



Consolidated Financial Statements
(Unaudited)
For the three months ended
March 31, 2010

Prepared by Management

Notice to Reader

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

Purepoint Uranium Group Inc.

Consolidated Balance Sheets

As at March 31, 2010

| | March 31, 2010 <i>(unaudited)</i> | December 31, 2009 <i>(audited)</i> |
|--|---|--|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 948 | 27,139 |
| Short-term investments | 1,112,210 | 2,042,172 |
| Accounts receivable | 38,655 | 8,634 |
| Prepaid expenses | 38,117 | 26,074 |
| Deposits | 22,317 | 24,937 |
| | <u>1,212,247</u> | <u>2,128,956</u> |
| Deposits on drilling | - | 100,000 |
| Long-term investments | 1,000,000 | 1,000,000 |
| Property and equipment <i>(note 3 (b))</i> | 513,486 | 522,714 |
| Mining properties and deferred exploration expenditures <i>(note 3 (a))</i> | <u>18,119,031</u> | <u>17,254,903</u> |
| | <u>20,844,764</u> | <u>21,006,573</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | <u>71,835</u> | <u>87,288</u> |
| | 71,835 | 87,288 |
| Future income tax liability <i>(note 6)</i> | <u>2,200,981</u> | <u>2,214,606</u> |
| | <u>2,272,816</u> | <u>2,301,894</u> |
| Shareholders' equity | | |
| Share capital <i>(note 4 (a))</i> | 21,652,005 | 21,729,521 |
| Contributed surplus | 3,376,602 | 3,354,627 |
| Deficit | <u>(6,456,659)</u> | <u>(6,379,469)</u> |
| | <u>18,571,948</u> | <u>18,704,679</u> |
| | <u>20,844,764</u> | <u>21,006,573</u> |

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

Purepoint Uranium Group Inc.

Consolidated Statements of Operations, Comprehensive Loss and Deficit

For the three month period ended March 31, 2010 and 2009

(Unaudited)

| | For the three month period ended March 31, | | Cummulative period from inception to March 31, |
|---|---|-------------|---|
| | 2010 | 2009 | 2010 |
| | \$ | \$ | \$ |
| Revenue | | | |
| Interest | 5,652 | 20,007 | 942,558 |
| Expenses | | | |
| Salaries and benefits | 45,313 | 53,337 | 993,291 |
| Stock-based compensation cost (cost reversal) (note 5 (a)) | 21,975 | (18,084) | 1,439,358 |
| Investor relations | 12,169 | 8,847 | 477,787 |
| Professional fees | 15,993 | 20,150 | 863,508 |
| General and administration | 56,900 | 60,462 | 767,081 |
| Other taxes | 9,000 | - | 146,884 |
| Transfer agent and filing fees | 6,732 | 6,766 | 161,592 |
| Travel | 538 | 6,812 | 152,669 |
| Amortization | 2,471 | 2,872 | 36,755 |
| | 171,091 | 141,162 | 5,038,925 |
| Loss from operations | (165,439) | (121,155) | (4,096,367) |
| Mining properties and exploration expenditures written off | - | - | 6,251,257 |
| Impairment of property and equipment | - | - | 262,736 |
| Impairment of deposit receivable | - | - | 33,199 |
| Reverse take over costs | - | - | 83,803 |
| Loss before recovery of future income taxes | (165,439) | (121,155) | (10,727,362) |
| Recovery of future income taxes (note 6) | (88,249) | - | (4,270,703) |
| Net loss and comprehensive loss for the period | (77,190) | (121,155) | (6,456,659) |
| Deficit, beginning of the period | (6,379,469) | (2,955,848) | - |
| Deficit, end of the period | (6,456,659) | (3,077,003) | (6,456,659) |
| Basic and diluted loss per common share (note 7) | (0.00) | (0.00) | |

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Purepoint Uranium Group Inc.

Consolidated Statements of Cash Flows

For the three month period ended March 31, 2010 and 2009

(Unaudited)

| | For the three month period ended March 31, | | Cummulative period from inception to March 31, 2010 |
|--|---|-----------|---|
| | 2010 | 2009 | 2010 |
| | \$ | \$ | \$ |
| Cash flow from operating activities | | | |
| Net loss for the period | (77,190) | (121,155) | (6,456,659) |
| Items not affecting cash: | | | |
| Amortization | 2,471 | 2,872 | 36,755 |
| Stock-based compensation cost (reversal) | 21,975 | (18,084) | 1,439,358 |
| Mining properties and exploration expenditures written off | - | - | 6,251,257 |
| Impairment of property and equipment | - | - | 262,736 |
| Impairment of deposit receivable | - | - | 33,199 |
| Reverse take over costs | - | - | 8,803 |
| Shares issued for reverse takeover costs | - | - | 75,000 |
| Recovery of future income taxes | (88,249) | - | (4,270,703) |
| | (140,993) | (136,367) | (2,620,254) |
| Changes in non-cash items relating to operating activities: | | | |
| Accounts receivable | (30,021) | 29,483 | (38,655) |
| Prepaid expenses | (12,043) | 26,522 | (40,737) |
| Deposits | 2,620 | - | 2,620 |
| Accounts payable and accrued liabilities | (15,452) | (210,066) | (142,102) |
| | (195,889) | (290,428) | (2,839,128) |
| Cash flow from investing activities | | | |
| Deposits on drilling | 100,000 | - | (55,516) |
| Mining properties and deferred exploration expenditures | (857,372) | (119,395) | (24,114,919) |
| Property and equipment | - | 8,670 | (854,411) |
| Short-term investments | 929,962 | 420,244 | (1,112,211) |
| Long-term investments | - | - | (1,000,000) |
| | 172,590 | 309,519 | (27,137,057) |
| Cash flow from financing activities | | | |
| Proceeds from issuances of shares, net of costs | (2,892) | - | 26,815,302 |
| Issuance of warrants | - | - | 3,170,634 |
| Reverse take over costs | - | - | (8,803) |
| | (2,892) | - | 29,977,133 |
| Net increase (decrease) in cash | (26,191) | 19,091 | 948 |
| Cash - Beginning of the period | 27,139 | 25,171 | - |
| Cash - End of the period | 948 | 44,262 | 948 |

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

Purepoint Uranium Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2010 and 2009

1 Business of the Company

Purepoint Uranium Group Inc. (“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 \$6,456,659 as of March 31, 2010 (2009 - \$6,379,469). The Company’s working capital as of March 31, 2010 was \$1,140,412 (2009 - \$2,041,668).

2 Basis of presentation and summary of 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, 2009. 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 future accounting recommendations

CICA Sections 1582, 1601, 1602 Business Combinations, Consolidations, and Non-Controlling Interests

In January 2009, the AcSB issued the following Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These new Sections will be applicable to financial statements relating to the Company's interim and fiscal year end beginning on or after January 1, 2011. Early adoption is permitted. The Company does not expect that there will be any material impact upon its adoption of these new sections on its consolidated financial statements.

CICA Section 3855, Financial Instruments – Recognition and Measurement

On April 29, 2009, the CICA amended Section 3855, “Financial Instruments – Recognition and Measurement” adding/amending paragraphs regarding the application of effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption

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permitted. These amendments are not expected to have a significant impact on the Company's accounting for its financial instruments.

IFRS convergence

In February 2008, the CICA announced that Canadian generally accepted accounting principles ("GAAP") 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 commenced its IFRS conversion project in 2008. The Company's IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. The Company has completed the scoping phase of the project, which consisted of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. The Company has prepared a preliminary comparison of financial statement areas that will be impacted by the conversion.

A detailed assessment of the impact of adopting IFRS on the Company's consolidated financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities has not been completed. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices made by the Company. The Company has not completed its quantification of the effects of adopting IFRS. The financial performance and financial position as disclosed in the Company's Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

Purepoint Uranium Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2010 and 2009

3 Mining properties and deferred exploration expenditures

a) Mining properties

| | Balance at December 31, 2009 | Expenditures during the three-month period ended March 31, 2010 | Balance at March 31, 2010 |
|--------------------------|------------------------------------|--|---------------------------------|
| Red Willow Property | \$ 7,948,647 | \$ 824,211 | \$ 8,772,858 |
| Hook Lake Property | 3,213,872 | - | 3,213,872 |
| Smart Lake Property | 2,304,205 | - | 2,304,205 |
| S. Newnham Lake Property | 117,775 | - | 117,775 |
| Turnor Lake Property | 5,679,966 | - | 5,679,966 |
| Umfreville Lake Property | 1,553,109 | - | 1,553,109 |
| William River Property | 580,000 | - | 580,000 |
| Fire Eye Lake Property | 160,000 | - | 160,000 |
| Henday Lake Property | 97,329 | 39,917 | 137,246 |
| Impairment charge | (4,400,000) | - | (4,400,000) |
| | <u>\$ 17,254,903</u> | <u>\$ 864,128</u> | <u>\$ 18,119,031</u> |

These 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.

b) Mining and other plant and equipment

| | Balance December 31, 2009 (audited) | Balance March 31, 2010 (unaudited) |
|----------------------------|--|---|
| Mining plant and equipment | \$ 499,388 | \$ 492,631 |
| Other plant and equipment | 23,326 | 20,855 |
| | <u>\$ 522,714</u> | <u>\$ 513,486</u> |

Purepoint Uranium Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2010 and 2009

4 Capital stock and other equity

a) Share capital

| | Number of shares | Amount |
|---|------------------|---------------|
| Authorized <i>Common shares</i> | unlimited | - |
| Issued and outstanding <i>Common shares</i> | | |
| 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 | - | (2,900,045) |
| Balance December 31, 2008 | 73,308,035 | 20,990,257 |
| Shares issued in private placement (i) | 5,000,000 | 739,264 |
| Balance December 31, 2009 | 78,308,035 | 21,729,521 |
| Related expenses from private placement issuance (i) | - | (2,892) |
| Tax benefits renounced on flow-through shares (ii) | - | (74,624) |
| Balance March 31, 2010 | 78,308,035 | \$ 21,652,005 |

- (i) 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 broker's options 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 will entitle 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 were restricted from resale before March 6, 2010.

Other expenses of the private placement amounted to \$35,934 of which \$2,892 was recorded in Q1 2010.

The 2,500,000 warrants issued in connection to 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

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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.

- (ii) In connection with the issuance of flow-through shares in 2009, the Company renounced a total of \$995,000 of qualifying expenditures to the shareholders in 2010, of which \$181,085 was spent in 2009 and the balance in Q1 2010. The tax benefit forgone by the Company in 2010 at the current tax rates amounted to \$74,624.

(b) Share purchase warrants

Details of the number of warrants outstanding are as follows:

| | |
|-------------------------|-------------|
| Balance January 1, 2009 | 2,056,000 |
| Expired | (2,056,000) |
| Granted | 2,750,000 |

| | |
|--|-----------|
| Balance March 31, 2010 and December 31, 2009 | 2,750,000 |
|--|-----------|

5 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. 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, 2010 | 4,560,000 | \$ 0.38 |
| Exercised and expired | (250,000) | \$ 0.31 |

| | | |
|-----------------------------|-----------|---------|
| Outstanding, March 31, 2010 | 4,310,000 | \$ 0.39 |
|-----------------------------|-----------|---------|

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The weighted average fair value of stock options granted is amortized as stock-based compensation expense over the vesting period of the options. In the first three-month period of 2010, \$21,975 was taken into contributed surplus as stock option expense being recognized on the vesting of options granted. At the same period in 2009 year, stock compensation cost in the amount of \$18,084 was reversed in connection with employee terminations and the related forfeiture of unvested options that had been previously recognized as expense. No stock options have been granted in the three-month period ended March 31, 2010. As of March 31, 2010, unvested, unamortized fair value of stock options granted amounts to \$133,686 (2008 - \$151,488).

(b) The weighted average remaining contractual life and weighted average exercise price of options outstanding and exercisable as at March 31, 2010 are as follows:

| Options outstanding | | | | | Options exercisable | | | | |
|--------------------------|---|---|---------------------------------|--|---|---|---------------------------------|--|--|
| Range of exercise price | Number outstanding as at March 31, 2010 | Weighted average remaining contractual life | Weighted average exercise price | | Number outstanding as at March 31, 2010 | Weighted average remaining contractual life | Weighted average exercise price | | |
| \$ 0.30 | 750,000 | 0.3 years | \$ 0.30 | | 750,000 | 0.3 years | \$ 0.30 | | |
| 0.90 | 1,000,000 | 1.8 years | 0.90 | | 1,000,000 | 1.8 years | 0.90 | | |
| 1.00 | 80,000 | 2.2 years | 1.00 | | 80,000 | 2.2 years | 1.00 | | |
| 0.45 | 100,000 | 2.4 years | 0.45 | | 66,667 | 2.4 years | 0.45 | | |
| 0.32 | 50,000 | 3.2 years | 0.32 | | 16,667 | 3.2 years | 0.32 | | |
| 0.20 | 1,150,000 | 3.4 years | 0.20 | | 383,333 | 3.4 years | 0.20 | | |
| 0.14 | 1,180,000 | 4.5 years | 0.14 | | - | - | - | | |
| \$ 0.14 - \$ 1.00 | 4,310,000 | 2.7 years | \$ 0.39 | | 2,296,667 | 1.6 years | \$ 0.57 | | |

6 Income taxes

In connection with the issuance of flow-through shares during 2009 the Company renounced a total of \$995,000 of qualifying expenditures to the shareholders during the first three months of 2010. The tax benefit forgone by the Company in 2010 at the current tax rates amounted to \$74,624 and has been recorded as an increase in future income tax liability and a decrease in share capital.

The tax reduction benefit relating to non-capital losses carried forward and undeducted financing and related costs was recognized in the amount of \$88,249 to offset a portion of the future tax liability recognized on the renounced flow-through expenditures.

The Company applied the principles set out in EIC-146, *Flow-Through Shares* in recording the above entries.

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For the three months ended March 31, 2010 and 2009

7 Loss per share

The computations for basic and diluted income (loss) per common share are as follows:

| | Three-month period ended March 31, 2010 | Three-month period ended March 31, 2009 |
|---|--|--|
| Net loss for the year | \$ (77,190) | \$ (121,155) |
| Weighted average number of shares - Basic and diluted | 78,308,035 | 73,308,035 |
| Loss per common share - Basic and diluted | \$ (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.

8 Commitments

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 | <u>33,462</u> |
| | <u>\$ 414,135</u> |

9 Financial instruments

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.

Capital risk management

Purepoint Uranium Group Inc.

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The Company manages its capital to ensure that there are adequate capital resources for the purpose of meeting its planned exploration expenditures. The capital structure of the Company consists of cash and cash equivalents and shareholders' equity comprising of accumulated deficit and capital stock.

Interest rate exposure

The Company does not have significant exposure to interest rate fluctuations.

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

The carrying amounts for short-term and long-term investments, sundry receivables, deposits and accounts payable and accrued liabilities on the balance sheets approximate their fair value because of the limited term of these instruments.

10 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.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the three months ended March 31, 2010. The Company is not subject to externally imposed capital requirements.

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

11 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.