Purepoint Uranium Group Inc.

Annual Report

For The Year Ending December 31, 2005

TSX-V : PTU

Letter To The Shareholders

The close of 2005 marked the successful completion of a significant stage in the growth and evolution of Purepoint Uranium; a four-year process of strategic research and preparation that delivered this season's best Athabasca Basin drill results.

I am pleased to report that our initial drill results this past winter at Turnor Lake far exceeded our expectations by returning hole after hole of significantly elevated radioactivity along with countless additional indications that we were close to an area of significant uranium deposition. Drilling on this project will now continue throughout the remainder of the year as we close in on the source of our findings.

And that's only the start. In addition to Turnor Lake, we will continue progressing our other six projects which all were chosen utilizing the same criteria and all hold similar opportunities for success.

Purepoint's history in the Basin:

Long before the spot price of uranium commenced its meteoric return, the founders of Purepoint began preparing for a new era of exploration in the world's richest uranium bearing region. In 2002, Purepoint began analyzing the geology of every uranium deposit discovered to date in the eastern region of the Athabasca Basin. Based on the results of this analysis, Purepoint identified, several specific additional structural and lithologic (rock type) controls that appeared in every known instance of uranium deposition in that region. It was Purepoint's intention to use this enhanced geological model to execute some of the most efficient and targeted exploration efforts ever carried out in the Athabasca Basin. By applying the Purepoint geologic model to the hundreds of millions of dollars worth of exploration data compiled over the last 35 years it was our objective to drastically reduce current discovery costs.

Purepoint's accomplishments in the Basin:

1. Throughout 2003 Purepoint re-examined hundreds of previously explored areas in the Basin utilizing publicly available structural, lithologic and geophysical data at very low cost.

2. That re-examination identified a number of highly promising properties that:
   - fit all of the Purepoint model and overlay criteria;
   - followed directly in line and held geological relationships with other known high grade discoveries;
   - were in shallower, more easily accessible areas of the basin;
   - had millions of dollars worth of historic exploration work performed; and
   - where drilled, had missed the specific targets identified by the Purepoint model.

3. From among the properties identified, Purepoint conducted further geological analysis upon and then staked seven significant geologic formations representing approximately 250,000 hectares containing very specific uranium target sites.

These properties remain 100% owned by the company.

2005 saw significant accomplishments in preparing the company in its quest to identify the world's next super-deposit.

1. On May 30, 2005 Purepoint completed it reverse take over of Casablanca Capital Corp. resulting in our Toronto Venture Exchange listing;

2. By December 31, 2005 we had raised over $7,500,000 for exploration of our properties;

3. Near the end of the year we performed airborne geophysical surveys on 3 properties confirming the presence of highly prospective targets for further exploration;

4. Through detailed surface geophysical surveys, Purepoint re-established and extended targets on our Turnor Lake project outlining very specific drill targets for early 2006.

In the past four years we have seen monumental changes in the world demand for nuclear energy and the resources applied to relieve projected fuel shortages. Purepoint has uniquely positioned itself to take full advantage of the current economic environment - at present and for many years to come.

Chris Frostad
President & CEO

At a Glance

Management

The Purepoint leadership team is comprised of an independent, highly qualified group of experts with deep provincial and regulatory ties. With decades of experience in the Athabasca Basin, they are passionate about staying focused on projects with strong, high-grade uranium potential.

Board of Directors

Christopher Frostad, BBA, CA
Director, President & CEO

James Doak, Director

Peter Hooper, B.Sc., Director

Christopher Rich, Director

Allan Beach, BA, LL.B Director

David Carbonaro, LL.B Director

Fiscal Year End: December 31

Stock Symbol: PTU

Exchange: Toronto Venture Exchange

Shares Outstanding: 49,755,556

Fully Diluted Shares Outstanding: 60,055,556

Transfer Agent
Equity Transfer Services Inc.
Suite 420, 120 Adelaide Street West
Toronto, Ontario M5H 4C3

Bank
CIBC
1 St. Clair Avenue West
Toronto, Ontario M4V 1K7

Auditor
Moore Stephens Cooper Molyneux LLP
8th Floor, 701 Evans Avenue
Toronto, Ontario M9C 1A3

Purepoint Uranium Group Inc.

Corporate Office
45 Glenview Avenue
Toronto, Ontario M4R 1P5

Exploration Office
360 Bay Street, Suite 300
Toronto, Ontario M5H 2V6

Phone: 416.603.8368
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www.purepoint.ca

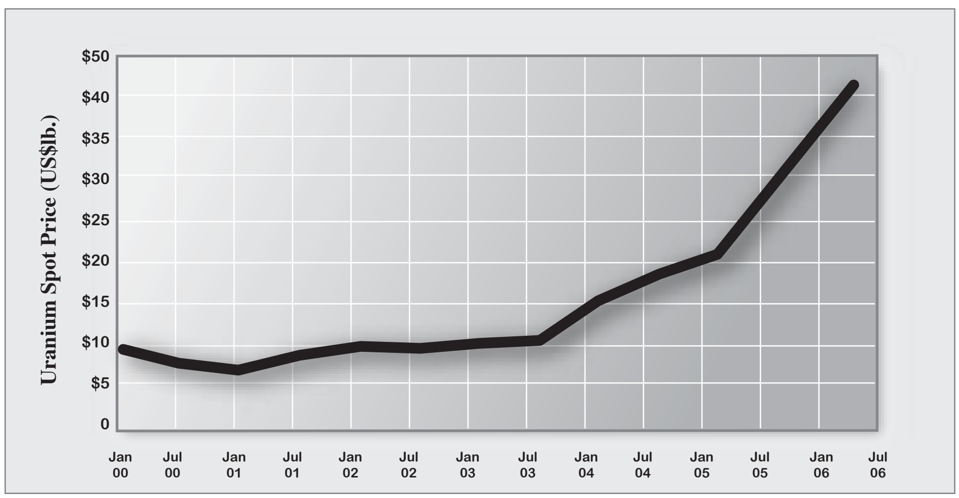
Purepoint Uranium Group Inc. is a uranium focused exploration company with 100 percent ownership of over 240,000 hectares in the world's richest uranium district; the Canadian Athabasca Basin.

We are actively advancing seven key properties of historic significance with drilling well under way.

The Nuclear Renaissance

Driven by the increase in worldwide electricity demand, nuclear power now accounts for approximately 18% of the planet's electricity needs. The International Atomic Energy Agency predicts that in addition to the 440 nuclear power reactors now in operation, there will be an additional 100 new plants completed within the next 15 years.

Dwindling surplus inventories and inadequate new discoveries have pushed the spot price of uranium to an all time high of over US$40.00 per pound with no end in sight.



Canada in the Forefront

As one of the few exploration teams to be found in the Basin in late 2002, Purepoint analyzed most of the known deposits in the region, representing millions of dollars in exploration. Key properties were pinpointed and staked before the resurgence in uranium began. As a result, the company has amassed an exceptional portfolio of projects with many on strike with some of the largest deposits in the world including McArthur River, Cigar Lake, JEB, Midwest and Millennium.

Located in northern Saskatchewan, the Athabasca Basin contains unparalleled, world class uranium deposits with average grades of up to 22.5% U (26.56% U_3O_8). In comparison, most uranium ore deposits worldwide are mined at average grades just in excess of only 0.08% U (0.1% U_3O_8).

Management's Discussion and Analysis

The following discussion and analysis is management's assessment of the results and financial condition of Purepoint Uranium Corporation ("Purepoint" or the "Company") and should be read in conjunction with the audited financial statements for the year ended December 31, 2005 together with the related noted 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 27, 2006.

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 was formed for the primary purpose of locating uranium deposits in the Athabasca Basin in Northern Saskatchewan. Purepoint currently maintains seven 100%-owned properties made up of 43 claims totaling approximately 250,000 hectares (625,000 acres) located in the Athabasca Basin. Saskatchewan's Athabasca Basin currently provides one third of the world's uranium production credited primarily to that region's unusually high ore grade deposits.

Purepoint's current focus is on early stage exploration activities on its properties, including diamond drilling surveys on its most advanced project, Turnor Lake and the advancement of all of its properties to a drill ready stage over the course of the next year.

Material Transaction

On May 30, 2005, Purepoint and all of its shareholders completed an arm's-length share purchase and sale agreement, dated March 10, 2005, with Casablanca Capital Corp. ("Casablanca"), to sell all of the issued and outstanding common shares of Purepoint. The acquisition was Casablanca's qualifying transaction pursuant to the policies of the TSX Venture Exchange.

Casablanca was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on February 12, 2004 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange. The corporation had no assets other than cash.

Pursuant to the agreement, Casablanca issued to holders of Purepoint shares, 20 common shares of Casablanca for each outstanding Purepoint share, at a deemed value of 25 cents per Casablanca share. As at May 30, 2005, Purepoint security holders held a total of 1,644,278 Purepoint shares. The Casablanca share exchange resulted in the issuance of an additional 33,241,278 shares which included a deemed issuance of 2,000,000 shares to former shareholders of Casablanca, with the remainder being comprised of the 20-1 stock split of their common shares prior to the RTO. The total number of issued Casablanca shares upon completion of the qualifying transaction was 34,885,556.

Several additional items occurred upon completion of the qualifying transaction including:

a) the continuance of Casablanca under the Canada Business Corporations Act;
b) the change of name of Casablanca to Purepoint Uranium Group Inc.;
c) changing the fiscal year of Casablanca to December 31;
d) changing the auditors of Casablanca to Moore Stephens Cooper Molyneux LLP; and
e) changing the board of directors of Casablanca to nominees proposed by Purepoint which consisted of:

- Christopher Frostad;
- Peter Hooper;
- Christopher Rich;
- Allan Beach; and
- David Carbonaro

On March 10, 2005, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with Casablanca Capital Corp. (Casablanca) and with each of its shareholders.

Pursuant to the Share Exchange Agreement holders of issued and outstanding common shares of the Company received twenty (20) common shares of Casablanca for each outstanding share of the Company at a deemed value of $0.25 per Casablanca share.

The Share Exchange was completed on May 30, 2005. For accounting purposes, the transaction is considered a reverse take-over whereby the Company would be considered the acquiring company as the shareholders of the Company would acquire more than 50% of the issued and outstanding shares of Casablanca.

Prior to the Share Exchange, Casablanca changed its name to Purepoint Uranium Group Inc. The Company then continued as a public company and a reporting issuer with its common shares listed on the TSX Venture Exchange. The transaction resulted in the Company assuming the cash assets of Casablanca in the amount of $104,350.

Management's Discussion and Analysis (cont'd)

Selected annual financial information

The following selected annual information is derived from the audited financial statements and is prepared in accordance with Canadian generally accepted accounting principles.

	Year Ended December 31, 2005 (audited)	Year Ended December 31, 2004 (audited)
Total revenues	**$ 37,916**	**$ 435**
Net income (loss)	**$ 265,225**	**($ 23,141)**
Basic and diluted earnings per share	**$ 0.01**	**$ 0.00**
Current assets	**$ 5,672,519**	**$ 158,886**
Mining Properties	**$ 1,355,399**	**$ 147,425**
Total assets	**$ 7,031,690**	**$ 306,311**
Shareholder's equity	**$ 5,194,457**	**$ 296,861**

Results of operations

Purepoint's operation's during the year ended December 31, 2005 produced a net income of $265,225 compared to a loss of $23,141 during the year ended December 31, 2004. The Company incurred $1,207,974 in exploration expenditures on its properties during the year ended December 31, 2005 compared to $147,426 during the year ended December 31, 2004. Interest income for the year ended December 31, 2005 was $37,916 (2004 -$435). The interest income in 2005 was received from proceeds realized from the private placement described under "Liquidity and capital resources".

Outstanding Share Data

Common Shares:

The Company has authorized an unlimited number of common shares, with no par value, of which 49,755,556 shares are issued and outstanding as at December 31, 2006.

Liquidity and capital resources

At December 31, 2005, the company had a working capital surplus of $3,835,286, compared to $149,436 as at December 31, 2004. The increase is primarily attributed to the increase in cash from the private placement described below

Prior to the share exchange, the Company issued 128,833 flow-through shares at a price of $6.00 per unit on March 29, 2005.

Contemporaneous with the share exchange the Company issued 99,999 flow-through shares at a price of $6.00 per unit and 57,000 common shares at a price of $5.00 per unit on May 30, 2005.

Subsequent to the share exchange, the Company issued 1,000,000 common shares at a price of $0.25 per unit for total proceeds of $250,000 on August 11 2005.

On November 7, 2005, the Company issued 13,750,000 units at a price of $0.40 per unit for total proceeds of $5,500,000. Each unit consisted of one common share and one half warrant entitling the holder to purchase one common share of the Company at a price of $0.50 per share for a period of one year from the closing date.

The proceeds of all of these offerings net of issuance costs amounted to $6,820,677 and will be applied against the ongoing exploration of Purepoint's properties.

Off-balance sheet arrangements

The company had no off balance sheet arrangement as at December 31, 2004 or December 31, 2005.

Financial Instruments and Other Instruments

The Company's excess cash reserves are held in short term flexible GIC's. The Company had no financial instruments other than these GIC's, accounts receivable and accounts payable as at December 31, 2004 and December 31, 2005.
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.

Chris Frostad
President & Chief
Executive Officer
April 27, 2006

Ram Ramachandran
Chief Financial Officer
April 27, 2006

MOORE STEPHENS COOPER MOLYNEUX LLP
CHARTERED ACCOUNTANTS

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Auditors' Report

To the Shareholders of
Purepoint Uranium Corporation

We have audited the consolidated balance sheets of Purepoint Uranium Corporation as at December 31, 2005 and 2004 and the consolidated statements of operations and retained earnings and cash flows for the year ended December 31, 2005 and for the period from March 24 to December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 the results of its operations and its cash flows for the year ended December 31, 2005 and for the period from March 24 to December 31, 2004 in accordance with Canadian generally accepted accounting principles.

Signed: ***"Moore Stephens Cooper Molyneux LLP"***

Chartered Accountants

Toronto, Ontario
January 18, 2006

Consolidated Balance Sheets
December 31, 2005 and 2004

	2005	2004
Assets		
Current assets		
Cash	**$ 176,444**	$ 138,183
Accounts receivable	**126,660**	5,703
Short-term investments	**4,924,671**	-
Prepaid expenses	**21,178**	-
Deposits *(Note 4)*	**423,566**	15,000
	5,672,519	158,886
Equipment *(Note 6)*	**3,772**	-
Mining properties *(Note 5)*	**1,355,399**	147,425
	$ 7,031,690	$ 306,311
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 179,428**	$ 9,450
Future income tax liability *(Note 10)*	**1,657,805**	-
	1,837,233	9,450
Shareholders' equity		
Share capital *(Note 7(b))*	**3,804,477**	320,002
Contributed surplus *(Note 7(c))*	**1,147,896**	-
Retained earnings (deficit)	**242,084**	(23,141)
	5,194,457	296,861
	$ 7,031,690	$ 306,311

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

Approved by the Board

Signed: ***"James Doak"***

James Doak

Signed: ***"Allan Beach"***

Allan Beach

Consolidated Statements of Operations and Retained Earnings
for the year ended December 31, 2005 and for the period from March 24 to December 31, 2004

	2005	2004
Revenue		
Interest income	**$ 37,916**	$ 435
Expenses		
Salaries and benefits	**106,341**	-
Stock-based compensation *(Note 8)*	**98,265**	-
Investor relations	**77,700**	-
Professional fees	**56,787**	7,500
General and administration	**39,052**	14,917
Travel	**14,317**	1,159
Transfer agent and filing fees	**8,241**	-
Amortization	**754**	-
	401,457	23,576
Loss from operations	**(363,541)**	(23,141)
Reverse takeover costs	**(83,803)**	-
Loss before recovery of future income taxes	**(447,344)**	(23,141)
Recovery of future income taxes *(Note 10)*	**(712,569)**	
Net income (loss) for the years	**265,225**	(23,141)
Deficit, beginning of years	**(23,141)**	-
Retained earnings (deficit), end of years	**$ 242,084**	$ (23,141)
Basic and diluted earnings per common share *(Note 11)*	**$ 0.01**	$ (0.00)

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

Consolidated Statement of Cash Flows
for the year ended December 31, 2005 and for the period from March 24 to December 31, 2004

	2005	2004
Cash flow from operating activities		
Net income (loss) for the years	$ 265,225	$ (23,141)
Items not affecting cash		
Amortization	754	-
Stock-based compensation	98,265	-
Shares issued as reverse takeover costs	75,000	-
Recovery of future income taxes	(712,569)	-
Change in working capital *(Note 12)*	(380,723)	(11,252)
Other uses of cash from financing activities		
Reverse takeover costs	8,803	-
	(645,245)	(34,393)
Cash flow from investing activities		
Mining properties	(1,207,974)	(147,426)
Equipment	(4,526)	-
Short-term investments	(4,924,671)	-
	(6,137,171)	(147,426)
Cash flow from financing activities		
Issuance of shares, net of issuance costs	5,779,849	320,002
Issuance of warrants	1,049,631	-
Reverse take over costs	(8,803)	-
	6,820,677	320,002
Increase in cash	38,261	138,183
Cash, beginning of years	138,183	-
Cash, end of years	$ 176,444	$ 138,183

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

1. Business of the Company

Purepoint Uranium Corporation ("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. *(Note 3)*. 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 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 favourable to the Company. These consolidated 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 consolidated 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. Significant Accounting Policies

Basis of presentation

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Purepoint Uranium Group Inc.

Short-term investments

Short-term investments consists of securities with remaining maturities of greater than 90 days carried at the lower of cost and market value.

Equipment

Equipment is recorded at cost. Amortization is provided over the expected useful lives of the equipment using the following method and annual rate:

Office equipment	- 3 years straight line

2. Significant Accounting Policies - continued

Mining properties

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

The recoverability of amounts shown for mining properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mining claims, the ability of the Company to obtain financing to complete development of the properties, and on future profitability production or proceeds from the disposition thereof.

On an annual basis, the Company reviews the carrying values of deferred mining property acquisition and exploration expenditures to assess whether there has been an impairment in value. The Company recognizes write-downs for impairment where the carrying value of a mining property exceeds its estimated long term net recoverable value.

Recoverable value is estimated based upon current exploration results and upon management's assessment of the future probability of positive cash flows from the property or from the sale of the property.

Stock-based compensation plan

The Company has in effect a Stock Option Plan ("the Plan"), which is described in *note 8*. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black Scholes model with the assumptions described in *note 8*. Consideration paid on the exercise of stock options is credited to share capital.

Basic and diluted earnings (loss) per share

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

Asset retirement obligations

The Company accounts for obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized in the accounts of the related long-lived assets and are amortized over the useful lives of the related assets. It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or costs estimates. Changes in estimates are accounted for prospectively from the period these estimates are revised.

Significant Accounting Policies - continued

Environmental expenditures

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

Income taxes

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management judgement include assessing the recoverability of mining properties and exploration costs and future income tax assets The reported amounts and note disclosures are determined to reflect the most probable set of economic conditions and planned course of action. Actual results could differ from these estimates.

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

Flow-through shares

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

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

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

2. Significant Accounting Policies - continued

Recent Canadian accounting pronouncements

Financial instruments - recognition and measurement

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") released new Handbook Section 3855, "Financial Instruments - Recognition and Measurement", effective for annual and interim periods beginning on or after October 1, 2006. This new section prescribes when a financial instrument is to be recognized on the balance sheet and at what amount, sometimes using fair value and other times using cost-based measures. It also specifies how financial instrument gains and losses are to be presented and defines financial instruments to include accounts receivable and payable, loans, investments in debt and equity securities, and derivative contracts.

The Company has not yet determined the impact of the adoption of this standard on its consolidated results of operations or financial position.

Comprehensive Income and Equity

In January 2005, the CICA released new Handbook Section 1530, “Comprehensive Income”, and Section 3251, “Equity”, effective for annual and interim periods beginning on or after October 1, 2006. Section 1530 establishes standards for reporting comprehensive income. The section does not address issues of recognition or measurement for comprehensive income and its components. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to Section 1530.

The Company has not yet determined the impact of the adoption of these standards on the presentation of its results of operations or financial position.

Non-Monetary Transactions

In June 2005, the CICA released a new Handbook Section 3831, Non-monetary Transactions, effective for fiscal periods beginning on or after January 1, 2006. This standard requires all non-monetary transactions to be measured at fair value unless they meet one of four very specific criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstances of the entity. Commercial substance is a function of the cash flows expected by the reporting entity.

The Company has determined that this standard will not have any impact to the Company’s consolidated financial statements.

3. Reverse Take Over

On March 10, 2005, the Company entered into a share exchange agreement (the “Share Exchange Agreement”) with Casablanca and with each of its shareholders.

Pursuant to the Share Exchange Agreement holders of issued and outstanding common shares of the Company received twenty (20) common shares of Casablanca for each outstanding share of the Company at a deemed value of $0.25 per Casablanca share.

The Share Exchange was completed on May 30, 2005. For accounting purposes, the transaction is considered a reverse take-over whereby the Company is considered to be the acquiring company as the shareholders of the Company acquired more than 50% of the issued and outstanding shares of Casablanca.

3. Reverse Take Over - continued

Prior to the Share Exchange, Casablanca changed its name to Purepoint Uranium Group Inc. The Company then continued as a public company and a reporting issuer with its common shares listed on the TSX Venture Exchange. The transaction resulted in the Company assuming the cash assets of Casablanca in the amount of $104,350.

4. Deposits

	2005	2004
Deposit on drilling	**$ 200,000**	$ -
Deposit on camp at Turnor Lake	**100,235**	-
Deposit on 2006 Geophysical work	**43,000**	-
Other	**80,331**	15,000
	$ 423,566	$ 15,000

5. Mining Properties

	Dec 31, 2004	Expenditures during the year	**Dec 31, 2005**
McEwen Lake Property	$ 9,625	$ 83,327	**$ 92,952**
Red Willow Property	31,171	152,874	**184,045**
S. Newnham Lake Property	4,115	52,371	**56,486**
Turnor Lake Property	29,505	310,971	**340,476**
Umfreville Lake Property	68,990	465,726	**534,716**
William River Property	4,019	82,578	**86,597**
Fire Eye Lake Property	-	60,127	**60,127**
	$ 147,425	$ 1,207,974	**$ 1,355,399**

These properties are all located at the Athabasca Basin, Northern Saskatchewan. The Company owns a 100% interest in a total of 22 claims covering 86,900 hectares. In addition, the Company paid a $15,000 deposit on a Mineral Prospecting Permit that grants the Company the exclusive right to explore and prospect for all minerals on 27,276 hectares of land in the same region. This deposit will be refunded when the Company makes the required exploration expenditures as follows:

a) $1.25 per hectare for a total of $34,095 in first permit year; and

b) $4.00 per hectare for a total of $109,104 in subsequent permit year.

6. Equipment

			2005	2004
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Office equipment	**$ 4,526**	**$ 754**	**$ 3,772**	$ -

Notes to Consolidated Financial Statements
December 31, 2005

7. Shareholders' Equity

Share Capital

(a) Authorized

Unlimited Common shares

(b) Issued and outstanding

	Common Shares	Amount
Balance, March 24, 2004 (Date of incorporation)	543,800	$ 2
Shares issued from private placements	764,644	320,000
Balance December 31, 2004 (i)	1,308,444	320,002
Shares issued in private placement (ii)	285,834	1,657,996
Shares issued in RTO (iii)	50,000	75,000
Balance May 30, 2005 (Date of RTO)	1,644,278	2,052,998
Casablanca Share Exchange (iv)	33,241,278	36,236
Shares issued in private placement (v)	1,000,000	250,000
Options exercised	120,000	24,000
Shares issued in private placement (vi)	13,750,000	3,811,617
Tax benefits renounced on flow-through shares (vii)	-	(2,370,374)
Balance December 31, 2005	49,755,556	$ 3,804,477

(i) On March 25, 2004 the Company issued 543,800 common shares for proceeds of $2.00. On May 13, 2004 the Company issued 536,200 common shares for total proceeds of $50,000. On October 22, 2004 the Company issued 97,600 common shares for total proceeds of $70,000. On November 8, 2004 the Company issued 130,844 common shares for total proceeds of $200,000.

(ii) On March 29, 2005 the Company issued 128,833 flow-through shares at a price of $6.00 per share. On May 30, 2005 the Company issued an additional 99,999 flow-through shares at a price of $6.00 per share and 57,000 common shares at a price of $5.00 per share.

(iii) On May 30, 2005 50,000 common shares were issued at a price of $1.50 in consideration for professional fees rendered associated with the RTO.

(iv) The Casablanca share exchange includes a deemed issuance of 2,000,000 shares to former shareholders of Casablanca, with the remainder being comprised of a 20-to-1 stock split of common shares outstanding prior to the RTO .

7. Shareholder's Equity - continued

(b) Issued and outstanding - continued

(v) On August 11, 2005 the Company issued 1,000,000 common shares at a price of $0.25 per share.

(vi) On November 7, 2005, the Company completed a private placement of 13,750,000 units for gross proceeds of $5,500,000. Each unit consists of one common share and one half of one common share purchase warrant at a price of $0.40 per unit. Each full warrant entitles the holder to purchase one common share of the Company at a price of $0.50 per share for a period of one year from the closing date. The Company paid a commission of $510,000 in cash and $128,752 in legal and filing fees on this private placement. The 6,875,000 warrants issued were assigned a fair value of $1,049,631 calculated using the Black-Scholes model. The assumptions used in the model were 0% dividend rate, 80% expected volatility, 2.5% risk-free interest rate and expected life of one year.

(vii) In connection with the issuance of flow-through shares under the private placements referred to above, the Company renounced a total of $6,562,496 of qualifying expenditures to the shareholders in 2005 of which $1,045,000 has been spent as of December 31, 2005 with the balance to be spent in 2006. The tax benefit forgone by the Company in 2005 at the current tax rates amounted to $2,370,374.

(c) Contributed Surplus

	2005	2004
Balance, beginning of the year	**$ -**	$ -
Compensation expense relating to stock option awards *(Note 8)*	**98,265**	-
Fair value of warrants *issued (Note 7 (b)(vi))*	**1,049,631**	-
Balance, end of year	**$ 1,147,896**	$ -

8. Stock-Based Compensation

The Company has a stock option plan (the "Plan"). Under the Plan, the Company can grant options up to 10% of the total number of issued and outstanding shares. The Company accounts for the options using the fair value based method of accounting.

The following table reflects the continuity of options outstanding:

	Options		**Average Exercise Price**	
	2005	2004	**2005**	2004
Outstanding, beginning of year	**-**	-	**-**	-
From Casablanca on RTO	**120,000**	-	**0.20**	-
Exercised	**(120,000)**	-	**0.20**	-
Granted	**2,050,000**	-	**0.30**	-
Outstanding, end of year	**2,050,000**	-	**0.30**	-

On July 21, 2005 the Company granted 2,050,000 stock options. As at December 31, 2005, none of the outstanding options had vested. These options will begin vesting in July 2006.

8. Stock-Based Compensation - continued

The weighted average remaining contractual life and weighted average exercise price of options outstanding and exercisable as at December 31, 2005 are as follows:

Options Outstanding			Options Exercisable	
Number Outstanding	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
2,050,000	$ 0.30	2.50	-	$ 0.30

Using the Black-Scholes pricing model, the weighted average fair value of options granted during the year ended December 31, 2005 was estimated to be $360,073 (2004 - $NIL). Of that amount, $98,265 has been recorded as stock compensation expense and as an increase in contributed surplus.

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

Risk-free interest rate	3.17%
Dividend rate	0%
Expected volatility	103%
Expected life	3 years

9. Related Party Transactions

The Company entered into an agreement with one of its directors to provide consulting services related to the RTO *(note 7(b)(iii))*. For this service, the director received 50,000 common shares of the Company valued at $75,000.

This transaction is in the normal course of operations and is measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

10. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate of 36.12% (2004 - 36.12%) to the amounts recognized in the consolidated statements of operations.

	2005	2004
Loss before provision for current income taxes	**$ (447,344)**	$ (23,141)

10. Income Taxes - continued

	2005	2004
Expected income tax recovery at Canadian statutory income tax rates	**$ (161,581)**	$ (8,358)
Tax benefit of losses not currently recognized	**-**	8,358
Tax effect of expenses not deductible for income tax purposes	**37,014**	-
Tax effect of differences in the timing of deductibility of items for accounting versus income tax purposes		
- expenses of obtaining financing	**(63,501)**	-
- other	**273**	-
Valuation allowance	**187,795**	-
Provision for income taxes	**$ -**	$ -

The tax effects of temporary differences that give rise to significant portions of the future tax assets/liabilities at December 31, 2005 are as follows:

	2005	2004
Non-capital losses	**$ 236,015**	$ 8,358
Mineral properties and exploration costs	**489,570**	52,167
Financing and revere take over costs	**254,032**	52,167
Tax effects of flow through renunciation	**(2,370,374)**	-
Future income tax assets, before valuation allowance	**(1,390,757)**	112,692
Valuation allowance	**(267,048)**	(60,525)
Net future income tax liability	**$ (1,657,805)**	$ 52,167

At December 31, 2005, the Company had non-capital losses in Canada of approximately $653,000 which are available under certain circumstances to reduce future taxable income. These losses expire as follows:

2014	**$ 23,000**
2015	**630,000**
	$ 653,000

In 2005, the tax reduction benefit of $712,569 relating to non-capital losses carried forward and mining expenditures was recognized sufficient to offset a portion of the future tax liability recognized on the flow-through expenditures.

Notes to Consolidated Financial Statements
December 31, 2005

11. Earnings (Loss) per Share

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the years ended December 31:

	2005	2004
Numerator:		
Income (loss) attributable to common shareholders - basic and diluted	**$ 265,225**	$ (23,141)
Denominator:		
Weighted-average common shares outstanding - basic	**34,804,406**	15,121,500
Effect of dilutive securities:		
Employee stock options	**-**	-
Warrants	**-**	-
Weighted-average common shares outstanding - diluted	**34,804,406**	15,121,500
Basic and diluted earnings (loss) per common share	**$ 0.01**	$ (0.00)

At December 31, 2005, none of the issued and outstanding options had vested and the warrants were anti-dilutive. As a result they are not included in the calculation of diluted earnings per share. At December 31, 2004, there were no options or warrants outstanding.

12. Supplementary Cash Flow Information

	2005	2004
Increase in accounts receivable	**$ (120,957)**	$ (5,703)
Increase in prepaid expenses	**(21,178)**	-
Increase in deposits	**(408,566)**	(15,000)
Increase in accounts payable and accrued liabilities	**169,978**	9,451
	$ (380,723)	$ (11,252)

13. Commitment

Pursuant to the flow-through issue described in *note 7*, the Company is required to spend $5,517,496 on Canadian Exploration Expenditures in 2006.

14. Financial Instruments

Fair value

The carrying amounts of accounts receivable and accounts payable and accrued liabilities approximates their fair value because of the short-term maturities of these amounts.

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.

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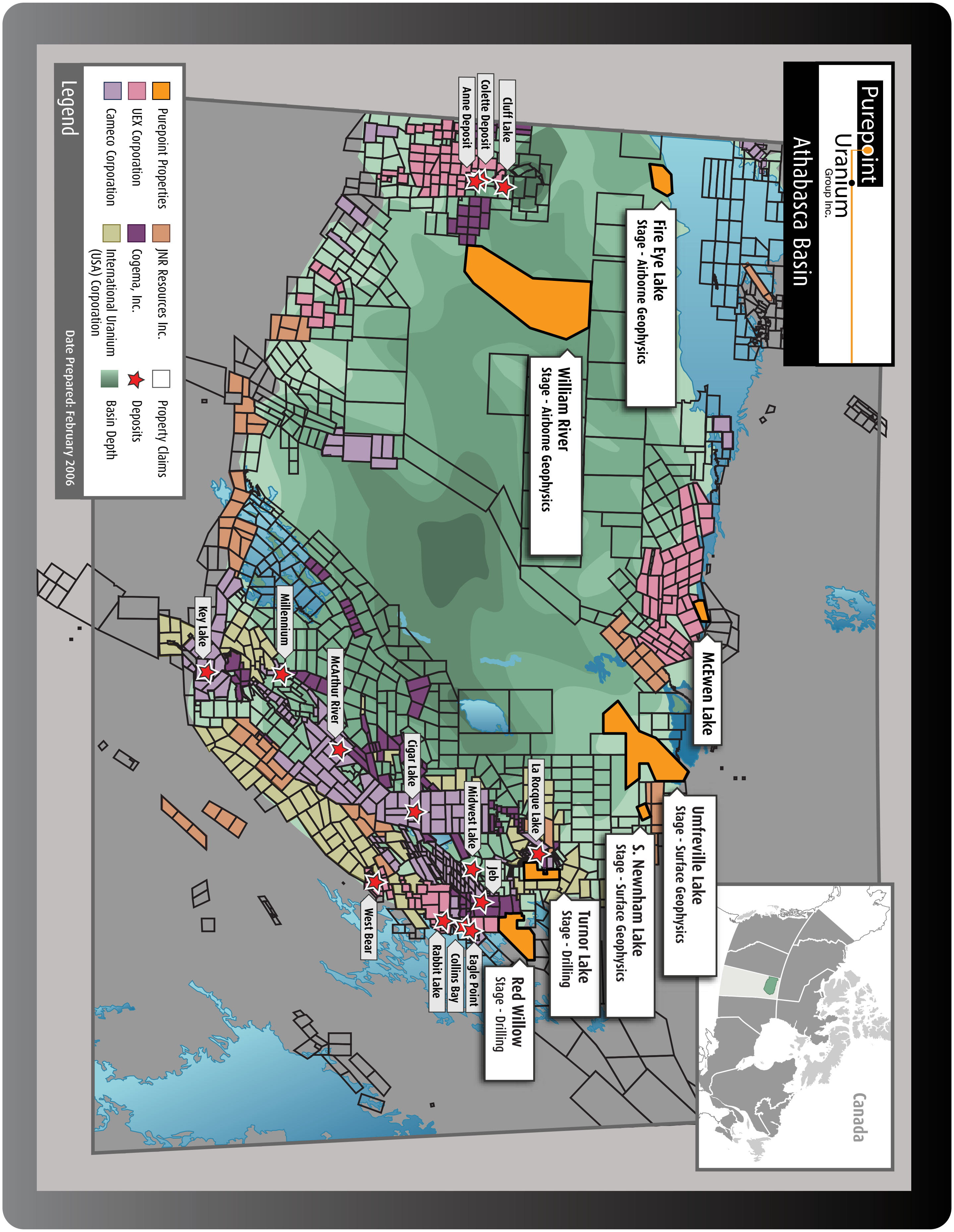

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