



Purepoint Uranium Group Inc.
(A Development Stage Company)

Consolidated Financial Statements

December 31, 2006 and 2005

Purepoint Uranium Group Inc.
(A Development Stage Company)

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December 31, 2006 and 2005

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Auditors' Report

To the Shareholders of
Purepoint Uranium Group Inc.

We have audited the consolidated balance sheet of Purepoint Uranium Group Inc. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. 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, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Signed: *"Moore Stephens Cooper Molyneux LLP"*

Chartered Accountants

Toronto, Ontario
March 23, 2007

Purepoint Uranium Group Inc.
(A Development Stage Company)

Consolidated Balance Sheets
December 31, 2006 and 2005

	2006	2005 Restated (Note 12)
Assets		
Current assets		
Cash	\$ -	\$ 176,444
Accounts receivable	161,588	126,660
Short-term investments	5,262,139	4,924,671
Prepaid expenses	25,877	21,178
Deposits (Note 4)	252,568	423,566
	5,702,172	5,672,519
Equipment (Note 5)	2,264	3,772
Mining properties and deferred exploration expenditures (Note 6)	7,484,197	1,355,399
	\$ 13,188,633	\$ 7,031,690
Liabilities		
Current liabilities		
Bank indebtedness	\$ 14,580	\$ -
Accounts payable and accrued liabilities	578,055	179,428
	592,635	179,428
Future income tax liability (Note 9) and (Note 12)	2,799,938	1,997,295
	3,392,573	2,176,723
Shareholders' equity		
Share capital (Note 7(b))	8,911,564	3,804,477
Contributed surplus (Note 7(c))	1,258,504	1,147,896
Deficit	(374,008)	(97,406)
	9,796,060	4,854,967
	\$ 13,188,633	\$ 7,031,690

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

Purepoint Uranium Group Inc.
(A Development Stage Company)

Consolidated Statements of Operations and Deficit
for the year ended December 31, 2006 and 2005

	2006	2005 Restated (Note 12)	Cumulative from Inception (Note 2)
Revenue			
Interest	\$ 89,401	\$ 37,916	\$ 127,752
Expenses			
Salaries and benefits	181,095	106,341	287,436
Stock-based compensation	153,704	98,265	251,969
Investor relations	123,036	77,700	200,736
Professional fees	122,091	56,787	186,378
General and administration	45,634	39,052	99,603
Transfer agent and filing fees	45,522	8,241	53,763
Travel	17,412	14,317	32,888
Amortization	1,508	754	2,262
	690,002	401,457	1,115,035
Loss from operations	(600,601)	(363,541)	(987,283)
Reverse takeover costs	-	(83,803)	(83,803)
Loss before recovery of future income taxes	(600,601)	(447,344)	(1,071,086)
Recovery of future income taxes (Note 9) and (Note 12)	(323,999)	(373,079)	(697,078)
Net loss for the year	(276,602)	(74,265)	(374,008)
Deficit, beginning of year	(97,406)	(23,141)	-
Deficit, end of year	\$ (374,008)	\$ (97,406)	\$ (374,008)
Basic and diluted per			
common share (Note 10)	\$ (0.01)	\$ (0.00)	

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

Purepoint Uranium Group Inc.
(A Development Stage Company)

Consolidated Statements of Cash Flows
for the year ended December 31, 2006 and 2005

	2006	2005 Restated (Note 12)	Cumulative from Inception (Note 2)
Cash flow from operating activities			
Net loss for the year	\$ (276,602)	\$ (74,265)	\$ (374,008)
Items not affecting cash			
Amortization	1,508	754	2,262
Stock-based compensation	153,704	98,265	251,969
Reverse take over costs	-	8,803	8,803
Shares issued for reverse takeover costs	-	75,000	75,000
Recovery of future income taxes	(323,999)	(373,079)	(697,078)
Change in working capital amounts <i>(Note 11)</i>	529,995	(380,723)	138,020
	84,606	(645,245)	(595,032)
Cash flow from investing activities			
Mining properties and deferred explorations expenditures	(6,128,798)	(1,207,974)	(7,484,197)
Equipment	-	(4,526)	(4,526)
Short-term investments	(337,469)	(4,924,671)	(5,262,140)
	(6,466,267)	(6,137,171)	(12,750,863)
Cash flow from financing activities			
Issuance of shares, net of issuance costs	5,601,539	5,779,849	11,701,389
Issuance of warrants	589,098	1,049,631	1,638,729
Reverse take over costs	-	(8,803)	(8,803)
	6,190,637	6,820,677	13,331,315
(Decrease) increase in cash	(191,024)	38,261	(14,580)
Cash, beginning of year	176,444	138,183	-
(Bank indebtedness) cash, end of year	\$ (14,580)	\$ 176,444	\$ (14,580)

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

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

1. Business of the Company

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

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. (see note 15(a)).

Short-term investments

Short-term investments consists of guaranteed investment certificates with remaining maturities of greater than 90 days but less than one year and are 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
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Notes to Consolidated Financial Statements
December 31, 2006 and 2005

2. Significant Accounting Policies - continued

Mining properties and deferred exploration expenditures

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 sold, or the carrying value is determined to be in excess of possible recoverable amounts.

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

On an annual basis, the Company reviews the carrying values of mining properties acquisition costs and deferred 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 per share

The basic earnings per share has been calculated based upon the weighted average number of common shares outstanding during the year. Diluted earnings 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.

Development stage company

The Company has disclosed additional comparative information in conformity with CICA Handbook AcG-11 - Enterprises in the Development Stage. Accordingly, the statements of operations and deficit and cash flows disclose cumulative balances from the inception of the development stage being March 24, 2004. The notes to the consolidated financial statements disclose details of issuance of shares from the date of inception of the Company.

2. Significant Accounting Policies - continued

Asset retirement obligations

The Company accounts for obligations associated with the retirement of tangible long-lived assets by recording them 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.

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 judgment include assessing the recoverability of mining properties and deferred exploration costs, stock based compensation 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.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

2. Significant Accounting Policies - continued

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.

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.

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.

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 was 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.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

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

	2006	2005
Deposit on drilling	\$ 200,000	\$ 200,000
Deposit on camp at Turnor Lake	-	100,235
Deposit on 2006 Geophysical work	-	43,000
Other	52,568	80,331
	\$ 252,568	\$ 423,566

5. Equipment

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 4,526	\$ 2,262	\$ 2,264	\$ 3,772

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(A Development Stage Company)

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

6. 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
	December 31, 2005	Expenditures during the year	December 31, 2006
McEwen Lake Property	\$ 92,952	\$ 25,999	\$ 118,951
Red Willow Property	184,045	1,149,142	1,333,187
S. Newnham Lake Property	56,486	15,952	72,438
Turnor Lake Property	340,476	2,657,930	2,998,406
Umfreville Lake Property	534,716	498,021	1,032,737
William River Property	86,597	1,297,065	1,383,662
Fire Eye Lake Property	60,127	484,689	544,816
	\$ 1,355,399	\$ 6,128,798	\$ 7,484,197

These properties are all located at the Athabasca Basin, Northern Saskatchewan. The Company owns a 100% interest in a total of 51 claims covering 249,521 hectares.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

7. Shareholders' Equity

Share Capital

(a) Authorized

Unlimited Common shares

(b) Issued and outstanding

	Common Shares	Amount
Issued at inception	543,802	\$ 6
Issued under private placements since inception	764,644	320,000
Balance December 31, 2004	1,308,446	320,006
Shares issued in private placement (i)	285,832	1,657,992
Shares issued in RTO (ii)	50,000	75,000
Balance May 30, 2005 (Date of RTO)	1,644,278	2,052,998
Casablanca Share Exchange (iii)	33,241,278	36,236
Shares issued in private placement (iv)	1,000,000	250,000
Options exercised	120,000	24,000
Shares issued in private placement (v)	13,750,000	3,811,617
Tax benefits renounced on flow-through shares (vi)	-	(2,370,374)
Balance December 31, 2005	49,755,556	3,804,477
Options and warrants exercised	4,260,433	2,088,684
Shares issued in private placement (vii)	7,129,000	4,145,044
Tax benefits renounced on flow-through shares (viii)	-	(1,126,641)
Balance December 31, 2006	61,144,989	\$ 8,911,564

- (i) On March 29, 2005 the Company issued 128,832 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.
- (ii) 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.
- (iii) The Casablanca share exchange includes the 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 .

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

7. Shareholders' Equity - continued

(b) Issued and outstanding - continued

- (iv) On August 11, 2005 the Company issued 1,000,000 common shares at a price of \$0.25 per share.
- (v) 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 1,375,000 in broker warrants exercisable at \$0.40 for twenty-four months, as well as \$128,752 in legal and filing fees on this private placement. The 8,250,000 warrants issued were assigned a fair value, net of the pro-rata issue costs, of \$1,049,631 calculated using the Black-Scholes model. The assumptions used in the model for valuing 6,875,000 warrants were 0% dividend rate, 80% expected volatility, 2.5% risk-free interest rate and expected life of one year. The assumptions used in the model for valuing 1,375,000 broker warrants were 0% dividend rate, 92% expected volatility, 2.5% risk-free interest rate and expected life of two years.
- (vi) 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 was spent in 2005 and the balance in 2006. The tax benefit forgone by the Company in 2005 at the current tax rates amounted to \$2,370,374.
- (vii) On November 30, 2006 the Company completed a private placement of 2,542,000 units (at \$0.60 per unit) and 4,587,000 flow-through common shares (at \$0.68 per share) for gross proceeds of \$4,644,640. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of \$0.75 per share for a period of eighteen months from the closing date. The Company paid a commission of \$361,549 in cash and 712,900 in broker warrants exercisable at \$0.60 for eighteen months, as well as \$137,767 in legal and miscellaneous fees. The 1,983,900 warrants were assigned a fair value, net of the pro-rata issue costs, of \$589,099 calculated using the Black-Scholes model. The assumptions used in the model for valuing warrants were 0% dividend rate, 80% expected volatility, 3.5% risk-free interest rate and expected life of eighteen months.
- (viii) In connection with the issuance of flow-through shares under the fiscal 2006 private placements referred to above, the Company renounced a total of \$3,119,160 of qualifying expenditures to the shareholders in 2006 of which \$611,301 was spent in 2006 with the balance to be spent in 2007. The tax benefit forgone by the Company in 2006 at the current tax rates amounted to \$1,126,641.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

7. Shareholders' Equity - continued

(c) **Share purchase warrants**

Details of the number of warrants outstanding are as follows:

	2006	2005
Balance, beginning of the year	8,250,000	-
Exercised during the year	(4,178,600)	-
Expired during the year	(3,377,500)	-
Granted during the year	1,983,900	8,250,000
Balance, end of year	2,677,800	8,250,000

Contributed surplus

	2006	2005
Balance, beginning of the year	\$ 1,147,896	\$ -
Compensation expense relating to stock option awards	153,703	98,265
Fair value of warrants granted (<i>Note 7 (b)(v) and (vii)</i>)	589,099	1,049,631
Fair value of warrants and options exercised	(632,194)	-
Balance, end of year	\$ 1,258,504	\$ 1,147,896

8. Stock-Based Compensation

(a) 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	
	2006	2005	2006	2005
Outstanding, beginning of year	2,050,000	-	0.30	-
From Casablanca on RTO	-	120,000	0.30	0.20
Exercised	(83,333)	(120,000)	0.30	0.20
Expired	(500,000)	-	0.30	-
Granted	120,000	2,050,000	0.40	0.30
Outstanding, end of year	1,586,667	2,050,000	0.31	0.30

In September 2006, 120,000 stock options were granted as part of a consulting agreement. These options expire in September 2007. As at December 31, 2006, 5,239 of these options have vested.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

8. Stock-Based Compensation - continued

(b) The weighted average remaining contractual life and weighted average exercise price of options outstanding and exercisable as at December 31, 2006 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
1,586,667	\$ 0.31	1.46	150,000	\$ 0.31

Using the Black-Scholes pricing model, the weighted average fair value of options granted during the year ended December 31, 2006 was estimated to be \$19,371 (2005 - \$360,073). This amount, net of forfeitures, is amortized as stock based compensation over the vesting period of the options. In 2006 \$153,704 (2005 - \$98,265) was taken into contributed surplus as stock option expense being recognized on the vesting of 2005 and 2006 options granted.

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

	2006	2005
Risk-free interest rate	4.5%	3.17%
Dividend rate	0%	0%
Expected volatility	102%	103%
Expected life	1 year	3 years

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

9. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate of 36.12% (2005 - 36.12%) to the amounts recognized in the consolidated statements of operations.

	2006	2005
(Loss) before provision for income taxes	\$ (600,601)	\$ (447,344)
Expected income tax recovery at statutory income tax rates	\$ (216,937)	\$ (161,581)
Non-deductible stock-based compensation	55,518	35,493
Deductible share issue and related costs	(99,579)	(1,288)
Other	17,773	19,101
Future tax benefit resulting from current year tax loss	243,225	108,275
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, 2006 are as follows:

	2006	2005
Excess of book value over tax value of mining properties and deferred exploration expenditures	\$ (3,497,014)	\$ (2,370,374)
Non-capital losses	362,271	119,046
Undeducted financing and related costs	334,805	254,033
Net future income tax liability	\$ (2,799,938)	\$ (1,997,295)

At December 31, 2006, the Company had non-capital losses in Canada of approximately \$1,003,000 which are available under certain circumstances to reduce future taxable income. These losses expire as follows:

2014	\$ 30,000
2015	300,000
2026	673,000
	\$ 1,003,000

In 2006 and 2005, the tax reduction benefit relating to non-capital losses carried forward and undeducted financing and related costs was recognized sufficient to offset a portion of the future tax liability recognized on the renounced flow-through expenditures.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005

10. 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:

	2006	2005
Numerator:		
Income (loss) attributable to common shareholders - basic and diluted	\$ (276,602)	\$ (74,265)
Denominator:		
Weighted-average common shares outstanding - basic	51,104,509	34,804,406
Effect of dilutive securities:		
Employee stock options	829,415	-
Weighted-average common shares outstanding - diluted	51,933,924	34,804,406
Basic and diluted Loss per common share	\$ (0.01)	\$ (0.00)

At December 31, 2006, all outstanding options and warrants were anti-dilutive. As a result they are not included in the calculation of diluted earnings per share. 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.

11. Supplementary Cash Flow Information

	2006	2005
Increase in accounts receivable	\$ (34,928)	\$ (120,957)
Increase in prepaid expenses	(4,699)	(21,178)
Decrease (increase) in deposits	170,997	(408,566)
Increase in accounts payable and accrued liabilities	398,625	169,978
	\$ 529,995	\$ (380,723)

12. Restatement of Prior Year's Income Tax Provision

On review of the tax effect of differences in the timing of deductibility of items for accounting versus income tax purposes, the Company determined that the provision for recovery of future income taxes for the year ended December 31, 2005 reflected an overstatement of the recovery of \$339,490. The following items have been restated for the year ended December 31, 2005:

The provision for recovery of future income taxes decreased by	\$ 339,490
Future income tax liability increased by	\$ 339,490
Net income for the year and retained earnings, end of the year decreased by	\$ 339,490
Basic and diluted earnings per share decreased by	\$ 0.01

Notes to Consolidated Financial Statements
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13. Commitment

Pursuant to the issuance of flow-through shares described in *note* 7(b)(vii) and 7(b)(viii), the Company is required to spend \$2,507,859 on Canadian Exploration Expenditures in 2007.

14. Financial Instruments

Fair value

The carrying amounts of accounts receivable, short-term investments, bank indebtedness, 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.

15. Events Subsequent to December 31, 2006

Subsequent to the year end the following events have taken place:

- a) Pursuant to Articles of Amalgamation the Company amalgamated with its wholly owned subsidiary Purepoint Uranium Group Inc. effective January 1, 2007. The name of the amalgamated company is Purepoint Uranium Group Inc.
- b) On January 11, 2007, the Board of Directors approved the issuance of 1,800,000 options to members of its Board of Directors and certain senior officers pursuant to its stock option plan. The options are exercisable at \$0.90 and are subject to agreed vesting schedules and expire in five years.
- c) On January 25, 2007, the Company entered into an agreement with Cameco Corporation ("Cameco"). Under the terms of the agreement, the Company has the right to earn a 20% interest in Cameco's Smart Lake Property by incurring expenditures on that property of a minimum of \$1,500,000 over a consecutive twenty seven month period commencing January 1, 2007.

Upon the Company earning the 20% interest Cameco and the Company will become joint venturers with respect to that property. Under certain conditions the Company can earn up to an additional 30% interest in the property.

- d) On February 6, 2007, the Company entered into an agreement with UEM Inc. ("UEM"). Under the terms of the agreement, the Company has the right to earn a 20% interest in UEM's Hook Lake Property by incurring expenditures on that property of a minimum of \$3,000,000 over a consecutive twenty seven month period commencing January 1, 2007.

Upon the Company earning the 20% interest UEM and the Company will become joint venturers with respect to that property. Under certain conditions the Company can earn up to an additional 30% interest in the property.

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

15. Events Subsequent to December 31, 2006 - continued

- e) On March 9, 2007 the Company completed a private placement of 3,438,000 units at \$1.45 per unit and 5,260,700 flow-through common shares at \$1.65 for gross proceeds of \$13,665,255. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of \$2.00 per share for a period of twenty-four months from the date of issue. The Company paid a commission of 819,315 in cash and 712,900 in broker warrants exercisable at \$0.60 for twelve months. The securities issued were restricted from resale before July 10, 2007.
- f) On March 20, 2007 the Company completed a private placement of 700,000 units at \$1.45 per unit and 800,000 flow-through common shares at \$1.65 for gross proceeds of \$2,335,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of \$2.00 per share for a period of twenty-four months from the date of issue. The Company paid a commission of \$140,100 in cash and 105,000 in broker warrants exercisable at \$1.45 for twelve months.. The securities issued were restricted from resale before July 21, 2007.