



**Management's Discussion and Analysis**  
For the year ended December 31, 2016

The following discussion and analysis is management's assessment of the results and financial condition of Purepoint Uranium Group Inc. ("Purepoint" or the "Company") and should be read in conjunction with the consolidated audited financial statements for the year ended December 31, 2016, together with the related notes contained therein. The Company's most recent filings are available on the SEDAR website. The date of this management's discussion and analysis is April 25, 2017.

The annual financial statements for the years ended December 31, 2016 and 2015 are prepared in accordance with International Financial Reporting Standards ("IFRS").

**Forward looking statements**

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

**Business of Purepoint**

Purepoint maintains a focused objective of locating uranium deposits in the Athabasca Basin in Northern Saskatchewan. Purepoint currently maintains seven properties located in the Athabasca Basin. The Company entered into joint venture agreements and operates one of these projects with Cameco Corporation and AREVA Resources Canada Inc., one of these projects with Cameco Corporation, while the other five projects remain 100% owned. Saskatchewan's Athabasca Basin now provides approximately 25% of the world's uranium production credited primarily to that region's unusually high ore grade deposits.

The 2017 operating plan is discussed under Exploration Activities.

**Selected quarterly information**

The following selected information is derived from the audited annual and unaudited quarterly consolidated financial statements.

	Quarter ended December 31, 2016	Quarter ended September 30, 2016	Quarter ended June 30, 2016	Quarter ended March 31, 2016	Quarter ended December 31, 2015	Quarter ended September 30, 2015	Quarter ended June 30, 2015	Quarter ended March 31, 2015	Quarter ended December 31, 2014
Net loss	(291,834)	(653,910)	(227,864)	(447,251)	(201,540)	(181,447)	(492,432)	(437,356)	(290,405)
Net loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	2,393,798	2,227,299	2,396,337	676,877	538,114	452,970	728,320	1,353,873	1,370,349

## Selected annual financial information

The following selected information is derived from the audited financial statements.

	Year Ended December 31		
	2016	2015	2014
	(dollars)		
Net loss	(1,620,859)	(1,312,775)	(1,317,873)
Net loss per share - basic and diluted	(0.01)	(0.01)	(0.01)
Total assets	2,393,798	538,114	1,370,349

## Results of operations

The Company's operations during the year ended December 31, 2016 produced a net loss of \$1,620,859 (2015 - \$1,312,775). The primary operational activity continues to be the exploration of the Company's major projects. The expenditures and levels of activity relating to the Company's projects are described in greater detail below following a brief discussion of significant changes in expense line items.

Exploration and evaluation expenditures amounted to \$790,237 (2015 - \$819,124) and are mainly result of joint project operational activities, especially drilling at Hook Lake Property - see Exploration and evaluation expenditures.

Exploration salaries and benefits increased by \$88,654 comparing to 2015 due to increase in joint project operational activities, especially drilling at Hook Lake Property. For the year ended December 31, 2016 exploration salaries and benefits amounted to \$423,108 (2015 - \$334,454).

Salaries, compensations and benefits were comparable to 2015.

Share based payments in the amount of \$550,893 have been recognized during the year ended December 31, 2016 (2015 - \$300,935). Share based payments increased by \$249,958 as more options were awarded in 2016 than in 2015 with a higher exercise price. Fair value assigned to new grants was expensed in the same period when granted.

Professional fees decreased by \$71,702 compared to 2015, primarily due to special consulting work done in 2015.

General and administration were comparable to the expenses in 2015.

Investor relations increased by \$25,868 compared to 2015, as a result of increased marketing activity primarily attributable to private placements completed during 2016.

Transfer agent and filing fees increased by \$11,625 compared to 2015, primarily as a result of costs associated with private placements completed in 2016.

Travel decreased by \$10,853 compared to 2015, primarily due to a travel expenses of a consulting company in 2015.

Operator fees and other expense recoveries with respect to joint projects amounted to \$561,096 (2015 - \$616,429). Decrease is mainly due to greater use of third party camp crew contractors rather than the Company's field workers.

### Exploration and evaluation expenditures

The Company incurred \$790,237 and \$819,124 in exploration and evaluation expenditures on its properties during the years ended December 31, 2016 and 2015, 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	-	-

During 2016, the Company carried out the following significant activities:

#### HOOK LAKE PROJECT - JOINT VENTURE WITH CAMECO AND AREVA

The Company is party to a definitive joint venture agreement with Cameco Corporation and AREVA Resources Canada Inc. for the ongoing exploration of the Hook Lake uranium project in the Athabasca Basin pursuant to its option agreement with Cameco announced February 7, 2007.

Key features:

- Under the original option agreement, Purepoint acquired a 21% interest in the Hook Lake project;
- The remaining 79% of the project is owned by Cameco Corporation (39.5%) and AREVA Resources Canada Inc. (39.5%);
- Purepoint is operating the project on behalf of the Joint Venture and its partners Cameco Corporation and AREVA Resources Canada Inc.

The Hook Lake Project consists of nine claims totaling 28,598 hectares and is situated in the southwestern Athabasca Basin approximately 80 kilometers southeast of the former Cluff Lake mine. The depth to the Athabasca unconformity is very shallow, ranging from zero to 350 metres. Three prospective "corridors" have been identified on the property, each corridor being comprised of multiple EM conductors that have been confirmed by drilling to be the results of graphitic metasediments that intersect the Athabasca unconformity.

Current exploration is targeting the Patterson Lake Corridor, an emerging, world class uranium district that is attracting significant exploration investment. The Patterson Lake corridor is the same conductive trend along which NexGen Energy and Fission Uranium Corp have been expanding their high-grade uranium discoveries. Within the Hook Lake project, the Patterson Corridor displays geophysical evidence of a complex structural history and, where drill tested, the conductors have locally shown favourable signs of alteration, structural disruption and elevated radioactivity.

## 2016 Winter Drilling Program at Hook Lake

Exploration success continued at the Spitfire Zone during 2016 with additional significant drill intercepts being returned that contained high-grade uranium mineralization. A highlight of the drill program was hole HK16-53 that intersected 10.0 metres of 10.3%  $U_3O_8$ , including 1.3 metres of 53.5%  $U_3O_8$ .

The 2016 Hook Lake JV winter exploration program completed 21 drill holes for a total of 8,508 metres being drilled (including 119 metres in a lost hole). Within the Spitfire area 12 holes were completed totaling 5,045 metres while 9 holes tested other conductors within the Patterson Structural Corridor totaling 3,343 metres. The Upper Spitfire zone remained open north of Hole HK16-47 (0.88%  $U_3O_8$  over 20.1 metres), south of Hole HK16-43 (4.07%  $U_3O_8$  over 3.1 metres, 1.19%  $U_3O_8$  over 4.7 metres and 0.50%  $U_3O_8$  over 10.6 metres) and up-dip of Hole HK16-53 (10.3%  $U_3O_8$  over 10.0 metres). Drilling of other conductors within the southern portion of the Patterson Corridor provided evidence that the Hornet Zone, an area that encompasses the graphitic structure and weak uranium mineralization intersected by Holes HK13-06 and HK13-07, is related to the Spitfire graphitic structure.

### Spitfire Zone

Drilling of the Spitfire zone has defined three distinct mineralized targets, the Upper Spitfire, Lower Spitfire and Spitfire South.

The Upper Spitfire mineralization was discovered early in 2016 only 255 metres below surface with Hole HK16-37 returning 0.69%  $U_3O_8$  over 9.9 metres including 9.9%  $U_3O_8$  over 0.6 metres. Three styles of mineralization have been identified within the Upper Spitfire Zone. Most common is semi-massive uranium, locally high grade, occurring along foliation and ductile shear planes within and immediately above the primary graphitic shear zone. Fracture related mineralization, associated with hematite alteration intersected above the graphitic shear zone occurs as veins and/or breccia fault zones. The third style of mineralization occurs within a hydrothermal breccia as disseminations within the grey clay-rich breccia cement. The dominant orientation of the mineralization is striking 15 degrees and dipping 70 degrees SE. The best intercept during 2016 in the Upper Spitfire was returned by Hole HK16-53 with 10.3%  $U_3O_8$  over 10.0 metres.

The Lower Spitfire mineralization was discovered in 2015, approximately 390 metres below surface, with hole HK15-27 that returned 2.8 metres of 2.23%  $U_3O_8$  including 12.90%  $U_3O_8$  over 0.4 metres. The high-grade uranium mineralization is controlled by a semi-brittle structure that is coincident with the upper contact of a thick, strongly sheared Graphitic-pyritic Pelitic Gneiss unit. Follow-up drilling has continued to intersect mineralized intervals at the upper contact of the Graphitic shear zone, typically as scattered pitchblende grains along pitted foliation planes, with HK15-33 intersecting 6.8 metres of 0.18%  $U_3O_8$  and HK16-54 returning 1.0 metre of 1.16%  $U_3O_8$ .

Spitfire South was the initial discovery of uranium mineralization with Hole HK14-09 returning 6.2 metres of 0.32%  $U_3O_8$  from the upper contact of a graphitic shear at a depth of 200 metres below surface. The follow-up hole, HK14-11, targeted the graphitic shear up-dip of HK14-09 and returned 0.57%  $U_3O_8$  over 0.9 metres and an additional interval of 0.11%  $U_3O_8$  over 2.0 metres. Further drilling is required in the Spitfire South area to determine the extent of the mineralization and to follow the host structure towards the Upper and Lower Spitfire mineralization located approximately 200 metres and 300 metres to the northeast, respectively.

## 2017 Winter Drilling Program at Hook Lake

The 2017 drill program has currently conducted 9,162 metres of diamond drilling with 20 holes completed and 4 holes lost before reaching basement rocks. The Company is currently making plans to complete the drill program later this year with the remaining budget.

### Highlights:

- The Hook Lake JV portion of the Patterson Shear Zone is now separated into five exploration target areas that are, from southwest to northeast,; The Spitfire Zone, the Hornet Zone, the Dragon Zone, the Hawk Zone and the Sabre Zone;
- The Spitfire Zone has been tested with 28 diamond drill holes, 16 of which are mineralized and 6 of those 16 returned high-grade uranium intervals;
- Dragon Zone results are promising with the discovery of favourable clay alteration of basement hosted rocks that host hydrothermal quartz, graphitic shears and elevated radioactivity;
- No drilling has yet been completed at the Hawk Zone or the Sabre Zone

### Spitfire/Harpoon Deposit

With the release of assays from NexGen Energy Ltd.'s neighbouring Harpoon discovery (NexGen PR of March 23, 2017), Purepoint was able to integrate them with its drill findings and interpret a single deposit of over 550 metres in strike length. Both a long section and plan map are available on the Purepoint website.

Six drill holes totaling 2,152 metres were completed this season in the Upper Spitfire mineralized zone with two holes (HK16-55 and HK17-60) returning high-grade uranium intercepts. HK16-55 intersected 2.92%  $U_3O_8$  over 9.5 metres that included 13.3%  $U_3O_8$  over 1.5 metres and hole HK17-60 intersected 0.47%  $U_3O_8$  over 11.0 metres that included 3.07%  $U_3O_8$  over 0.7 metres. The three holes testing the Upper Spitfire mineralization down-dip, HK17-57, 58 and 62, intersected the graphitic shear but it was not associated with radioactivity. One of the six holes, HK17-64, targeted the Spitfire graphitic shear on the northern side of an interpreted east-west fault. The HK17-64 hole intersected a major structure but did not intersect the graphitic shear or anomalous radioactivity.

A review of the recent Spitfire geochemical and televiewer results along with the recent Harpoon results will be completed before further drilling is recommended for this area.

### Dragon Zone

Four drill holes totalling 2,087 metres were completed within the Dragon Zone that is located approximately 5 kilometres northeast of Spitfire. The initial hole at Dragon, HK17-70, intersected locally clay altered granodiorite gneiss, strongly hematized mafic intrusive rocks and a 20-metre wide graphitic shear zone before being completed within a carbonatite intrusive. Radiation spikes were returned from fractures located approximately 10 metres up-hole of the graphitic shear zone.

Hole HK17-72 was spotted by backing up the drill 80 metres from the HK17-70 collar location as a follow-up to the anomalous radioactivity and strong clay and chlorite alteration encountered in the basement rocks of that hole. The unconformity was reached at 310 metres, a strongly clay and chlorite altered granodiorite gneiss was drilled to 360 metres, mafic intrusive with strong clay and hematite alteration was then encountered to 385 metres followed by 6 metres of hydrothermal quartz. Elevated radioactivity (100X background) is associated with steeply dipping north-south trending structures (from televiewer results) between the depths of 378 and 380

metres. Clay-altered granodiorite gneiss was drilled from 391 to 432 metres, and then a mafic intrusive cut by two graphitic shear zones was encountered to 500 metres before the hole was completed within carbonatite at a depth of 530 metres.

Hole HK17-73 was drilled 600 metres northeast along strike of HK17-72 and intersected hydrothermal quartz, a 100-metre wide shear zone within granodiorite gneiss associated with clay and hematite alteration, a graphitic shear zone hosted by a mafic intrusive, and was completed within a carbonatite. HK17-74 was collared approximately 1.2 kilometres southwest of HK17-72 and intersected mafic dykes, graphitic shear zones and a wide chloritic shear before being completed in unaltered granodioritic gneiss. Holes HK17-73 and 74 did not encounter anomalous radioactivity.

Drill Hole HK17-75 was a follow-up to the favourable alteration and radioactivity encountered by HK17-72 and was spotted by moving the drill 200 metres southwest along strike from the HK17-72 collar location. Unfortunately, the hole was lost at a depth of 204 metres within a pressurized sand seam similar to those present within the Spitfire Zone.

### **Hornet Zone**

Ten holes totaling 3,995 metres were completed within the Hornet Zone this winter, however, no significant radioactivity was encountered within these holes.

### **SMART LAKE PROJECT - JOINT VENTURE WITH CAMECO**

The Company is party to a definitive joint venture agreement with Cameco Corporation for the ongoing exploration of the Smart Lake uranium project in the Athabasca Basin. The Smart Lake Project consists of two claims totaling 9,860 hectares. The Company holds a 23% interest in the Smart Lake Project.

### **Liquidity and capital resources**

At December 31, 2016, the Company had a working capital surplus of \$2,202,539, compared to a surplus of \$367,771 as at December 31, 2015. The increase is attributed to a successfully completed private placement that raised approximately \$1,920,096, net of costs (see Private Placement) and an exercise of warrants and options that raised approximately \$971,266.

The Company's sources of capital at present consist of cash on hand, exercise of options and warrants, sale of assets, joint venture financings and public equity raise. Assuming that ongoing capital raise, operations and exploration activity are consistent with recent activity levels management believes that cash on hand is adequate to fund ongoing operations through the next year.

### **Contractual commitments**

#### *Operating leases:*

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	Nil

### **Critical accounting estimates**

The preparation of the 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 consolidated 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 the revision affects both current and future periods.

### **Off-balance sheet arrangements**

The Company had no off balance sheet arrangements as at December 31, 2016 or December 31, 2015.

### **Financial instruments and other instruments**

The Company had no financial instruments other than short-term GIC's, accounts receivable, receivable from project and accounts payable and accrued liabilities as at December 31, 2016 and December 31, 2015.

### **Outstanding share data**

#### *Common Shares:*

The Company has authorized an unlimited number of common shares, with no par value, of which 189,180,013 shares are issued and outstanding as of the date hereof.

#### *Share Purchase Warrants:*

As of the date hereof, 30,167,979 share purchase warrants (including finder's compensation warrants) were outstanding.

#### *Employee Stock Options:*

As of date hereof, 17,590,000 options were outstanding under the Company's stock option plan for employees, directors, officers and consultants of the Company.

On September 27, 2016 the Company granted 6,230,000 stock options at an exercise price of \$0.10 per option, vesting immediately.

On April 27, 2015 the Company granted 5,910,000 stock options at an exercise price of \$0.06 per option, vesting immediately.

### *Private placement*

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 4,840,000 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 closing of the final tranche of the private placement, the Company paid finders’ fees consisting of \$45,605 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.

### **Related party transactions**

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

	2016	2015
Aggregate compensation	\$ 808,441	\$ 588,246
Share-based payments	\$ 512,870	\$ 292,788

The Company did not enter into any other significant related party transactions during the year.

### **Proposed transactions**

Management periodically enters into informal discussions with prospective business partners in the normal course of business. However, management does not believe that any of these discussions constitute proposed transactions for the purpose of this report.

### **Other matters**

#### *Risk Factors*

Each of Purepoint’s uranium properties is at a grassroots stage of exploration and development. Further development of Purepoint’s current properties is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate.

*Signed: Chris Frostad*

Chris Frostad  
President & Chief Executive Officer

*Signed: Ram Ramachandran*

Ram Ramachandran  
Chief Financial Officer