could differ from these estimates.

The Black-Scholes option valuation model used by the Company to determine fair value of options and warrants was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants granted during the year.

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers.

To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company recognizes the foregone tax benefit at the time of the renouncement, provided there is reasonable assurance that the expenditures will be incurred.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

Accounting changes and recent pronouncements

In December 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to financial instruments sections 3855 and 3862 permitting reclassification of a financial asset or liability out of the held-for-trading or available-for-sale category to other financial instruments categories in specified circumstances effective on or after July 1, 2008. The adoption of these amendments had no impact on the financial results of the Company.

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies - continued

Accounting changes and recent pronouncements - continued

In June 2009, the CICA amended Section 3862, Financial Instruments - Disclosures ("Section 3862"), to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ended after September 30, 2009. The three levels of fair value hierarchy under Section 3862 are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments include cash, short-term and long-term investments, accounts receivable and accounts payable and accrued liabilities.

Short-term and long-term investments are measured at fair value and as such are classified within Level 1 of the fair value hierarchy.

With respect to accounts receivable, accounts payable and accrued liabilities, the Company estimates that the fair value of these financial instruments approximates the carrying values at December 31, 2009 and 2008, respectively.

IFRS convergence

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is required to adopt all of those IFRS standards which are effective for fiscal year ending December 31, 2011 and apply them to its opening January 1, 2010 balance sheet.

The Company has completed the initial diagnostic phase and will continue to update its Management Discussion & Analysis ("MD&A") disclosures throughout 2010 to reflect specific actions taken to facilitate changeover to IFRS effective January 1, 2011.

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies - continued

Accounting changes and recent pronouncements - continued

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. Property and Equipment

	2009			
	Cost	Accumulated Amortization	Write Down	Net Book Value
Exploration property and equipment				
Field property and equipment	\$ 138,846	\$ 57,421	\$ -	\$ 81,425
Drill equipment	385,863	10,863	-	375,000
Drill accessories	64,821	38,571	-	26,250
Furniture and equipment	28,373	11,660	-	16,713
Office property and equipment				
Computer equipment	13,299	10,541	-	2,758
Furniture and fixtures	26,106	13,203	-	12,903
Leasehold improvements	14,141	6,476	-	7,665
	\$ 671,449	\$ 148,735	\$ -	\$ 522,714

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

3. Property and Equipment - continued

	2008			
	Cost	Accumulated Amortization	Write Down	Net Book Value
Exploration property and equipment				
Field property and equipment	\$ 138,846	\$ 37,065	\$ -	\$ 101,781
Drill equipment	600,343	10,863	214,480	375,000
Drill accessories	113,077	29,821	48,256	35,000
Furniture and equipment	28,373	6,089	-	22,284
Office property and equipment				
Computer equipment	13,299	6,469	-	6,830
Furniture and fixtures	26,106	8,151	-	17,955
Leasehold improvements	14,141	4,112	-	10,029
	\$ 934,185	\$ 102,570	\$ 262,736	\$ 568,879

The Company has recognized an impairment charge in 2008 in the amount of \$262,736 following its assessment of the decline in the recoverable values of its drill equipment and accessories resulting from the economic downturn. Current year amortization of \$34,677 (2008 - \$72,959) is capitalized to mining properties.

4. Mining Properties and Deferred Exploration Expenditures

The Company's properties are all located at the Athabasca Basin, Northern Saskatchewan. The Company owns a 100% interest in a total of 34 claims covering 130,951 hectares on properties located on Red Willow, S. Newnham Lake, Turnor Lake, Umfreville Lake, William River, Fire Eye Lake and Henday Lake. Movements in deferred exploration expenditures are as follows:

	December 31, 2008	Expenditures during the year	Write Down	December 31, 2009
Red Willow Property	\$ 7,624,334	\$ 324,313	\$ -	\$ 7,948,647
Hook Lake Property	3,165,952	47,920	-	3,213,872
Smart Lake Property	2,261,446	42,759	-	2,304,205
S. Newnham Lake Property	114,652	3,123	-	117,775
Turnor Lake Property	5,673,640	6,326	-	5,679,966
Umfreville Lake Property	1,545,430	7,679	-	1,553,109
William River Property	580,000	-	-	580,000
Fire Eye Lake Property	160,000	-	-	160,000
Henday Lake Property	40,000	57,329	-	97,329
Impairment charge	-	-	(4,400,000)	(4,400,000)
	\$ 21,165,454	\$ 489,449	\$ (4,400,000)	\$ 17,254,903

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

4. Mining Properties and Deferred Exploration Expenditures - continued

	December 31, 2007	Expenditures during the year	Write Down	December 31, 2008
Red Willow Property	\$ 5,205,007	\$ 2,419,327	\$ -	\$ 7,624,334
Hook Lake Property	2,069,351	1,096,601	-	3,165,952
Smart Lake Property	1,064,437	1,197,009	-	2,261,446
S. Newnham Lake Property	98,176	16,476	-	114,652
Turnor Lake Property	4,753,621	920,019	-	5,673,640
Umfreville Lake Property	1,499,646	45,784	-	1,545,430
William River Property	1,601,339	205,052	(1,226,391)	580,000
Fire Eye Lake Property	651,735	13,214	(504,949)	160,000
Henday Lake Property	-	40,000	-	40,000
	<u>\$ 16,943,312</u>	<u>\$ 5,953,482</u>	<u>\$ (1,731,340)</u>	<u>\$ 21,165,454</u>

Netted against expenditures incurred during the year ended December 31, 2009 are rebates recovered amounting to \$100,338 relating to drilling in Saskatchewan in previous years. Total deferred exploration expenditures incurred during the year amount to \$589,787 (2008 - \$5,145,024).

On an annual basis, the Company reviews the carrying values of mining properties acquisition costs and deferred exploration expenditures to assess whether there has been an impairment in value. During 2009 the Company has recognized a write-down for impairment of its deferred exploration properties in the amount of \$4,400,000 as an estimated amount by which the carrying value of its mining properties exceeds its estimated long-term net recoverable value. There can be no assurance that this estimate will be realized. Subsequent adjustments, which could be material, may be required in future reporting periods.

5. Related Party Transactions

During the year, the Company was charged \$70,245 (2008 - \$72,233) for legal fees by a law firm in which a partner is a director of the Company. Included in payables is \$5,519 (2008 - \$2,507) due to this law firm.

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 by the related parties.

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

6. Shareholders' Equity

(a) **Share Capital**

Authorized

Unlimited Common shares

Issued and outstanding

	Common Shares	Amount
Balance December 31, 2007	73,274,702	\$ 23,874,302
Options and warrants exercised	33,333	16,000
Tax benefits renounced on flow-through shares (i)	-	(2,900,045)
Balance December 31, 2008	73,308,035	20,990,257
Shares issued in private placement (ii)	5,000,000	739,264
Balance December 31, 2009	78,308,035	\$ 21,729,521

- (i) In connection with the issuance of flow-through shares during 2007, the Company renounced a total of \$10,000,155 of qualifying expenditures to the shareholders in 2008, of which \$7,173,284 was spent in 2007 and the balance in 2008. The tax benefit forgone by the Company in 2008 at the expected rate of utilization amounted to \$2,900,045.
- (ii) On November 6, 2009, the Company completed a private placement of 5,000,000 flow-through units at \$0.20 per unit for gross proceeds of \$1,000,000. Each unit consisted of one flow-through common share and one half of one non flow-through common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company for a period of twenty-four months from the date of issue at a price of \$0.25 per share during the first twelve months and \$0.30 per share during the second twelve months. The Company paid a commission of \$50,000 in cash and issued broker's warrants to acquire a number of units ("Broker's Units") equal to 5% of the number of units sold under the offering. Each Broker's Unit entitles its holder to acquire one non flow-through common share of the Company and a one half of a purchase warrant. The broker warrants are exercisable at \$0.20 for twenty-four months from the date of issuance. The securities issued are restricted from resale until March 6, 2010.

Other expenses of the private placement amounted to \$33,042.

The 2,500,000 warrants issued during the private placement were assigned a fair value, net of their pro-rata share of issue costs, of \$177,694 calculated using the Black-Scholes model. The assumptions used in the model for valuing the warrants were 0% dividend rate, 120% expected volatility, 1.75% risk-free interest rate and weighted average expected life of one to two years.

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

6. Shareholders' Equity - continued

(b) Share purchase warrants

Details of the number of warrants outstanding are as follows:

	2009	2008
Balance, beginning of the year	2,056,000	4,183,029
Expired during the year	(2,056,000)	(2,127,029)
Granted during the year <i>(note 6 (a)(ii))</i>	2,750,000	-
Balance, end of year	2,750,000	2,056,000

(c) Contributed surplus

	2009	2008
Balance, beginning of the year	\$ 3,082,608	\$ 2,839,341
Compensation expense relating to stock option awards <i>(note 7(a))</i>	94,325	249,267
Fair value of warrants granted <i>(note 6 (a)(ii))</i>	177,694	-
Fair value of warrants and options exercised	-	(6,000)
Balance, end of year	\$ 3,354,627	\$ 3,082,608

(d) Shareholder's Rights Plan

The Company's Board of Directors approved a shareholder's rights plan ("Rights Plan"), effective May 12, 2009. This Rights Plan is intended to ensure, to the extent possible, that all shareholders of the Company are treated equally and fairly in connection with any take over bid for the Company, and was designed to discourage discriminatory or unfair bids and to provide management, if appropriate, with sufficient time to pursue alternatives to maximize shareholder value.

Notes to Consolidated Financial Statements
December 31, 2009 and 2008

7. Stock-Based Compensation

- (a) The Company has a stock option plan (the "Plan"). Under the Plan, the Company can grant options for up to 10% of the total number of issued and outstanding shares, the exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. No option shall be exercisable for a period exceeding ten years from the date the option is granted and vesting limitations shall be determined by the Board at the time that such option is granted. 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		Weighted average exercise price	
	2009	2008	2009	2008
Outstanding, beginning of year	4,105,000	3,230,000	\$ 0.48	\$ 0.66
Granted	1,280,000	2,000,000	0.14	0.21
Exercised	-	(33,333)	-	0.30
Expired and cancelled	(825,000)	(1,091,667)	0.55	0.52
Outstanding, end of year	4,560,000	4,105,000	\$ 0.38	\$ 0.48

On September 24, 2009 the Company granted 1,280,000 stock options at an exercise price of \$0.14 vesting 1/3 on the first, second and third anniversaries respectively over a three year period.

On May 29, 2008 the Company granted 200,000 stock options at an exercise price \$0.32 vesting 1/3 on the first, second and third anniversaries respectively over a three year period. On August 28, 2008 the Company granted 1,800,000 stock options at an exercise price of \$0.20 vesting 1/3 on the first, second and third anniversaries respectively over a three year period.

Using the Black-Scholes pricing model, the weighted average fair value of options granted during the year ended December 31, 2009 was estimated to be \$141,448 (2008 - \$240,254). This amount, net of estimated forfeitures, is amortized as stock-based compensation expense over the vesting period of the options. In 2009, \$94,325 (2008 - \$249,267) was taken into contributed surplus as stock option expense being recognized on the vesting of options granted. The unvested, unamortized fair value balance of stock options granted at December 31, 2009 amounted to \$180,528 (2008 - \$220,421).

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

	2009	2008
Risk-free interest rate	2.40%	3.27
Dividend rate	0%	0%
Expected volatility	120%	93%
Expected life	5 years	3 years

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7. Stock-Based Compensation - continued

(b) The weighted average remaining contractual life and weighted average exercise price of options outstanding and exercisable as at December 31, 2009 are as follows:

Options Outstanding				Options Exercisable		
Range of exercise price	Number outstanding as at December 31, 2009	Weighted average remaining contractual life	Weighted average exercise price	Number outstanding as at December 31, 2009	Weighted average remaining contractual life	Weighted average exercise price
\$0.30	750,000	0.6 year	\$0.30	750,000	0.6 year	\$0.30
\$0.90	1,000,000	2.0 years	\$0.90	900,000	2.0 years	\$0.90
\$1.00	80,000	2.4 years	\$1.00	80,000	2.4 years	\$1.00
\$0.45	100,000	2.6 years	\$0.45	66,667	2.6 years	\$0.45
\$0.32	150,000	3.4 years	\$0.32	50,000	3.4 years	\$0.32
\$0.20	1,200,000	3.7 years	\$0.20	400,000	3.7 years	0.20
\$0.14	1,280,000	4.8 years	\$0.14	-	-	-
\$0.14 - \$1.00	4,560,000	3.0 years	\$0.38	2,246,667	1.9 years	\$0.55

8. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate of 31% (2008 - 33.5%) to the amounts recognized in the consolidated statements of operations.

	2009	2008
Loss before provision for income taxes	\$ 5,119,570	\$ 2,951,770
Expected income tax recovery at statutory income tax rates	(1,587,067)	(988,843)
Non-deductible stock-based compensation	29,409	84,364
Other deductible items	(25,743)	-
Effect of change in future income tax rate	(112,548)	49,839
Income tax recovery recognized	\$ (1,695,949)	\$ (854,640)

The tax effects of temporary differences that give rise to significant portions of the future tax assets/liabilities at December 31, 2009 and 2008 were as follows:

	2009	2008
Excess of book value over tax value of mining properties and deferred exploration expenditures	\$ (3,489,962)	\$ (5,230,394)
Difference between book value and tax value of property and equipment	(16,575)	14,863
Non-capital losses	1,134,168	993,899
Undeducted financing and related costs	157,763	311,077
Net future income tax liability	\$ (2,214,606)	\$ (3,910,555)

Purepoint Uranium Group Inc.
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December 31, 2009 and 2008

Notes to Consolidated Financial Statements
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8. Income Taxes - continued

At December 31, 2009, the Company has non-capital losses in Canada of approximately \$4,724,000 Federally which are available under certain circumstances to reduce future taxable income. These losses expire as follows:

2015	\$	342,000
2026		673,000
2027		1,071,000
2028		1,341,000
2029		1,297,000
	\$	4,724,000

9. Loss per Share

The following table sets forth the computation of basic and diluted loss per common share for the years ended December 31, 2009 and 2008:

	2009	2008
Numerator:		
Loss attributable to common shareholders - basic and diluted	\$ (3,423,621)	\$ (2,097,130)
Denominator:		
Weighted-average common shares outstanding - basic and diluted	74,061,278	73,307,853
Basic and diluted loss per common share	\$ (0.05)	\$ (0.03)

The potential effect of the exercise of stock options and warrants was anti-dilutive.

10. Commitments

(a) Minimum payments due under operating leases in respect of office space are set out below:

2010	\$	130,409
2011		132,171
2012		118,093
2013		33,462
	\$	414,135

(b) Pursuant to the issuance of flow-through shares described in note 6(a)(ii), the Company is required to spend approximately \$995,000 on Canadian Exploration Expenditures before the end of 2010.

Notes to Consolidated Financial Statements
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11. Financial Instruments

The Company's financial instruments consist of cash, short-term and long-term investments, accounts receivable and accounts payable and accrued liabilities.

Derivative financial instruments

The Company does not have any exposure to derivative financial instruments.

Risk management disclosures

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks. The principal financial risks to which the Company is exposed are described below.

Commodity price risk

The ability of the Company to develop its mining properties and the future profitability of the Company is directly related to the market price of uranium.

Fair values

The carrying amounts for cash, accounts receivables and accounts payable and accrued liabilities on the balance sheets approximate fair value because of the limited term of these instruments.

12. Capital Management

The Company considers its capital structure to consist of capital stock and contributed surplus. The Company manages its capital structure and makes adjustments to it in order to have the funds available to support its exploration and corporate activities.

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern (*see note 1*).

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

13. Subsequent Events

On February 25, 2010, a claim against the Company made in December 2007, alleging an ownership interest in a mineral claim acquired by the Company, was discontinued and Purepoint was released from any obligation.