PUREPOINT URANIUM GROUP INC.

Consolidated Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of Purepoint Uranium Group Inc.:

We have audited the accompanying consolidated financial statements of Purepoint Uranium Group Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Purepoint Uranium Group Inc. as at December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Mississauga, Ontario

Chartered Professional Accountants
Licensed Public Accountants

April 25, 2017

MNP

Purepoint Uranium Group Inc.

Consolidated Statements of Financial Position

As at December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
	$	$
Assets		
Current assets		
Cash	618,459	356,026
Short-term investments	1,256,055	-
Accounts receivable	28,484	40,600
Receivable from projects *(note 5)*	337,325	57,809
Prepaid expenses	15,647	22,175
Deposits *(note 6)*	124,320	34,624
	2,380,290	511,234
Property and equipment *(note 3)*	13,508	26,880
	2,393,798	538,114
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	177,751	143,463
Shareholders' equity		
Share capital *(note 7(a))*	33,665,670	31,410,173
Contributed surplus	6,861,621	5,674,863
Deficit	(38,311,244)	(36,690,385)
	2,216,047	394,651
	2,393,798	538,114

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

Approved by the Board:

Signed: Borys Chabursky *Signed: Allan Beach*

Purepoint Uranium Group Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
	$	$
Expenses		
Mining exploration and evaluation expenditures *(notes 3 and 4)*	790,237	819,124
Mining exploration and evaluation salaries and benefits *(note 14)*	423,108	334,454
Share based payments *(notes 8 and 14)*	550,893	300,935
Salaries, compensations and benefits *(notes 8 and 14)*	150,375	161,161
Professional fees	91,675	163,377
General and administration	52,726	48,560
Investor relations	51,584	25,716
Insurance	34,676	28,253
Transfer agent and filing fees	34,541	22,916
Travel	8,562	19,415
Depreciation	1,096	398
	2,189,473	1,924,309
Other		
Operator fees and other recoveries *(note 5)*	(561,096)	(616,429)
Interest income	(6,062)	(1,384)
Other taxes (recovery)	(1,171)	6,279
Net gain on sale of assets	(285)	-
	(568,614)	(611,534)
Net loss and comprehensive loss	(1,620,859)	(1,312,775)
Basic and diluted loss per common share *(note 10)*	(0.01)	(0.01)

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

Purepoint Uranium Group Inc.

Consolidated Statements of Changes in Equity

As at December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Capital stock				
	Number of shares	Amount	Contributed surplus	Deficit	Equity total
		$	$	$	$
Balance at January 1, 2016	149,226,271	31,410,173	5,674,863	(36,690,385)	394,651
Issuance of common shares from private placement	25,964,592	1,995,750	-	-	1,995,750
Fair value of issued warrants from private placement	-	(856,394)	856,394	-	-
Fair value of finders fee compensation warrants	-	(42,829)	42,829	-	-
Exercise of warrants and options	13,438,397	971,266	-	-	971,266
Fair value of exercised warrants and options	-	263,358	(263,358)	-	-
Expenses of the private placement	-	(75,654)	-	-	(75,654)
Share based payment	-	-	550,893	-	550,893
Net loss	-	-	-	(1,620,859)	(1,620,859)
Balance at December 31, 2016	188,629,260	33,665,670	6,861,621	(38,311,244)	2,216,047
Balance at January 1, 2015	142,425,171	31,308,331	5,295,429	(35,377,610)	1,226,150
Issuance of common shares from private placement	6,801,000	204,030	-	-	204,030
Fair value of issued warrants from private placement	-	(70,080)	70,080	-	-
Fair value of finders fee compensation warrants	-	(8,419)	8,419	-	-
Exercise of warrants	100	10	-	-	10
Expenses of the private placement	-	(27,299)	-	-	(27,299)
Refund of expenses from Rights offering	-	3,600	-	-	3,600
Share based payment	-	-	300,935	-	300,935
Net loss	-	-	-	(1,312,775)	(1,312,775)
Balance at December 31, 2015	149,226,271	31,410,173	5,674,863	(36,690,385)	394,651

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

Purepoint Uranium Group Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
	$	$
Cash flow from operating activities		
Net loss for the year	(1,620,859)	(1,312,775)
Items not affecting cash:		
Depreciation	2,408	7,342
Share based payment	550,893	300,935
Net gain on sale of assets	(285)	-
	(1,067,843)	(1,004,498)
Changes in non-cash items relating to operating activities:		
Accounts receivable	12,116	13,180
Prepaid expenses	6,528	(6,381)
Deposits	(89,696)	10,816
Accounts payable and accrued liabilities	34,287	(736)
Advances (disbursements) on behalf of joint venturer, net	(279,516)	161,230
	(1,384,124)	(826,389)
Cash flow from investing activities		
Short-term investments	(1,256,055)	-
Cost of purchase of property and equipment	(10,000)	
Proceeds of sale of property and equipment	21,250	-
	(1,244,805)	-
Cash flow from financing activities		
Proceeds from exercise of warrants and options, net of costs	971,266	10
Proceeds from issuance of shares, net of costs	1,920,096	180,331
	2,891,362	180,341
Net increase (decrease) in cash	262,433	(646,048)
Cash - Beginning of the year	356,026	1,002,074
Cash - End of the year	618,459	356,026

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

1. GENERAL INFORMATION

Purepoint Uranium Group Inc. ("the Company") is a Canadian resource company engaged in the acquisition, exploration and development of properties for the purpose of producing uranium. The Company's principal assets are mineral properties located in Saskatchewan. 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 continue to raise adequate financing and to commence profitable operations in the future, or alternatively, upon the disposal of properties, or the Company's interests therein, on an advantageous basis.

The Company's head office is located at 55 York Street, Suite 402, Toronto, Ontario, M5J 1R7, Canada.

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. Subsidiaries are entities over which the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Potential voting rights that are presently exercisable or convertible, are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The policies applied in these consolidated financial statements are presented in this note and are based on IFRS issued and outstanding as of April 25, 2017, the date the Board of Directors approved the consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(b) Basis of preparation

The consolidated financial statements are presented in Canadian dollars. The consolidated financial statements are prepared on the historical cost basis.

(c) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value of the stock options granted is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense for unvested options is adjusted to reflect the actual number of share options that are expected to vest.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(e) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into:

i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and
ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(f) Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of loss and comprehensive loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company provides for depreciation of its property and equipment at the following methods and annual rates:

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

(g) Mining properties and exploration and evaluation costs

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of the exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

(h) Impairment of non-financial assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(h) Impairment of non-financial assets - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(i) Financial assets and liabilities

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as "fair value through profit and loss", directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit and loss", "available-for-sale", "held-to-maturity", or "loans and receivables" as defined by IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as “fair value through profit and loss” or ‘‘other financial liabilities’’.

Financial assets and financial liabilities at fair value through profit and loss include financial assets and financial liabilities that are held-for-trading or designated upon initial recognition as at fair value through profit and loss. These financial instruments are measured at fair value with changes in fair values recognized in the consolidated statements of loss and comprehensive loss. Financial assets classified as available-for-sale are measured at fair value, with changes in fair values, net of tax, recognized in other comprehensive income ("OCI"), except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in OCI is recognized within the consolidated statements of loss and comprehensive loss. Financial assets classified as held-to-maturity and loans and receivables are measured subsequent to initial recognition at amortized cost using the effective interest method. Financial liabilities, other than financial liabilities classified as fair value through profit and loss, are measured in subsequent periods at amortized cost using the effective interest method.

The Company has classified its financial instruments as follows:

Accounts receivable, excluding HST	-	Loans and receivables
Short-term investments	-	Loans and receivables
Receivable from projects	-	Loans and receivables
Accounts payable and accrued liabilities	-	Other liabilities

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. SIGNIFICANT ACCOUNTING POLICIES – continued

(i) Financial assets and liabilities - continued

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all financial assets other objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(j) Cash

Cash consists of cash deposits in banks. The Company does not hold any asset backed commercial paper.

(k) Short-term investments

Short-term investments are comprised of liquid investments with an initial maturity greater than three months and maturing within one year of the reporting date.

(l) Asset retirement obligations

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with its resource properties. The estimated costs of reclamation are based on current regulatory requirements and the estimated reclamation costs at the date of purchase. Future changes to those regulations and standards, as well as changes resulting from operations may result in actual reclamation costs differing from the estimate.

The Company has determined that there are no asset retirement obligations or any other environmental obligations with respect to its mineral properties, and therefore no liability has been recognized in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

(m) Jointly controlled asset

The Company has an interest in a jointly controlled asset in an unincorporated joint venture. The Company recognizes its share of mining exploration and evaluation expenditure related to the asset in the profit or loss.

(n) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(o) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the year by the weighted average number of common shares outstanding in the year. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

(p) Comprehensive income (loss)

Comprehensive income or loss includes unrealized gains and losses on available-for-sale investments, none of which are included in the calculation of net loss until realized.

(q) Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration and one geographical segment, Canada.

(r) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

(s) Accounting standards and amendments effective in the current year

The IASB issued new standards and amendments effective for, and adopted in, the current year. The adoption of these accounting policies had no impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(t) Accounting standards issued but not yet effective

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in its final form in July 2014, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt the standard on its effective date and has not yet assessed its impact on the consolidated financial statements.

(u) Reclassifications

Certain prior year balances have been reclassified to conform with the current year's presentation.

3. PROPERTY AND EQUIPMENT

Cost	January 1, 2015	Additions in 2015	December 31, 2015	Additions and Deductions in 2016	December 31, 2016
Exploration property and equipment					
Field property and equipment	$ 144,196	$ -	$ 144,196	$ (138,846)	$ 5,350
Furniture and equipment	28,373	-	28,373	-	28,373
Office property and equipment					
Computer equipment	13,299	-	13,299	-	13,299
Furniture and fixtures	1,977	-	1,977	10,000	11,977
Leasehold improvements	19,536	-	19,536	(19,536)	-
	$ 207,381	$ -	$ 207,381	$ (148,382)	$ 58,999

(Expressed in Canadian Dollars)

3. PROPERTY AND EQUIPMENT - continued

Accumulated depreciation	January 1, 2015	Depreciation in 2015	December 31, 2015	Depreciation and Deductions in 2016	December 31, 2016
Exploration property and equipment					
Field property and equipment	$ 114,433	$ 5,953	$ 120,386	$ (117,312)	$ 3,074
Furniture and equipment	24,407	991	25,398	743	26,141
Office property and equipment		-		-	
Computer equipment	13,299	-	13,299	-	13,299
Furniture and fixtures	1,484	398	1,882	1,095	2,977
Leasehold improvements	19,536	-	19,536	(19,536)	-
	$ 173,159	$ 7,342	$ 180,501	$ (135,010)	$ 45,491

Net book value	December 31, 2016	December 31, 2015	January 1, 2015
Exploration property and equipment			
Field property and equipment	$ 2,276	$ 23,810	$ 29,763
Furniture and equipment	2,232	2,975	3,966
Office property and equipment			
Computer equipment	-	-	-
Furniture and fixtures	9,000	95	493
Leasehold improvements	-	-	-
	$ 13,508	$ 26,880	$ 34,222

During 2016, $1,312 (2015 - $6,944) of depreciation expense was included in mining exploration and evaluation expenditures on the consolidated statements of loss and comprehensive loss.

Field equipment were sold for proceeds of $21,250, resulting in net gain of $285.

Leasehold improvements were totally amortized at the end of the lease in 2016 and written off as the Company moved out to a new location.

(Expressed in Canadian Dollars)

4. MINING EXPLORATION AND EVALUATION EXPENDITURES

The Company's properties are all located at the Athabasca Basin, Northern Saskatchewan.

The Hook Lake property has an annual expenditure commitment of $690,755 to maintain title. The Company's cumulative expenditures to date are substantially in excess of that amount and are sufficient to satisfy the minimum requirement for the foreseeable future. There are no other commitments on the other properties.

Mining exploration expenditures on the Company's properties during last two years are as follows:

	2016	2015
Red Willow Property	$ 4,377	$ -
Hook Lake Property	775,937	819,039
Smart Lake Property	9,923	85
Turnor Lake Property	-	-
Umfreville Lake Property	-	-
Henday Lake Property	-	-
McArthur East Property	-	-
	$ 790,237	$ 819,124

5. ADVANCES AND RECEIVABLES ON PROJECTS

Joint Venture with Cameco and Areva

On October 31, 2012, the Company entered into a definitive joint venture agreement with Cameco Corporation ("Cameco") and Areva Resources Canada Inc. ("Areva") for the ongoing exploration of Hook Lake uranium project in the Athabasca Basin (the "Project") and pursuant to the option agreement with Cameco from 2007. The Company holds a 21% interest in the Project. The remaining 79% is owned equally by Cameco and Areva. The Company acts as the Project operator for the Joint Venture and charges an administration fee of 10% of the invoiced Project costs incurred. In 2016, Cameco and Areva each funded their respective portions of the project by contributing $1,360,308 (2015 - $1,327,158) to the Company for a total amount of $2,720,616 (2015 - $2,654,315). The Company has a receivable balance of $337,115 (2015 - $57,809) from Joint Venture partners at December 31, 2016 representing Project expenditures, inclusive of the administration fee, in excess of the funds provided by Cameco and Areva. The receivables and advances are unsecured and non-interest bearing.

The administration fees are included in operator fees and other recoveries in the consolidated statements of loss and comprehensive loss.

Joint Venture with Cameco

On January 1, 2010, the Company entered into a definitive joint venture agreement with Cameco Corporation ("Cameco") for the ongoing exploration of the Smart Lake uranium project in the Athabasca Basin (the "Smart Lake Project"). The Company holds a 23% interest in the Smart Lake Project. The remaining 77% is owned by Cameco. The Company acts as the Project operator for the Joint Venture. In 2016 Cameco contributed $31,033 (2015 - $Nil). At December 31, 2016 there was a receivable balance of $210 (December 31, 2015 - $Nil) from Cameco. The receivable is unsecured and non-interest bearing.

6. DEPOSITS

Deposits consist of deposit for contract drilling at Hook Lake, first and last month rent for Saskatoon office and a deficiency deposit for Umferville and McArthur East properties. The deficiency deposit is held by the Province of Saskatchewan in lieu of exploration work performed. It will be refunded when the work is performed.

7. SHAREHOLDERS' EQUITY

(a) Share capital

Authorized, issued and outstanding common shares

Authorized - unlimited number of common shares without par value.

Issued – 188,629,260 common shares at December 31, 2016 (2015 – 149,226,271).

On May 5, 2016, the Company closed its non-brokered private placement for gross proceeds of $1,995,750. The financing was transacted in three tranches with the first two tranches closing April 15, 2016 and April 28, 2016 respectively.

The Company issued 21,124,000 common share units at a price of $0.075 per unit and 4,840,592 flow-through units at a price of $0.085 per unit. Each common share unit consists of one common share in the capital of the Company and one common share purchase warrant. Each flow-through unit consists of one common share in the capital of the Company issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) and one common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of $0.10 per share for a period of 36 months from the date of issuance. In connection with the all three tranches of the private placement, the Company paid finders' fees consisting of $45,455 in cash and 591,080 non-transferable compensation warrants. Each compensation warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of $0.10 per share for a period of 36 months after the closing date.

All securities issued in connection with the private placement were subject to a four-month hold period pursuant to the applicable securities laws with an expiry date of September 6, 2016.

The Company incurred cash costs of $75,654 and non-cash compensation warrants valued at $42,829.

The proceeds have been prorated to common shares and warrants based on the relative fair value of each component, with $856,394 being allocated to warrants. The Black-Scholes option pricing model was used to determine the fair value of the warrants and the compensation warrants using the following assumptions: expected dividend yield – nil; expected volatility – 153%; risk free interest rate – 0.60%; and an expected life of 3 years.

(Expressed in Canadian Dollars)

7. SHAREHOLDERS' EQUITY – continued

(a) Share capital - continued

On December 31, 2015 the Company completed the private placement where the Company issued 6,801,000 flow-through units at a price of $0.03 per unit for gross proceeds of $204,030. Each flow-through unit consists of one common share in the capital of the Company issued on a "flow through" basis pursuant to the Income Tax Act (Canada) and one common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of $0.05 per share for a period of 24 months from the date of issuance. In connection with the closing of the private placement, the Company paid finder's fees consisting of $13,862 (plus applicable taxes) in cash and issued 366,060 non-transferable compensation warrants to certain finder. Each compensation warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of $0.05 per share for a period of 24 months after the closing date. All securities issued in connection with the private placement are subject to a four-month hold period pursuant to the applicable securities laws with an expiry date of May 1, 2016.

The Company incurred cash costs of $27,299 and non-cash compensation warrants valued at $8,419. The proceeds have been prorated to common shares and warrants based on the relative fair value of each component, with $70,080 being allocated to warrants. The Black-Scholes option pricing model was used to determine the fair value of the warrants and the compensation warrants using the following assumptions: expected dividend yield – nil; expected volatility – 149%; risk free interest rate – 1.10%; and an expected life of 2 years.

(b) Share purchase warrants

The following common share purchase warrants were outstanding at December 31, 2016:

	Number of warrants	Exercise price	Expiry date
Common share purchase warrants	3,623,060	$ 0.05	December 31, 2017
Common share purchase warrants	8,286,481	$ 0.10	April 15, 2019
Common share purchase warrants	15,005,030	$ 0.10	April 29, 2019
Common share purchase warrants	3,264,161	$ 0.10	May 6, 2019
	30,178,732		

(Expressed in Canadian Dollars)

7. SHAREHOLDERS' EQUITY - continued

(b) Share purchase warrants - continued

A summary of warrants outstanding as at December 31, 2016 and 2015 and changes during these years are presented below:

	2016			2015		
	Number of warrants	Weighted average exercise price	Fair value	Number of warrants	Weighted average exercise price	Fair value
Balance, beginning of the year	17,205,793	$ 0.07	$ 282,944	33,264,082	$ 0.09	$ 512,826
Granted	25,964,592	0.10	856,394	6,801,000	0.05	70,080
Exercised	(12,652,797)	0.07	(242,254)	(100)	0.10	(1)
Expired	(1,151,996)	0.10	(7,110)	(22,859,189)	0.10	(299,961)
Balance, end of the year	29,365,592	$ 0.09	$ 889,973	17,205,793	$ 0.07	$ 282,944

(c) Finder's Compensation Warrants

A summary of compensation warrants outstanding as at December 31, 2016 and 2015 and changes during these years are presented below:

	2016			2015		
	Number of warrants	Weighted average exercise price	Fair value	Number of warrants	Weighted average exercise price	Fair value
Balance, beginning of the year	947,660	$ 0.07	$ 22,767	1,671,757	$ 0.09	$ 32,130
Granted	591,080	0.10	42,829	366,060	0.05	8,419
Exercised	(725,600)	0.07	(17,660)	-	-	-
Expired	-	-	-	(1,090,157)	0.10	(17,782)
Balance, end of the year	813,140	$ 0.09	$ 47,936	947,660	$ 0.07	$ 22,767

(Expressed in Canadian Dollars)

8. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

The Company has a stock option plan (the "Plan"). Under the Plan, the Company can grant options to directors, officers, employees and consultants 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.

On September 27, 2016 the Company granted 6,230,000 stock options at an exercise price of $0.10 per option, vesting immediately. These options expire in 5 years. On April 27, 2015 the Company granted 5,910,000 stock options at an exercise price of $0.06 per option, vesting immediately. These options expire in 5 years.

Using the Black-Scholes pricing model, the weighted average fair value of options granted during the year ended December 31, 2016 was estimated at $550,893 (2015 - $300,935). This amount, net of estimated forfeitures, has been recognized as an expense in 2016 and 2015 respectively, as the options vested immediately. The unvested, unamortized fair value balance of stock options granted at December 31, 2016 amounted to $Nil (2015 - $Nil).

The following principal assumptions were used in applying the Black-Scholes option-pricing model for options granted in 2016 and 2015:

	2016	2015
Risk-free interest rate	0.61%	1.37%
Dividend rate	0%	0%
Expected volatility	140%	127%
Expected life	5 years	5 years

A summary of the status of the Plan as at December 31, 2016 and 2015, and changes during the years ended on those dates is presented below:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the year	11,960,000	$ 0.07	10,890,000	$ 0.09
Granted	6,230,000	0.10	5,910,000	0.06
Exercised	(60,000)	0.07	-	-
Expired and cancelled	-	-	(4,840,000)	0.10
Balance, end of the year	18,130,000	$ 0.08	11,960,000	$ 0.07

(Expressed in Canadian Dollars)

8. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN - continued

As at December 31, 2016, the Company had stock options issued to directors, officers, employees and contractors of the Company outstanding and exercisable as follows:

Date of grant	Number of options	Number exercisable	Exercise price	Expiry date
April 27, 2012	2,690,000	2,690,000	$ 0.11	April 27, 2017
April 24, 2013	1,400,000	1,400,000	$ 0.07	April 24, 2018
January 30, 2014	1,930,000	1,930,000	$ 0.075	January 30, 2019
April 27, 2015	5,880,000	5,880,000	$ 0.06	April 27, 2020
September 27, 2016	6,230,000	6,230,000	$ 0.10	September 27, 2021
	18,130,000	18,130,000		

9. INCOME TAXES

Deferred taxes have not been recognized in respect of the deductible temporary differences set out below:

	2016	2015
Non capital losses	$ 7,102,054	$ 7,414,715
Exploration expenditures	6,552,304	6,566,770
Share issuance costs	176,815	201,934
Property, plant, and equipment	196,007	188,227
Investment tax credits	67,850	67,850

The non-capital losses carried forward will expire between 2027 and 2036.
The exploration expenditures, and property, plant, and equipment may be carried forward indefinitely.
The share issue costs will be deducted for tax purposes over the next four years.
Investment tax credits will expire between 2029 and 2032.

(Expressed in Canadian Dollars)

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares issued during the year.

	2016	2015
Loss attributable to common shareholders	$ (1,620,859)	$ (1,312,775)
Weighted average common shares outstanding	172,998,018	142,425,254
Basic loss per common share	$ (0.01)	$ (0.01)

(b) Diluted

Diluted loss per common share has not been presented as this is anti-dilutive.

11. COMMITMENTS

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

2017	$ 46,803
2018	46,803
2019	46,803
Thereafter	-
	$ 140,409

(b) Pursuant to the issuance of flow-through shares described in note 7(a), the Company was required to spend approximately $411,450 on Canadian Exploration Expenditures before the end of 2017; it achieved this expenditure commitment before December 31, 2016.

12. FINANCIAL RISK MANAGEMENT

(a) Credit risk management

The Company's credit risk is primarily attributable to short-term investments, accounts receivable (excluding HST), and receivable from projects. The Company has no significant concentration of credit risk arising from operations. Short-term investments consist of GIC's, which have been invested with reputable Canadian financial institution, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable and receivable from projects is remote.

(Expressed in Canadian Dollars)

12. FINANCIAL RISK MANAGEMENT - continued

(b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As of December 31, 2016, the Company had a cash and short-term investments totalling $1,874,514 (2015 - $356,026) to settle current accounts payable and accrued liabilities of $177,751 (2015 - $143,463).

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt.

(d) Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(e) Fair value of financial assets and liabilities

The book value of the short-term investments and receivable from project approximates their fair values due to the short-term nature of these instruments.

For accounts receivable, excluding HST, and accounts payable and accrued liabilities with a remaining life of less than one year, the book value amounts are equivalent to their fair values.

13. CAPITAL RISK 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, based on the funds available to the Company, in order to support its exploration, development and operations activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at December 31, 2016, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during 2016. The Company is not subject to externally imposed capital requirements.

14. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of key management of the Company for years 2016 and 2015 was as follows:

	2016	2015
Aggregate compensation including share based payments	$ 808,411	$ 588,246
Share-based payments	$ 512,870	$ 292,788