



Consolidated Financial Statements  
(Unaudited)  
For the nine months ended  
**September 30, 2009**

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

# Purepoint Uranium Group Inc.

Consolidated Balance Sheets

As at September 30, 2009

	September 30, 2009 <i>(unaudited)</i>	December 31, 2008 <i>(audited)</i>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	11,956	25,171
Short-term investments	2,399,482	3,104,423
Accounts receivable	92,542	37,276
Prepaid expenses	30,536	53,751
Deposits	24,569	306,616
	<u>2,559,085</u>	<u>3,527,237</u>
<b>Property and equipment</b> (note 3 (b))	535,661	568,879
<b>Mining properties and deferred exploration expenditures</b> (note 3 (a))	<u>21,503,901</u>	<u>21,165,454</u>
	<u>24,598,647</u>	<u>25,261,570</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>17,946</u>	<u>233,998</u>
	17,946	233,998
<b>Future income tax liability</b> (note 6)	<u>3,738,555</u>	<u>3,910,555</u>
	<u>3,756,501</u>	<u>4,144,553</u>
<b>Shareholders' equity</b>		
Share capital (note 4 (a))	20,990,257	20,990,257
Contributed surplus	3,133,804	3,082,608
Deficit	<u>(3,281,915)</u>	<u>(2,955,848)</u>
	<u>20,842,146</u>	<u>21,117,017</u>
	<u>24,598,647</u>	<u>25,261,570</u>

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

# Purepoint Uranium Group Inc.

Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

For the nine month period ending September 30, 2009 and 2008

(Unaudited)

	For the three month period ending September 30,		For the nine month period ending September 30,		Cummulative period from inception to September 30,
	2009	2008	2009	2008	2009
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Interest	6,504	38,533	45,493	205,814	931,369
<b>Expenses</b>					
Salaries and benefits	44,384	60,349	143,338	191,382	908,049
Stock-based compensation (note 5 (a))	33,275	78,925	51,196	196,896	1,374,254
Investor relations	2,586	7,517	32,484	53,862	459,118
Professional fees	18,297	67,262	91,083	133,986	774,709
General and administration	51,342	53,268	163,020	166,085	658,966
Other taxes	-	-	-	-	137,884
Transfer agent and filing fees	2,562	1,544	30,472	32,225	153,498
Travel	2,600	28,222	23,351	69,156	142,904
Amortization	2,872	2,714	8,616	8,638	31,412
	157,918	299,801	543,560	852,230	4,640,794
<b>Loss from operations</b>	(151,414)	(261,268)	(498,067)	(646,416)	(3,709,425)
Mining properties and exploration expenditures written off	-	-	-	-	(1,851,257)
Impairment of property and equipmer	-	-	-	-	(262,736)
Impairment of deposit receivable	-	-	-	-	(33,199)
Reverse take over costs	-	-	-	-	(83,803)
<b>Loss before recovery of future income taxes</b>	(151,414)	(261,268)	(498,067)	(646,416)	(5,940,420)
Recovery of (provision for) future income taxes (note 6)	30,000	430,000	172,000	507,219	2,658,505
<b>Net income (loss) and comprehensive income (loss) for the period</b>	(121,414)	168,732	(326,067)	(139,197)	(3,281,915)
<b>Deficit, beginning of the period</b>	(3,160,501)	(1,166,647)	(2,955,848)	(858,718)	-
<b>Deficit, end of the period</b>	(3,281,915)	(997,915)	(3,281,915)	(997,915)	(3,281,915)
<b>Basic and diluted loss per common share (note 7)</b>	(0.00)	0.00	(0.00)	(0.00)	

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

# Purepoint Uranium Group Inc.

Consolidated Statements of Cash Flows

For the nine month period ending September 30, 2009 and 2008

(Unaudited)

	For the three month period ending September 30,		For the nine month period ending September 30,		Cumulative period from inception to September 30, 2009
	2009	2008	2009	2008	
	\$	\$	\$	\$	\$
<b>Cash flow from operating activities</b>					
Net income (loss) for the period	(121,414)	168,732	(326,067)	(139,197)	(3,281,915)
Items not affecting cash:					
Amortization	2,872	2,714	8,616	8,638	31,412
Stock-based compensation	33,275	78,925	51,196	196,896	1,374,254
Mining properties and exploration expenditures written off	-	-	-	-	1,851,257
Impairment of property and equipment	-	-	-	-	262,736
Impairment of deposit receivable	-	-	-	-	33,199
Reverse take over costs	-	-	-	-	8,803
Shares issued for reverse take over costs	-	-	-	-	75,000
Provision for (recovery of) future income taxes	(30,000)	(430,000)	(172,000)	(507,219)	(2,658,505)
	(115,267)	(179,629)	(438,255)	(440,882)	(2,303,759)
Changes in non-cash items relating to operating activities:					
Accounts receivable	18,747	(2,827)	(55,266)	267,279	(92,542)
Prepays	16,930	16,320	23,215	(1,740)	(30,536)
Deposits	(2,252)	233,439	282,047	296,900	(57,768)
Accounts payable and accrued liabilities	15,915	(245,615)	(216,053)	(182,754)	(177,057)
	(65,927)	(178,312)	(404,312)	(61,197)	(2,661,662)
<b>Cash flow from investing activities</b>					
Mining properties and deferred exploration expenditures	(163,263)	(1,333,506)	(313,844)	(4,738,105)	(23,135,555)
Property and equipment	-	(3,099)	-	(81,543)	(854,411)
Short-term investments	213,558	1,752,154	704,941	5,062,725	(2,399,483)
	50,295	415,549	391,097	243,077	(26,389,449)
<b>Cash flow from financing activities</b>					
Proceeds from issuances of shares, net of costs	-	-	-	10,000	25,901,236
Issuance of warrants	-	-	-	-	3,170,634
Reverse take over costs	-	-	-	-	(8,803)
	-	-	-	10,000	29,063,067
<b>Net (decrease) increase in cash</b>	(15,632)	237,237	(13,215)	191,880	11,956
<b>Cash (Bank indebtedness) - Beginning of period</b>	27,588	41,482	25,171	86,839	-
<b>Cash - End of period</b>	11,956	278,719	11,956	278,719	11,956

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

# Purepoint Uranium Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

**For the nine months ended September 30, 2009 and 2008**

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## **1 Business of the Company**

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

In order to meet future expenditures and cover administrative costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favorable 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 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, 2008. 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.

### **Changes in accounting policies**

On January 1, 2009 the Company adopted CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which replaced CICA Handbook Section 3062, “Goodwill and Other Intangible Assets” as well as CICA Handbook Section 3450, “Research and Development”. New Section 3064 provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. New Section 3450 clarifies that costs may only be deferred when they relate to an item that meets the definition of an asset and

# Purepoint Uranium Group Inc.

Notes to Consolidated Financial Statements

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provides extensive guidance as to when expenditures qualify for recognition as intangible assets. Adoption of this new standard did not have a material impact on the Company's financial statements and disclosures.

## **Adoption of new accounting recommendations**

### **Deferred exploration costs**

On March 27, 2009, the Emerging Issues Committee issued EIC-174 Mining Exploration Costs. The EIC provides additional guidance in light of the potential adverse impact of the current economic and financial turmoil on the carrying value of the deferred exploration costs. The EIC is effective for financial statements issued on or after the date of the date of the EIC. Management applied a market approach in its review using data from third party reports on the Company's exploration properties in conjunction with values of property transactions in the same geographical area where the Company's properties are located. The approach resulted in a range of estimated recoverable amounts that were all in excess of the carrying amount of the Company's properties. Based on this information, management concluded that its properties were impaired. The Company recognized an impairment charge in the amount of \$1,731,340 in its 2008 annual financial statements.

### **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.

### **IFRS convergence**

In February 2008, the CICA announced that Canadian 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 is currently engaged in the scoping phase of its conversion which involved a high level review of major differences between Canadian GAAP and IFRS, setting a timeline for resources and developing a project plan. This scoping is intended to provide direction to the Company's management for the second phase of the conversion project and will be disclosed in the Company's 2009 annual financial statements and management's discussion and analysis as in accordance with the requirements of CSA Staff Notice 52-230, Disclosure of Expected Changes In Accounting Policies Relating To Changeover To International Financial Reporting Standard.

The Company continues to monitor standards development as issued by the International Accounting Standards board and the AcSb, as well as regulatory developments by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of the adoption of IFRS.

# Purepoint Uranium Group Inc.

Notes to Consolidated Financial Statements

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For the nine months ended September 30, 2009 and 2008

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## 3 Mining properties and deferred exploration expenditures

### a) Mining properties

	Balance at December 31, 2008	Expenditures during the three-month period ended September 30, 2009	Expenditures during the nine-month period ended September 30, 2009	Balance at September 30, 2009
Red Willow Property	\$ 7,624,334	\$ 100,328	\$ 171,470	\$ 7,795,804
Hook Lake Property	3,165,952	11,651	47,755	3,213,707
Smart Lake Property	2,261,446	5,826	42,594	2,304,040
S. Newnham Lake Property	114,652	-	3,122	117,774
Turnor Lake Property	5,673,640	8,078	8,497	5,682,137
Umfreville Lake Property	1,545,430	-	7,680	1,553,110
William River Property	580,000	-	-	580,000
Fire Eye Lake Property	160,000	-	-	160,000
Henday Lake Property	40,000	45,120	57,329	97,329
	<u>\$ 21,165,454</u>	<u>\$ 171,003</u>	<u>\$ 338,447</u>	<u>\$ 21,503,901</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.

# Purepoint Uranium Group Inc.

Notes to Consolidated Financial Statements

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For the nine months ended September 30, 2009 and 2008

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## b) Mining and other plant and equipment

	Balance December 31, 2008 (audited)	Balance September 30, 2009 (unaudited)
Mining plant and equipment	\$ 534,065	\$ 509,462
Other plant and equipment	34,814	26,199
	<u>\$ 568,879</u>	<u>\$ 535,661</u>

## 4 Capital stock and other equity

### a) Share capital

	Number of shares	Amount
<b>Authorized</b> <i>Common shares</i>	unlimited	-
<b>Issued and outstanding</b> <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 (i)	-	(2,900,045)
Balance December 31, 2008 and September 30, 2009	<u>73,308,035</u>	<u>\$ 20,990,257</u>

- (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 current tax rates amounted to \$2,900,045.

# Purepoint Uranium Group Inc.

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b) Share purchase warrants

Details of the number of warrants outstanding are as follows:

Balance, January 1, 2009	2,056,000
Exercised during the period	-
Expired during the period	(2,056,000)
Granted during the period	-
Balance, September 30, 2009	-

## 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, 2009	4,105,000	\$ 0.48
Granted	1,280,000	\$ 0.14
Exercised and expired	(825,000)	\$ 0.54
Outstanding, September 30, 2009	4,560,000	\$ 0.38

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.

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

Risk-free interest rate	2.4%
Dividend rate	0%
Expected volatility	120%
Expected life	5 years

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Using the Black-Scholes pricing model, the weighted average fair value of options granted during the nine month period ended September 30, 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 options. Stock compensation cost in the amount of \$51,196 was recognized during the nine-month period ended September 30, 2009 (2008 - \$196,896). As of September 30, 2009, unvested, unamortized fair value of stock options granted amounts to \$223,658 (2008 - \$362,293).

- (b) The weighted average remaining contractual life and weighted average exercise price of options outstanding and exercisable as at September 30, 2009 are as follows:

Options outstanding					Options exercisable				
Range of exercise price	Number outstanding as at June 30, 2009	Weighted average remaining contractual life	Weighted average exercise price		Number outstanding as at June 30, 2009	Weighted average remaining contractual life	Weighted average exercise price		
\$ 0.30	750,000	0.8 years	\$ 0.30		750,000	0.8 years	\$ 0.30		
0.90	1,000,000	2.3 years	0.90		900,000	2.3 years	0.90		
1.00	80,000	2.7 years	1.00		80,000	2.7 years	1.00		
0.45	100,000	2.9 years	0.45		66,667	2.9 years	0.45		
0.32	150,000	3.7 years	0.32		50,000	3.7 years	0.32		
0.20	1,200,000	3.9 years	0.20		400,000	3.9 years	0.20		
0.14	1,280,000	5.0 years	0.14		-	-	-		
<b>\$ 0.14 - \$ 1.00</b>	<b>4,560,000</b>	<b>3.3 years</b>	<b>\$ 0.38</b>		<b>2,246,667</b>	<b>2.1 years</b>	<b>\$ 0.55</b>		

## 6 Income taxes

The tax reduction benefit relates to non-capital losses carried forward and undeducted financing and related costs in connection with the future tax liability recognized on the renounced flow-through expenditures. This is a non-cash entry recorded pursuant to the guidance in EIC-146, *Flow-Through Shares*.

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## 7 Loss per share

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

	<u>Three-month period ended September 30, 2009</u>	<u>Three-month period ended September 30, 2008</u>	<u>Nine-month period ended September 30, 2009</u>	<u>Nine-month period ended September 30, 2008</u>
Net income (loss) for the period	\$ (121,414)	\$ 168,732	\$ (326,067)	\$ (139,197)
Weighted average number of shares - Basic and diluted	73,308,035	73,308,035	73,308,035	73,307,669
Loss per common share - Basic and diluted	\$ (0.00)	\$ 0.00	\$ (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:

2009	\$ 129,527
2010	130,409
2011	132,171
2012	118,093
	<u>\$ 510,200</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.

# Purepoint Uranium Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

**For the nine months ended September 30, 2009 and 2008**

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## *Capital risk management*

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 carrying amounts for short term investments, sundry receivables, deposits and accounts payable and accrued liabilities on the balance sheets approximate 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 nine months ended September 30, 2009. 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.

## **12 Subsequent event**

Subsequent to September 30, 2009 the Company completed a private placement of flow-through shares resulting in net proceeds of approximately \$934,000.