

Please read this document carefully as it requires you to **MAKE A DECISION PRIOR TO 5:00 P.M. TORONTO TIME ON March 4, 2013. IF YOU ARE IN DOUBT** as to how to deal with this document, you should consult your investment dealer, stockbroker, bank manager or other professional advisor.

*The offer of these securities is made in all provinces and territories of Canada. No securities commission or similar authority in Canada or elsewhere has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offense. The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**US Securities Act**”), and subject to certain exemptions, may not be offered or sold within the United States of America (the “**United States**”) or to US persons (within the meaning of Regulation S under the US Securities Act), and the offer of these securities does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States unless an exemption from registration is available.*

## Rights Offering

January 9, 2013



### **Offering of Rights to Subscribe for Units**

Purepoint Uranium Group Inc. (“**Purepoint**” or the “**Corporation**”) is issuing to the holders (“**Shareholders**”) of its outstanding common shares (the “**Common Shares**” and each individually, a “**Common Share**”) of record at the close of business on January 30, 2013 (the “**Record Date**”) rights (each, a “**Right**”) to subscribe for units of the Corporation (the “**Units**”) on the terms set forth herein (the “**Rights Offering**” or the “**Offering**”). Each Unit will be comprised of one Common Share and one Common Share purchase warrant (a “**Warrant**”). Each Warrant will entitle the holder to purchase an additional Common Share at a price of \$0.10 per Common Share at any time until 5:00 p.m. (Toronto time) on March 4, 2015 (the “**Warrant Expiry Date**”). Rights will be evidenced by transferable rights certificates (each, a “**Rights Certificate**”). Each registered holder of Common Shares on the Record Date will receive one Right for each Common Share held. Ten (10) Rights plus the sum of \$0.07 (the “**Subscription Price**”) are required to subscribe for one Unit. The Rights expire at 5:00 p.m. (Toronto time) (the “**Rights Expiry Time**”) on March 4, 2013 (the “**Rights Expiry Date**”), after which time unexercised Rights will be void and of no value.

**Entitlement to Rights:** One Right for each Common Share held by the holder on the Record Date. Ten (10) Rights will entitle the holder to subscribe for one Unit at the Subscription Price. Based on the number of issued and outstanding Common Shares on the date of this rights offering circular (the “**Rights Offering Circular**”), 97,047,730 Rights will be issued under the Rights Offering. The Rights will be listed for trading on the TSX Venture Exchange (the “**TSXV**”).

**Subscription Price:** \$0.07 per Unit.

**Units:** Each Unit is comprised of one Common Share and one Warrant.

**Warrants:** Each whole Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.10 per Common Share until 5:00 p.m. (Toronto time) on the Warrant Expiry Date (the “**Warrant Expiry Time**”). Warrants not exercised by the Warrant Expiry Time will expire and be of no further force or effect.

**Basic Subscription Privilege:** Each holder of Rights (other than an Ineligible Person) is entitled to subscribe for one Unit for every ten (10) Rights held by the holder of Rights at the Subscription Price at or before the Rights Expiry Time.

**Additional Subscription Privilege:** Holders of Rights Certificates who exercise their Rights in full under the Basic Subscription Privilege are entitled to subscribe for additional Units on a pro-rata basis, if available as a result of unexercised Rights, at the Subscription Price. See

*“Details of the Rights Offering – Additional Subscription Privilege”.*

Record Date:	January 30, 2013
Rights Expiry Date:	March 4, 2013
Rights Expiry Time:	5:00 p.m. (Toronto time) on the Rights Expiry Date.
Maximum Units Issuable:	A maximum of 9,704,773 Units (9,704,773 Common Shares and 9,704,773 Warrants) will be issuable pursuant to the Rights Offering, representing approximately 20% of the issued and outstanding Common Shares on the date hereof. The maximum number of Units issuable is subject to adjustment for rounding and assuming no convertible securities are exercised into Common Shares before the Record Date.
Maximum Net Proceeds:	The Rights Offering will result in maximum net proceeds of approximately \$604,334 from the sale of the Units, after deducting estimated expenses of this Rights Offering estimated to be \$75,000. The maximum net proceeds are subject to adjustment for rounding and assuming no convertible securities are exercised into Common Shares before the Record Date.
Minimum Proceeds:	The completion of the Rights Offering is not conditional upon Purepoint receiving any minimum amount of subscriptions proceeds.
Dilution to Existing Shareholders:	The current percentage ownership in Purepoint of those Shareholders who do not exercise their Rights will be diluted by the issue of Units under the Rights Offering.
Use of Proceeds:	The Corporation intends to use the proceeds of the Rights Offering for general corporate and administrative purposes. See <i>“Use of Proceeds”</i> below.
Listing:	The outstanding Common Shares are listed on the TSXV under the symbol “PTU”. The Rights will be listed on the TSXV under the symbol “PTU.RT” and will be posted for trading on the TSXV until 12:00 p.m. (Toronto time) on the Rights Expiry Date at which time they will be halted for trading. The Common Shares issuable as part of the Units, and issuable upon the exercise of the Warrants will also be listed on the TSXV. The Corporation does not intend to make an application to list the Warrants for trading on the TSXV or on any other exchange. Therefore, there is no market through which the Warrants may be sold and subscribers may not be able to resell the Warrants. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See <i>“Risk Factors - Marketability of Warrants”</i> .
Stand-by Commitment:	There is no stand-by commitment associated with this Rights Offering.
Managing Dealer Fee and Soliciting Fees	No managing dealer or soliciting dealer has been engaged in connection with this Offering.
Subscription Agent:	Equity Financial Trust Company (the “ <b>Subscription Agent</b> ” or “ <b>Equity</b> ”) will act as the subscription agent for the Rights Offering and is also the registrar and transfer agent for the Common Shares and warrant agent for the Warrants.

The foregoing is a summary only of the principal features of the Offering and should be read together with and is qualified in its entirety by the more detailed information appearing elsewhere in this Rights Offering Circular.

**To subscribe for Units, a completed Rights Certificate and payment in full of the Subscription Price must be received by the Subscription Agent before the Rights Expiry Time. Rights not exercised before the Rights**

**Expiry Time will be void and of no value. See “How to Use the Rights Certificate”.** No minimum amount is required to be raised in connection with the Rights Offering. The Subscription Agent will hold all subscription proceeds until the Rights Expiry Date whereupon the net subscription proceeds after payment of the expenses of the Rights Offering will be transferred to the Corporation.

If a Shareholder wishes to retain its current percentage ownership in the Corporation and assuming that all Rights are exercised, that Shareholder should purchase all of the Units for which the Shareholder may subscribe pursuant to the Rights delivered with this Rights Offering. If that Shareholder does not do so and other Rights holders exercise all of their Rights, that Shareholder’s current percentage ownership in the Corporation will be diluted by the issue of Units under this Rights Offering. **Investment in the securities offered hereby may be regarded as highly speculative due to the nature of the Corporation’s business and should only be undertaken by those persons who can afford to lose their entire investment in the securities. See “Risk Factors”.** The registered and head office of the Corporation is located at 10 King Street East, Suite 501, Toronto, Ontario M5C 1C3.

Unless otherwise indicated, references herein to “\$” or “dollars” are to Canadian dollars.

## TABLE OF CONTENTS

<b>DOCUMENTS FILED WITH CANADIAN REGULATORY AUTHORITIES.....</b>	<b>3</b>
<b>ELIGIBILITY FOR INVESTMENT.....</b>	<b>3</b>
<b>FORWARD LOOKING INFORMATION .....</b>	<b>3</b>
<b>THE CORPORATION .....</b>	<b>3</b>
Corporate Structure .....	4
Business of the Corporation .....	5
The Projects.....	5
Smart Lake Project – Joint Venture with Cameco .....	5
Hook Lake Project – Joint Venture with Cameco & AREVA .....	6
Red Willow Project – Currently Optioned to Rio .....	7
Funding of Principal Exploration Projects - Smart Lake Project, Hook Lake Project and Red Willow Project .....	9
<b>QUESTIONS AND ANSWERS RELATED TO THIS RIGHTS OFFERING .....</b>	<b>9</b>
<b>DETAILS OF THE RIGHTS OFFERING .....</b>	<b>13</b>
Eligible Persons.....	13
Basic Subscription Privilege .....	13
Additional Subscription Privilege .....	13
Non-Registered, Beneficial Shareholders .....	14
Rights Expiry Time .....	14
Rights Certificates .....	14
Delivery of Rights Certificates by Intermediaries .....	15
Ineligible Persons .....	15
<b>HOW TO USE THE RIGHTS CERTIFICATE .....</b>	<b>16</b>
General .....	16
Exercise of the Basic Subscription Privilege - Form 1 .....	16
Additional Subscription Privilege - Form 2 .....	16
Purchase, Sale or Transfer of Rights - Form 3 .....	17
Dividing or Combining Rights Certificates - Form 4.....	17
Unexercised Rights .....	18
Signatures .....	18
Payment of Subscription Price .....	18
Delivery of Completed Rights Certificates .....	18
Reservation of Common Shares .....	19
No Fractional Units .....	19
Determinations as to Validity of Subscription .....	19
Delivery of Common Share and Warrant Certificates.....	19
Acceptance by Book-Based Transfer in Canada .....	19
<b>SUBSCRIPTION AGENT AND TRANSFER AGENT .....</b>	<b>19</b>
<b>INTENTION OF INSIDERS TO EXERCISE RIGHTS.....</b>	<b>20</b>
<b>DESCRIPTION OF THE CORPORATION'S SECURITIES.....</b>	<b>20</b>
General .....	20
The Units.....	21
The Warrants .....	21
<b>PRINCIPAL SHAREHOLDERS.....</b>	<b>21</b>
<b>CHANGES OF OWNERSHIP .....</b>	<b>21</b>
<b>MANAGING DEALER FEE AND SOLICITING DEALER FEES.....</b>	<b>21</b>
<b>STAND-BY COMMITMENT .....</b>	<b>22</b>
<b>USE OF PROCEEDS .....</b>	<b>22</b>
<b>RISK FACTORS .....</b>	<b>23</b>

Nature of Mineral Exploration .....	23
Mining Risks and Insurance.....	23
Funding Requirements .....	23
Permits and Licenses .....	23
No Assurance of Profitability.....	24
Marketability of Warrants .....	24
Uninsured or Uninsurable Risks.....	24
Government Regulations and Environmental Matters .....	24
Mining and Investment Policies .....	24
Title .....	24
Competition.....	25
Dependence Upon Others and Key Personnel.....	25
Price Fluctuations and Share Price Volatility.....	25
Conflicts of Interest.....	25
<b>STATEMENT AS TO RESALE RESTRICTIONS .....</b>	<b>25</b>
<b>CANADIAN FEDERAL INCOME TAX CONSIDERATIONS .....</b>	<b>26</b>
Receipt of Rights.....	27
Exercise of Rights .....	27
Disposition of Expiry Rights.....	27
Exercise of Warrants .....	27
Disposition and Expiry of Warrants .....	27
Disposition of Common Shares.....	28
Treatment of Capital Gains and Capital Losses .....	28
Dividends .....	28
Minimum Tax.....	28
<b>STATUTORY RIGHTS.....</b>	<b>29</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>29</b>
<b>INQUIRIES.....</b>	<b>29</b>

## DOCUMENTS FILED WITH CANADIAN REGULATORY AUTHORITIES

For more information about the Corporation, Shareholders are referred to the documents filed with securities regulatory authorities in Canada. All continuous disclosure documents for the Corporation are available through the internet on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at [www.sedar.com](http://www.sedar.com).

## ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Corporation, based on the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder (the “**Regulations**”) in effect on the date hereof, provided that the Rights and the Common Shares are listed on a “designated stock exchange”, as defined in the Tax Act (which currently includes Tiers 1 and 2 of the TSXV), the Rights and the Common Shares would be, if issued on the date hereof, qualified investments for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“**TFSA**s”) under the Tax Act (“**Registered Plans**”).

A Warrant will be a qualified investment under the Tax Act for Registered Plans provided that at the time it is issued the Common Shares are qualified investments under the Tax Act for Registered Plans and the Corporation is not an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the governing plan of the Registered Plan, and deals at arm’s length with each person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the governing plan of the Registered Plan.

The Rights, Warrants and Common Shares will not be “prohibited investments” for a trust governed by a TFSA, RRSP or RRIF provided the holder of the TFSA or the annuitant of the RRSP or RRIF deals at arm’s length with the Corporation for purposes of the Tax Act and does not have a “significant interest” (within the meaning of the Tax Act) in the Corporation or in any person or partnership with which the Corporation does not deal at arm’s length for purposes of the Tax Act. The Department of Finance (Canada) has recently indicated that it will recommend amendments to the Tax Act that will narrow the scope of the prohibited investment rules. However, no draft legislation has been released as of the date hereof. Shareholders who intend to hold Rights, Warrants and/or Common Shares in a TFSA, RRSP or RRIF should consult their own tax advisors to ensure the Rights, Warrants and/or Common Shares would not be a prohibited investment in their particular circumstances.

## FORWARD LOOKING INFORMATION

This Rights Offering Circular contains certain forward-looking statements and forward-looking information (collectively referred to herein as “**forward-looking statements**”) within the meaning of applicable Canadian securities laws and are prospective in nature. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as “anticipate”, “believe”, “plan”, “intend”, “objective”, “continuous”, “ongoing”, “estimate”, “expect”, “may”, “will”, “project”, “should”, or similar words suggesting future outcomes. Such statements are qualified in their entirety by assumptions and the inherent risks and uncertainties surrounding future expectations. Such forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important assumptions and factors that could cause actual results to differ materially from the expectations of the Corporation include, among other things: the inherent risks and uncertainties involved in mining or the exploration and development of mineral properties; possible variations in resources, grade or recovery rates; fluctuations in metal prices (including uranium); fluctuations in interest rates; changes in contractual terms with its joint venture partners or optionees, defaults by other parties with respect to contractual obligations to the Corporation; the availability of labour, equipment and other infrastructure; changes in project parameters as plans continue to be refined; potential project cost delays and overruns or unanticipated costs and expenses; changes in applicable laws, including laws related to mining exploration, development, environmental protection, labour and employment and the protection of

the health and safety of workers; possible defects to title of properties; failure of equipment; the possibility of accidents, general business and economic conditions globally and industry trends. Such forward-looking statements should therefore be construed in light of such factors. These factors are not intended to represent a complete list of the general or specific factors that could affect the Corporation. In addition, this Rights Offering Circular contains:

(i) Forward-looking statements pertaining to the following:

- anticipated maximum proceeds of the Offering;
- timing of completion and other procedural matters associated with the Offering;
- business operations, cash flows, working capital and monthly operating expenditures;
- intention of insiders to exercise Rights;
- use of proceeds; and
- certain other forward-looking statements as described below.

(ii) Forward-looking information respecting:

- the anticipated maximum proceeds of the Offering is based upon the Subscription Price of \$0.07 and assumes that the maximum of 9,704,773 Units will be issued pursuant to the Rights Offering;
- timing of completion and other procedural matters is based upon the terms of the Rights Offering Circular and advice received from counsel to the Corporation relating to such timing expectations;
- the intention of insiders to exercise Rights is based upon information provided by the officers and directors of the Corporation; and
- the expected use of proceeds is based on the Corporation's intentions on the date hereof and assumes certain levels of cash flow from operations and certain levels of expenditures.

Although management of the Corporation considers these assumptions to be reasonable based on information currently available to it, such forward-looking statements may prove to be incorrect. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward-looking statements contained in this Rights Offering Circular. The forward-looking statements and forward-looking information contained in this Rights Offering Circular are made as of the date hereof and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements forward-looking information, except as required by applicable Canadian securities laws. The forward-looking statements forward-looking information contained herein are expressly qualified by this cautionary statement.

## THE CORPORATION

### Corporate Structure

Purepoint is a Canadian resource company existing under the laws of Canada. The Company completed a reverse takeover transaction (the "**RTO**") with Casablanca Capital Corp. ("**Casablanca**") on May 30, 2005 and subsequently Casablanca changed its name to Purepoint Uranium Group Inc. The Company's principal assets are mineral properties related to the Smart Lake project, the Hook Lake project and the Red Willow project, all located in Saskatchewan.

The registered and head office of the Corporation is located at 10 King Street East, Suite 501, Toronto, Ontario M5C 1C3. The Corporation's telephone number is (416) 603-8368 and its website address is [www.purepoint.com](http://www.purepoint.com). The Common Shares are listed on the TSXV under the trading symbol "**PTU**".

## Business of the Corporation

The Corporation is a Canadian resource company engaged in the acquisition, exploration and development of properties for the purpose of producing uranium.

### *The Projects*

The Company's uranium exploration properties are all located in the Athabasca Basin, Northern Saskatchewan Canada which is host to some of the world's largest and richest known uranium deposits. The Company owns a 100% interest in a total of ten properties covering 102,269 hectares located on Red Willow, Red Willow South, Red Willow East, South Newnham Lake, Turnor Lake, Umfreville Lake, Carson Lake, Forsythe Lake, McArthur East and Henday Lake.

The Company also owns 27% of the Smart Lake project, a joint venture with Cameco Corporation ("**Cameco**").

The Company also owns 21% of the Hook Lake project, a joint venture with Cameco and AREVA Resources Canada Inc. ("**AREVA**")

On December 21, 2010 the Company announced that it had entered into a definitive option agreement with Rio Tinto Exploration Canada Inc. ("**Rio**") allowing Rio to earn a controlling interest in Purepoint's Red Willow project by spending up to \$22.5 million in exploration and development expenses, see "*Red Willow Project - Currently Optioned to Rio*" below.

### *Smart Lake Project – Joint Venture with Cameco*

The Corporation has received a technical report compliant with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("**NI 43-101**") by Scott Frostad, P.Geo., Vice-President of Purepoint, titled: "Technical Report on the Smart Lake Uranium Project Northern Saskatchewan, Canada" (the "**Smart Lake Technical Report**") dated November 5, 2012. The information below is derived from the Smart Lake Technical Report. The information in the Smart Lake Technical Report is current and up to date. A copy of the Smart Lake Technical Report has been filed on the SEDAR at [www.sedar.com](http://www.sedar.com).

The Smart Lake uranium property includes two claims with a total area of 9,800 hectares situated in the southwestern portion of the Athabasca Basin, Saskatchewan, approximately 60 kilometres south of the former Cluff Lake mine.

The Smart Lake project was staked by Cameco in 2004 based on aeromagnetic and electromagnetic patterns that were thought to reflect an extension of the patterns underlying the Shea Creek uranium deposits located 55 kilometres to the north. The mineral claims are held in the name of Cameco (73%) and Purepoint (27%) with Purepoint being the project operator since 2007.

Known uranium mineralization at the Smart Lake project is associated with the Shearwater conductor, a steeply dipping, north-northwest striking, and hydrothermally altered, graphitic-pyritic pelitic gneiss. The strongest radioactivity returned from the conductor is 127 ppm U over 13.3 metres between 155.1 and 168.4 metres in hole SMT08-01. A geochemical signature is associated with the uranium mineralization and includes the enrichment of nickel, arsenic, and cobalt.

A structure (SW Fault) is interpreted to follow the Shearwater conductor dipping towards the west at approximately 70 degrees. The SW Fault is characterized as chloritic fault rubble within shear zones or as a brecciated zone with intense clay alteration, silicification and hematization.

A flat-lying, radioactive tensional fracture zone ("**Fracture Zone 'A'**"), is interpreted to extend westward from the SW Fault at a depth of approximately 160 metres. Fracture Zone "A" is associated with brownish-red hematite alteration (limonite overprinting) and flat-lying hairline fractures that dip shallowly to the east-northeast. The strongest radioactivity returned from Fracture Zone "A" is 1,600 ppm U over 0.1 metre.



The geology of the Shea Creek deposits, located to the north, is considered to provide a good working exploration model for the Smart Lake project. The Shearwater conductor is similar to the Saskatoon conductor at Shea Creek in that they are both north-northwest trending, are comprised of faulted graphite-rich pelitic gneisses, the basement mineralization is mainly developed in areas of clay and chlorite alteration, and low concentrations of nickel, arsenic and cobalt are present as a basement geochemical signature. Based on the Shea Creek model, primary exploration targets will be where interpreted faults crosscut the graphitic units (e.g., Kianna fault crosscutting the Saskatoon conductor).

Exploration conducted by Purepoint to date on the Smart Lake project includes linecutting, ground electromagnetic (“EM”) surveys, a soil geochemical survey, and 10 diamond drill holes totaling 2,539 metres. Eight of the ten drill holes were collared on the Central Grid and targeted Conductor E (Shearwater conductor) while the other two holes were collared on the South Grid. The Shearwater conductor has been traced for 400 metres by drilling, over 1.0 kilometer by a ground EM survey, and for 1.4 kilometers by an airborne EM survey.

### ***Hook Lake Project – Joint Venture with Cameco & AREVA***

The Corporation has received a technical report compliant with NI 43-101 by Scott Frostad, P.Geo., Vice-President of Purepoint, titled: “Technical Report on the Hook Lake Uranium Project Northern Saskatchewan, Canada” (the “**Hook Lake Technical Report**”) dated November 26, 2012. The information below is derived from the Hook Lake Technical Report. The information in the Hook Lake Technical Report is current and up to date. A copy of the Hook Lake Technical Report has been filed on the SEDAR at [www.sedar.com](http://www.sedar.com).

The Hook Lake uranium property is situated in the southwestern portion of the Athabasca Basin in Northern Saskatchewan and includes nine claims having a total area of 28,683 hectares. The property is located approximately 75 kilometres south-southeast of AREVA's Cluff Lake mining operations and approximately 230 kilometres west of the Cameco operated McArthur River mine. The mineral claims are held in the name of Cameco (39.5%), AREVA (39.5%) and Purepoint (21%) with Purepoint being the project operator since 2007.

Drilling to date on the Hook Lake property has discovered weak uranium mineralization. The best mineralized intercept remains the weighted average of 0.24% U and 1.35% Ni over 2.5 metres from historic hole DER-04. The mineralization occurs within basement rocks approximately five metres below the unconformity in the Derksen Lake area. The main exploration interest in the Hook Lake property continues to be the observed widespread hydrothermal alteration and anomalously low concentrations of uranium of both the sandstone and basement rocks suggesting uranium has been leached and possibly concentrated nearby within a structural trap.

Uranium exploration on the Hook Lake project is targeting areas proximal to graphitic basement rocks, possible structures (especially where cross-cutting structures are indicated), extensive alteration envelopes within basement or sandstone rocks, low grades of uranium, complex mineralogy and geochemistry (U, Ni, As, Co, B, Cu, Mo, Pb, Zn and V), areas proximal to the Athabasca basement unconformity, and areas of highly fractured sandstone that may be associated with underlying uraniferous zones.

Three prospective “corridors” have been defined on the property, each corridor being comprised of multiple conductors that have been confirmed to be the results of graphitic metasediments that intersect the Athabasca unconformity. The Derksen corridor, which lies on the east side of the property, hosts the DER-04 intercept and basement alteration (hole DER-02) described by Cameco geologists as being similar to their Millennium deposit. Historic drill holes within the Derksen corridor were stopped at shallow depths within the basement rocks and did not properly test for deeper Millennium or Eagle Point-type basement-hosted uranium deposits. Drilling on the western Carter corridor also returned favourable basement alteration (hydrothermal bleaching, clay alteration, red hydrothermal hematite) as well as encouraging structure (graphitic brittle fault zones) from hole HK-02. The Patterson corridor is the same conductive trend on which hole PLS12-22 intersected massive pitchblende as fracture fill over 6 metres by the Fission Energy Corp. and Alpha Minerals Inc. joint venture during the fall of 2012. Within the Hook Lake project, the Patterson Corridor displays geophysical evidence of a complex structural history and, where drill tested, the conductors show favourable signs of alteration and structural disruption.

Exploration conducted by Purepoint on the Hook Lake project has included linecutting, Gradient array Induced Polarization (“**IP**”), Pole-dipole array IP, EM surveys, a soil geochemical survey, and 9 diamond drill holes totaling 2,321 metres.

The West and Central grids were refurbished and cut where required then utilized for 88 line-kilometre of gradient array IP/resistivity surveying, 39 line-kilometres of pole-dipole array IP/resistivity surveying and 106 line-kilometres of Stepwise Moving Loop EM surveying. The gradient array IP results from both grids appeared to map out basement lithologies much clearer than the airborne magnetic data and suggest the Versatile Time Domain Electromagnetic conductor (“**VTEM conductor**”) axes closely follows a geologic contact. The IP resistivity sections outlined Low Apparent Resistivity Chimneys (“**LARCs**”) that may represent alteration halos within the sandstone where it overlies conductors. The Stepwise Moving Loop EM survey results were successfully used for drill targeting favourable graphitic-pyritic pelitic gneisses. The EM surveys conducted by Purepoint in combination with those conducted by UEM Inc. in the past have identified numerous EM conductors that are potential drill targets.

### ***Red Willow Project – Currently Optioned to Rio***

The Corporation has received a technical report compliant with NI 43-101 by Scott Frostad, P.Geo., Vice-President of Purepoint, titled: “Technical Report on the Red Willow Uranium Project Northern Saskatchewan, Canada” (the “**Red Willow Technical Report**”) dated November 29, 2012. The information below is derived from the Red Willow Technical Report. The information in the Red Willow Technical Report is current and up to date. A copy of the Red Willow Technical Report has been filed on the SEDAR at [www.sedar.com](http://www.sedar.com).

The Red Willow property is situated on the eastern edge of the Athabasca Basin in Northern Saskatchewan, Canada and consists of nine mineral claims having a total area of 25,612 hectares. The property is located close to several uranium deposits including AREVAs mined-out JEB deposit, approximately 10 kilometers to the southwest, and Cameco’s Eagle Point deposit that is approximately 10 kilometers due south. Purepoint has entered into an agreement with Rio allowing an earn-in of 51% undivided interest in Purepoint’s 100% owned Red Willow Project by spending \$5 million on exploration by December 31, 2015. Rio then has the option of acquiring up to an additional 29% (for a total of 80%) by spending up to an additional \$17.5 million. Rio has currently spent approximately \$2 million on exploration expenditures and is the project operator.

In the Red Willow property area, the Athabasca sandstone unconformably overlies crystalline basement rocks that are within the boundary area of the Mudjatit and Wollaston Domains. The Proterozoic Athabasca Group sandstone is found to cover the Archean and Aphebian basement rocks on the western side of the property at depths of 0 to 120 metres. The basement rock trends NE to SW and is composed of orthogneiss and paragneiss. Six major uranium deposits, JEB, Midwest, Roughrider, Cigar Lake, McArthur River and Millennium, are located along a NE to SW mine trend that extends through the Red Willow Project.

Drilling on the Red Willow property has discovered uranium mineralization associated with the Osprey conductor returning up to 0.2% eU<sub>3</sub>O<sub>8</sub> over 5.8 metres from a shallow (70 metres depth) flat-lying tensional fracture. The Osprey conductor has been shown from drilling to be a vertical to sub-vertical, weak to moderately sheared, dark green to black chlorite altered pyritic graphitic pelitic gneiss bounded by strongly silicified, moderately hematized pelitic gneiss. Uranium occurs within flat tension fracture zones and steep narrow gouges within, and running parallel to, the shear zone. Mineralization has been traced along a strike length of approximately 250 metres.

Uranium exploration on the Red Willow project is targeting areas proximal to graphitic basement rocks, possible structures (especially where cross-cutting structures are indicated), extensive alteration envelopes within basement or sandstone rocks, low grades of uranium, complex mineralogy and geochemistry (U, Ni, As, Co, B, Cu, Mo, Pb, Zn and V), areas proximal to the Athabasca basement unconformity, and areas of highly fractured sandstone that may be associated with underlying uraniferous zones.

Extensive airborne and ground geophysics has been conducted over the property starting in 2005. Geophysical surveys have included airborne magnetic and electromagnetic surveys (VTEM), an airborne radiometric survey, ground 3D IP resistivity, gradient array IP, pole-dipole array IP, fixed-loop and moving-loop transient EM, and gravity. The detailed airborne VTEM survey provided magnetic results that are an excellent base on which to

interpret structures while the EM results outlined over 70 kilometers of conductors that in most instances represent favourable graphitic lithology. A total of twenty-one conductive zones have been identified as priority exploration targets of which only five have been subject to first pass drilling. Ground geophysical surveys that are particularly useful for drill targeting include 3D-IP resistivity and gravity. The 3D resistivity results appear to have mapped out barren zones of silicification and granitic rocks allowing for improved drill hole target selection while gravity results have outlined gravity anomalies that are coincident with historic strong basement alteration.

The 6-kilometre long “S”-shaped Osprey conductor, host to the best uranium intercepts drilled to date, has excellent exploration potential at depth below the known mineralized zone and towards the west. The main mineralized zone has only been drill tested at shallow depths (average hole length < 160 metres) and is open at depth for further stacked, parallel lenses of mineralization. Based on the resistivity results, favourable pelitic rocks are located west of the Osprey conductor that may also host mineralization within vertical structures and as sub-horizontal stacked lenses.

The fold hinge of the Osprey conductor is considered to require further drilling after a fence of three holes drilled in 2008 intersected a vertical, weakly radioactive fault zone (Hinge Fault) associated with strong chlorite and hematite alteration. The fault zone returned 250 ppm eU over 1.6 metres between 72.5 and 77.5 metres from hole RW-29 and 358 ppm U over 0.4 metres between 157.7 and 161.0 metres from hole RW-41. Alteration of the basement rocks increases along the northern fold limb towards the fold nose where one of the three holes drilled, RW-28, encountered the strongest clay alteration seen to date on the property.

The Geneva area has a compelling target area based on recently completed ground geophysics and historic drilling. A Pole-dipole array IP survey by Purepoint in 2007 outlined two LARCs in the sandstone where two VTEM conductors are seen to terminate. LARCs within the sandstone may represent “chimneys” of hydrothermal alteration associated with structures that control uranium mineralization at depth. The two LARCs were also seen to correspond with two subtle gravity depressions identified by a limited gravity survey in 2007. An extensive gravity survey by Rio in 2012 supports the presence of the two gravity anomalies and has extended the gravity depression to where Eldorado Resources Ltd. intersected very strong basement alteration and 0.22% U<sub>3</sub>O<sub>8</sub> over 1.0 metres within a graphitic fault zone (hole RAD-27).

Immediately east of the Geneva area are VTEM conductors with a relatively short strike length that are considered to be priority exploration targets. The offset conductors are suggestive of structural complexity within the area and they appear to be bounded by bands of granitic rocks (magnetic highs). The highly competent granitic rocks would provide a contrast in competency favourable for zones of dilatancy and mineral deposition. Additionally, the presence of swamp in the area may be due to hydrothermal alteration and slumping of the underlying sandstone. The target area is bounded to the northeast where high concentrations of radon (a product of the decay of uranium) were first detected in Radon Lake in 1971 and to the southeast where Purepoint’s hole RAD08-09 returned 283 ppm U over 1.1 metres from sandstone just above the unconformity.

At Dancing Lake, favourable EM conductors have now been covered by a gradient array IP survey and pole-dipole array IP and are considered drill ready. Follow-up drilling is also warranted within the Long Lake area where hole LL08-05 intersected a 1.6 metre wide radioactive structure within hematite altered pelitic gneiss returning 269 ppm U over 0.5 metres. The area is host to the historic Long Lake Boulder Train discovered in 1975 by Gulf Minerals. The northeast trending boulder train was found to be 2 kilometres long, 300 to 400 meters wide and contained a number of radioactive biotite schist boulders returning up to 0.80% U<sub>3</sub>O<sub>8</sub>.

Additional EM targets that are considered worthy of ground geophysics include the Ghost Lake and Horse Lake conductors. Follow-up work is also warranted at the Cross Lake and CBA areas. Cross Lake is a structurally complex area located near the historic Scrimmes Lake uranium showings that returned anomalous soil geochemistry during 1972 by Gulf Minerals. Within the CBA area, located at the fold nose of a granitic dome, the last hole of a twenty hole program (CBA-20) intersected anomalous uranium, 0.17% U<sub>3</sub>O<sub>8</sub> over 0.8m, within a pegmatite dyke before being lost at a depth of 20m. Additional targets for follow-up may be produced by the surficial geochemical sampling program conducted this summer for which the results are pending.

### ***Funding of Principal Exploration Projects - Smart Lake Project, Hook Lake Project and Red Willow Project***

On December 10, 2012, the Corporation closed a non-brokered private placement (the “**Private Placement**”) for gross aggregate proceeds of \$410,020. After deducting expenses related to the Private Placement, the Corporation realized net proceeds of \$383,369 from the Private Placement. The net proceeds of the Private Placement are being used to fund the Corporation’s exploration projects, whereas the net proceeds of the Offering will only be used for general corporate and administrative purposes. See “*Use of Proceeds*” below.

As set out above, the Corporation’s principal assets are three mineral properties related to the Hook Lake project, the Smart Lake project and the Red Willow project. The Hook Lake project and the Smart Lake project are each joint ventures and are funded by the Corporation’s uranium producing partners, Cameco and Areva on the Hook Lake Project and Areva on the Smart Lake project. As the Corporation is operator on both the Hook Lake and Smart Lake projects, it earns a monthly 10% management fee on each of these projects. The monthly management fees received by the Corporation amount to 10% of the contributions made by each of Cameco and/or Areva toward the Hook Lake project and the Smart Lake project, as applicable.

The Hook Lake project is the Corporation’s only currently scheduled exploration program. The Hook Lake project’s exploration program budget is forecasted to be approximately \$900,000. Taking into account the contributions by Cameco and Areva, the Corporation expects that its proportionate contribution required under this budget will be less than \$190,000. As at the date hereof, preparations for Stage 1 of the Hook Lake project exploration program have commenced. Stage 1 of the Hook Lake project exploration program was approved by the Hook Lake project joint venture partners at the end of November, 2012 and the Corporation expects that Stage 1 will be mobilized and drilling will begin by the middle of January, 2013. The Corporation expects that the drilling for Stage 1 will be completed by the end of March, 2013. The completion of the analysis, assays and interpretation will be a further four to six weeks.

Rio Tinto is currently “earning-in” on the Red Willow project and, as such, Rio Tinto pays all expenditures on the Red Willow project (\$1 million per year) and it has an obligation to pay another \$3 million over the next three years.

Due to the nature of the contractual obligations and the funding commitments of Cameco, Areva and Rio Tinto on the Hook Lake project, the Smart Lake project and the Red Willow project, as applicable, which have resulted in the Corporation having to contribute less than \$190,000 on the Hook Lake project over the next four months and with the recent closing of the Private Placement, the Corporation has sufficient funding for its planned exploration expenditures.

### **QUESTIONS AND ANSWERS RELATED TO THIS RIGHTS OFFERING**

The following are questions that we anticipate you may have about this Rights Offering. The answers are based on the information in this Rights Offering Circular. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about whether to exercise your Rights. Exercising the Rights and investing in the securities of Purepoint Uranium Group Inc. involves a high degree of risk. We urge you to carefully read this Rights Offering Circular in its entirety, including the section entitled “Risk factors”, before you decide whether to exercise your Rights.

#### **What is a rights offering?**

This Rights Offering is a distribution at no charge to Shareholders as of the Record Date of transferable Rights to purchase Units made up of one Common Share and one Warrant at a subscription price of \$0.07 per Unit. Shareholders will receive one Right for each Common Share held by such holder on the Record Date. For every ten (10) Rights, an Eligible Person, as defined below, will be entitled to subscribe for one (1) Unit at the subscription price of \$0.07. Each Right entitles the holder thereof to a Basic Subscription Privilege and an Additional Subscription Privilege, as described below.

Each Warrant included as part of the Unit entitles the holder to purchase one Common Share at any time on or before March 4, 2015 at a price of \$0.10 per Common Share.

Purepoint expects to sell 9,704,773 Units in connection with this Rights Offering and receive aggregate gross proceeds of approximately \$679,334.

### **Who may participate in this Rights Offering?**

Shareholders as of the Record Date that reside in Canada and Eligible Persons (as defined below), are entitled to participate in this Rights Offering.

### **How many Rights did each Eligible Person receive?**

Each Shareholder as of the Record Date will receive one Right for each Common Share held by such Shareholder. Fractional Common Shares will not be issued. Instead, any fractional Common Shares resulting from the exercise of the Basic Subscription Privilege and the Additional Subscription Privilege will be eliminated by rounding down to the nearest whole Common Share.

### **What is the Basic Subscription Privilege?**

For every ten (10) Rights, an Eligible Person is entitled to subscribe for one (1) whole Unit at a subscription price of \$0.07. Through the full exercise of an Eligible Person's Basic Subscription Privilege, a Shareholder will maintain its current proportionate equity interest in the Company (assuming all other Eligible Persons also exercise their Basic Subscription Privilege in full). This is referred to as the Basic Subscription Privilege.

Eligible Persons may exercise all or a portion of their Basic Subscription Privilege or may choose not to exercise any Rights at all or may choose to sell or transfer their Rights. However, if Eligible Persons exercise less than their full Basic Subscription Privilege, or transfer or sell their Rights, they will not be entitled to purchase Units under their Additional Subscription Privilege.

### **What is the Additional Subscription Privilege?**

Some Eligible Persons may not exercise their Basic Subscription Privilege in full prior to the Rights Expiry Date. The Additional Subscription Privilege provides Eligible Persons that fully exercise their Basic Subscription Privilege the opportunity to purchase, at the same Subscription Price per Unit paid under the Basic Subscription Privilege, the Units that are not purchased by other Eligible Persons in this Rights Offering. If you fully exercise your Basic Subscription Privilege, you may request to exercise additional Rights unclaimed by other Rights holders in this Rights Offering at the same Subscription Price per Unit.

### **What if there are an insufficient number of Units to satisfy the Additional Subscription Privilege requests?**

If there is an insufficient number of Units available to fully satisfy the Additional Subscription Privilege requests of Rights holders, Rights holders who exercised their Additional Subscription Privilege will receive the available Units pro-rata based on the number of Units each Rights holder subscribed for under the Basic Subscription Privilege. "Pro-rata" means in proportion to the number of Units that you and the other Rights holders have purchased by fully exercising your Basic Subscription Privilege. Any excess subscription payments will be returned by the Subscription Agent, without interest or deduction, promptly after the Rights Expiry Date.

### **Am I required to participate in this Rights Offering?**

No. You may exercise any number of your Rights, or you may choose not to exercise any Rights, or you may choose to transfer or sell some or all of your Rights. If you do not exercise any of your Rights, the number of Common Shares you own will not change. However, you will experience dilution to your equity interest in Purepoint to the extent you choose not to exercise your Rights and other Eligible Persons exercise some or all of their Rights. You may sell your Rights using normal investment channels, such as investment dealers and brokers, through the facilities of the TSXV at your own expense.

### **How do I exercise my Rights?**

You may exercise your Rights by properly completing and signing your Rights Certificate and delivering it, with full payment of the Subscription Price multiplied by the number of the Units for which you are subscribing, including Units subscribed for pursuant to your Additional Subscription Privilege, to Equity Financial Trust Company, the Subscription Agent for this Rights Offering, on or prior to the expiration of this Rights Offering.

If you send the Rights Certificate and other items by mail, we recommend that you send them by registered mail, properly insured, with return receipt requested.

If you hold Common Shares in the name of a broker, dealer, bank or other nominee, then your broker, dealer, bank or other nominee is the record holder of the Common Shares you own. The record holder must exercise the Rights on your behalf for the Units you wish to subscribe for. Therefore, if you wish to exercise your Rights, you should promptly contact your broker, dealer, bank or other nominee and submit your subscription documents and payment for the Units subscribed for in accordance with the instructions and within the time period provided by your broker, dealer, bank or other nominee. We will ask the record holder of your Common Shares to notify you of this Rights Offering.

### **What should I do if I receive a Rights Certificate and want to exercise some of my Rights now while retaining the ability to exercise more of my Rights at a later point in time but before the Expiry Date of this Rights Offering?**

If you want to exercise some but not all of your Rights represented by a Rights Certificate and retain the ability to exercise the balance of the unexercised Rights represented by a Rights Certificate, you must first complete and submit your request to the Subscription Agent in order to divide your Rights and be issued two separate Rights Certificates: one Rights Certificate representing the number of Rights that you wish to exercise in the first instance (which should then be completed and delivered to the Subscription Agent along with payment of the Subscription Price multiplied by the number of Units so exercised), and a second Rights Certificate representing the balance of unexercised Rights available for future exercise prior to the expiration of this Rights Offering. Alternatively, you may elect to dispose of the balance of the unexercised Rights prior to the expiration of this Rights Offering.

### **How long will this Rights Offering last?**

You will be able to exercise or sell your Rights only during a limited period. Eligible Persons that desire to exercise their Rights must do so by the Rights Expiry Time, which is 5:00 p.m. (Toronto time) on March 4, 2013. Accordingly, the Subscription Agent must actually receive all required documents and payments from the Rights holder before the Rights Expiry Time. Shareholders who own Common Shares through a broker, dealer, bank or other nominee should submit their subscription documents and payment for the Units subscribed for in the time period provided by their nominee holder in order to permit the nominee holder to submit all required documents and payments prior to the Rights Expiry Time.

### **May the board of directors terminate this Rights Offering?**

Yes. Purepoint's board of directors may decide to terminate this Rights Offering at any time prior to the Rights Expiry Time for any reason.

### **If this Rights Offering is not completed will my subscription payment be refunded to me?**

Yes. The Subscription Agent will hold all funds it receives in a segregated bank account for the benefit of the holders of Rights until the completion of this Rights Offering. If this Rights Offering is not completed for any reason, all subscription payments received by the Subscription Agent will be returned as soon as practical without interest. If this Rights Offering is not completed for any reason, Purepoint will not be obligated to issue Units to Rights holders who have exercised their Rights prior to the termination of this Rights Offering.

**Will the Rights trade on a stock exchange?**

Yes. The Rights will be listed for trading on the TSXV under the symbol “PTU.RT”. We expect that any such trading on the TSXV will continue until 12:00 p.m. (Toronto time) on the Rights Expiry Date. Holders of Rights that do not wish to exercise their Rights may sell or transfer their Rights through usual investment channels, such as investment dealers and brokers, at their own expense. Holders of Rights may elect to exercise only some of their Rights and dispose of the remainder of them.

During this Rights Offering, Common Shares will continue to trade on the TSXV under the symbol “PTU” and the Common Shares issued in connection with exercising the Rights will trade after this Rights Offering on the TSXV under the symbol “PTU” as well.

**Is there a minimum subscription level in order for this Rights Offering to be completed?**

No. This Rights Offering is not subject to any minimum subscription level.

**Are there risks associated with exercising my Rights?**

Yes. The exercise of your Rights and resulting purchase of Units should be considered as carefully as you would consider the acquisition of additional Common Shares in the market or any other equity investment. Among other things, you should carefully consider the risks described under the heading “Risk Factors” and all other information included herein before deciding to exercise or sell your Rights.

**Will I be charged any fees if I exercise my Rights?**

We will not charge a fee to holders for exercising their Rights. However, any holder exercising its Rights through a broker, dealer, bank or other nominee will be responsible for any fees charges by its nominee holder. Notwithstanding the foregoing, payment of any service charge, commission or other fee payable (including those of brokers) in connection with the purchase or sale of Rights will be the responsibility of the holder of the Rights. The holder of the Rights must also pay all stamp, issue, registration or other similar taxes or duties contingent upon the issue or delivery of Common Shares to or for the order of a third party.

**If I exercise my Rights, when will I receive the Common Shares and Warrants for which I subscribed?**

We will issue the Common Shares and Warrants purchased pursuant to the exercise of Rights as soon as practicable after this Rights Offering expires, whether or not you exercise your Rights immediately prior to the Rights Expiry Date or at an earlier time. We will not be able to calculate the number of Units to be issued to each exercising holder until 5:00 p.m. (Toronto time) on the Rights Expiry Date. If your Units are held through a broker, dealer, bank or other nominee, the Units you purchase pursuant to this Rights Offering will also be held through your broker, dealer, bank or other nominee. Please contact your broker, dealer, bank or other nominee to determine when the Common Shares and Warrants purchased in this Rights Offering will be allocated to your account.

**How much money will the Company receive from this Rights Offering?**

We anticipate receiving gross proceeds (before expenses) of approximately \$679,334 in connection with this Rights Offering.

**Who is the Subscription Agent for this Rights Offering to whom I should send my subscription documents and payment?**

The Subscription Agent is Equity Financial Trust Company. If your Common Shares are held in the name of a broker, dealer, bank or other nominee, then you should send your application subscription documents to your broker, dealer, bank or other nominee in accordance with the instructions you receive from them. If you are a record holder, then you should send your applicable subscription documents, by overnight courier, first class, hand delivery, registered mail or courier service to:

Equity Financial Trust Company  
Suite 400, 200 University Avenue  
Toronto, Ontario M5H 4H1  
Attention: Corporate Actions

In case of postal service interruption, subscribers should deliver the Rights Certificates by hand delivery or by courier to the address noted above. We recommend that you send your subscription materials by registered mail, properly insured, with return receipt requested.

We will pay the fees and expenses of the Subscription Agent (other than the fees and expenses of the Subscription Agent incurred in connection with the sale or transfer of your Rights) and have agreed to indemnify the Subscription Agent against certain liabilities that it may incur in connection with this Rights Offering.

You are solely responsible for timely completing delivery to the Subscription Agent of your subscription documents, Rights certificate, and payment. We urge you to allow sufficient time for delivery of your subscription materials to the Subscription Agent.

## DETAILS OF THE RIGHTS OFFERING

### Eligible Persons

The Rights are being offered in all provinces and territories of Canada (collectively, the “**Qualifying Jurisdictions**”). Any holder of a Rights Certificate who is resident in a Qualifying Jurisdiction will be considered an “**Eligible Person**” for the purposes of this Rights Offering.

### Basic Subscription Privilege

Each Shareholder of record at 5:00 p.m. (Toronto time) on the Record Date is entitled to receive one Right for each Common Share held. Ten (10) Rights confer the right on the holder thereof to subscribe for one Unit at the price of \$0.07 per Unit at or before the Rights Expiry Time.

Each Unit is comprised of one (1) Common Share and one (1) Warrant. Each whole Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.10 until the Warrant Expiry Time.

The Subscription Price for the Rights was determined by the Corporation, having regard to regulatory requirements and to issues such as dilution, market price, market forces and the capital requirements of the Corporation. The total number of Common Shares to be issued will depend on the demand from subscribers. The subscription for Units upon the exercise of Rights is voluntary. Holders of Rights should consult their own advisors with respect to this Offering.

### Additional Subscription Privilege

Any Eligible Person who has exercised its Right to subscribe for all the Units that it can subscribe for with the Rights evidenced by such certificate pursuant to the Basic Subscription Privilege, also has the right to subscribe for additional Units, if available, at the Subscription Price. Additional Units will be allocated from those Units, if any, available as a result of Rights that are unexercised at the Rights Expiry Time (the “**Remaining Units**”). A holder who exercises the Additional Subscription Privilege will receive the lesser of: (i) the number of Units that holder subscribes for under the Additional Subscription Privilege; and (ii) the number of Units that is equal to the aggregate number of Remaining Units multiplied by the quotient of the number of Rights previously exercised by such holder under the Basic Subscription Privilege divided by the aggregate number of Rights previously exercised under the Basic Subscription Privilege by holders of Rights that have subscribed for Units under the Additional Subscription Privilege. For further information on the Additional Subscription Privilege and the allocation of Remaining Units, see “*How To Use The Rights Certificate – Additional Subscription Privilege – Form 2*”.



## **Non-Registered, Beneficial Shareholders**

For Shareholders who have Common Shares held through a securities broker or dealer, bank or trust company or other participant (a “**CDS Participant**”) in the book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”), that Shareholder (other than a Shareholder whose address of record is not in any of the Qualifying Jurisdictions) may subscribe for Units by instructing the CDS Participant holding the Shareholder’s Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Unit subscribed for to such CDS Participant in accordance with the terms of the Offering. A Shareholder (other than a Shareholder whose address of record is not in any of the Qualifying Jurisdictions) wishing to subscribe for Remaining Units pursuant to the Additional Subscription Privilege must forward its request to the CDS Participant that holds the Shareholder’s Rights prior to the Rights Expiry Time, along with payment for the number of Remaining Units requested. Any excess funds will be returned by mail or credited to the Shareholder’s account with its CDS Participant without interest or deduction. Subscriptions for Units made through a CDS Participant will be irrevocable and Shareholders will be unable to withdraw their subscriptions for Units once submitted. CDS Participants may have an earlier deadline for receipt of instructions and payment than the Rights Expiry Time.

Only registered Shareholders will be provided with Rights Certificates. For all non-registered, beneficial Shareholders who hold their Common Shares through a CDS Participant in the book-based systems administered by CDS, a global certificate representing the total number of Rights to which all such Shareholders as at the Record Date are entitled will be issued in registered form to, and deposited with, CDS. The Corporation expects that each beneficial Shareholder will receive a confirmation of the number of Rights issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-entry accounts for CDS Participants holding Rights.

Shareholders who hold their Common Shares through a CDS Participant must arrange for exercises, purchases or transfers of Rights through their CDS Participant and should contact the CDS Participant to instruct them accordingly. It is anticipated by the Corporation that each purchaser of Rights or Units will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Rights are issued or such Rights or Units are purchased in accordance with the practices and policies of such CDS Participant.

Neither the Corporation nor the Subscription Agent will have any liability for: (i) the records maintained by CDS or CDS Participants relating to the Rights or the book-entry accounts maintained by them; (ii) maintaining, supervising or reviewing any records relating to such Rights; or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or their CDS Participants.

## **Rights Expiry Time**

The Offering and the Rights evidenced by the Rights Certificates will expire at the Rights Expiry Time. The Corporation reserves the right to extend the period of this Offering, in its sole discretion, subject to obtaining any required regulatory approvals, if the Corporation determines that the timely exercise of the Rights may have been prejudiced due to disruption in postal service. **Rights not exercised by the Rights Expiry Time on the Rights Expiry Date will be void and of no value.**

## **Rights Certificates**

The Rights are evidenced by transferable Rights Certificates. A Rights Certificate is being sent to each registered Shareholder of record as of the Record Date, other than those Shareholders whose addresses of record are not in any of the Qualifying Jurisdictions (see “*Details of the Rights Offering – Ineligible Persons*”), and is enclosed with this Rights Offering Circular. A register of holders of Rights Certificates will be maintained by the Subscription Agent. The Rights are listed on the TSXV under the trading symbol “PTU.RT” and the Common Shares underlying the Rights will also be listed on the TSXV under the symbol “PTU”. If a Rights Certificate is lost, stolen or destroyed, a replacement Rights Certificate shall be issued only upon compliance with applicable statutory requirements and any other reasonable requirements imposed by the Corporation. The Subscription Agent should be contacted at the subscription office listed below under “*How to Use the Rights Certificate – Delivery of Completed Rights Certificates*” in the event of the loss, theft or destruction of a Rights Certificate.

A Rights Certificate, by itself, does not confer on the holder of such Rights Certificate, the rights of a Shareholder.

### **Delivery of Rights Certificates by Intermediaries**

Rights Certificates delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to Ineligible Persons who beneficially own Common Shares (see “*Details of the Rights Offering – Ineligible Persons*”). Intermediaries receiving Rights Certificates that would otherwise be deliverable to Ineligible Persons should attempt to sell those Rights for the accounts of such Shareholders and should deliver any proceeds of sale to such Shareholders.

### **Ineligible Persons**

This Circular has not been filed with the securities commissions or similar regulatory authority of any jurisdiction other than the Qualifying Jurisdictions. The Rights and Units issuable upon exercise of the Rights are not being offered to persons who are or appear to be, or the Corporation or the Subscription Agent have reason to believe are, residents of jurisdictions other than the Qualifying Jurisdictions (the “**Ineligible Persons**”), nor will the Corporation or Subscription Agent accept subscriptions from any Ineligible Person or from any transferee of Rights who is or appears to be, or who the Corporation or the Subscription Agent have reason to believe is, a resident of any jurisdiction or place other than the Qualifying Jurisdictions unless such security holder or transferee satisfies the Corporation not less than ten (10) days before the Rights Expiry Date that such offering to and subscription by such security holder or transferee is lawful and in compliance with all securities and other laws applicable in the Qualifying Jurisdictions and the jurisdiction where such security holder or transferee is resident and would not require the Corporation to file any documentation, make any application or pay any payment of any nature whatsoever.

Rights Certificates will not be issued and forwarded by the Corporation to Ineligible Persons. Ineligible Persons will be sent a Rights Offering Circular for information purposes only together with a letter advising them that their Rights Certificates will be issued to and held by the Subscription Agent, which will hold such Rights as agent for the benefit of all Ineligible Persons.

The Subscription Agent may transfer the Rights of an Ineligible Person upon receiving the instructions of such Ineligible Person prior to the tenth (10<sup>th</sup>) day before the Rights Expiry Date, provided that such transfer is not made to an Ineligible Person or a transferee not resident in a Qualifying Jurisdiction. In the absence of instructions by such Ineligible Person to transfer its Rights to a designated person prior to the time specified above, the Subscription Agent agrees to use its best efforts to sell such Rights thereafter and at any time prior to the Rights Expiry Date at the price or prices it determines in its absolute discretion through one or more brokers that the Subscription Agent normally transacts its business. No charge will be made for the sale of Rights by the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with sale of the Rights. The net proceeds (less any applicable withholding tax) of such sale will be divided amongst such holders in proportion to the number of Common Shares held by them respectively on the Record Date, provided the net proceeds attributable to such holder equals or exceeds \$10. In the event that the net proceeds attributable to any Ineligible Person is less than \$10, then no monies will be paid or delivered to such Shareholder and, in such event, the monies will be delivered to the Corporation and the Corporation and the Subscription Agent will have no further obligations to such Shareholder whatsoever.

The Subscription Agent’s ability to sell the Rights of Ineligible Persons, and the price obtained therefor, are dependent on market conditions. The Subscription Agent will not be subject to any liability for failure to sell any Rights of Ineligible Persons at a particular price or at all. The Subscription Agent will act in its capacity as agent of the Ineligible Persons on a best efforts basis and neither the Corporation nor the Subscription Agent will accept responsibility for the price obtained on the sale or the inability to sell the Rights on behalf of any Ineligible Person.

**There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Subscription Agent in connection with the sale of such Rights and if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.**

Shareholders will be presumed to be resident in the place of their registered address, unless the contrary is shown to the satisfaction of the Corporation. A registered Ineligible Person whose address of record is outside the Qualifying Jurisdictions but who holds Common Shares on behalf of a holder who is eligible to participate in the Offering must notify the Corporation and the Subscription Agent, in writing, on or before the tenth (10<sup>th</sup>) day prior to the Rights Expiry Date if such beneficial holder wishes to participate in the Offering. Otherwise, the Subscription Agent will sell the Rights of such Shareholder as described above. Rights delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to beneficial Shareholders who are resident in a jurisdiction outside of a Qualifying Jurisdiction. Intermediaries receiving Rights that would otherwise be deliverable to Ineligible Persons may attempt to sell those rights for the accounts of such Ineligible Persons and should deliver the proceeds of sale to such persons.

## **HOW TO USE THE RIGHTS CERTIFICATE**

### **General**

By completing the appropriate form on the Rights Certificate in accordance with the instructions below, a Rights holder may:

- (a) subscribe for Units under the Basic Subscription Privilege (Form 1);
- (b) subscribe for Remaining Units under the Additional Subscription Privilege (Form 2);
- (c) sell or transfer Rights (Form 3); or
- (d) divide, combine or exchange a Rights Certificate (Form 4).

### **Exercise of the Basic Subscription Privilege - Form 1**

The payment of the Subscription Price and ten (10) Rights are required to subscribe for one Unit. To determine the number of Units which may be subscribed for pursuant to the Basic Subscription Privilege, divide the number of Rights set forth on the face of the Rights Certificate by ten (10) (see “*Details of the Rights Offering – Basic Subscription Privilege*”). The holder of a Rights Certificate may subscribe for all of or any lesser number of Units for which the Rights Certificate entitles the holder to subscribe by completing and executing Form 1 on the Rights Certificate and delivering the Rights Certificate, together with payment in full of the Subscription Price in Canadian funds by certified cheque, bank draft or money order payable to the order of “Equity Financial Trust Company” for those Units subscribed for, to the Subscription Agent as specified under “*How to Use the Rights Certificate – Delivery of Completed Rights Certificates*”. Subscriptions may not be revoked after delivery to the Subscription Agent.

Completion of Form 1 constitutes a representation that the holder is not an Ineligible Person.

### **Additional Subscription Privilege - Form 2**

#### **Subscribing for Remaining Units**

In order to exercise the Additional Subscription Privilege, any holder of a Rights Certificate who completes Form 1 of the Rights Certificate for the maximum number of Units that can be subscribed for given the number of Rights evidenced by such certificate, must also complete Form 2 on the face of the Rights Certificate and specify the number of Remaining Units desired to be subscribed for. When a subscriber delivers to the Subscription Agent the completed Rights Certificate and payment for the Units initially subscribed for under Form 1, payment in the manner described under “*How to Use the Rights Certificate – Payment of Subscription Price*” must also be enclosed for the Remaining Units subscribed for under Form 2 pursuant to the Additional Subscription Privilege, failing which such additional subscription shall be invalid. Funds received as payment of the Subscription Price for subscriptions made under the Additional Subscription Privilege will be placed in a segregated account with the

Subscription Agent pending allocation of any Remaining Units pursuant to the Additional Subscription Privilege. The Additional Subscription Privilege will only be available to Eligible Persons.

### **Allocation of Remaining Units**

If there are sufficient Remaining Units to satisfy all additional subscriptions pursuant to the Additional Subscription Privilege, each Eligible Person subscribing for Units pursuant to the Additional Subscription Privilege will be allotted the total number of Remaining Units subscribed for.

If the aggregate number of Units subscribed for under the Additional Subscription Privilege exceeds the number of Remaining Units, the Remaining Units will be allotted to each Eligible Person subscribing for Units pursuant to the Additional Subscription Privilege on a proportionate basis in accordance with the following formula: the number of the Remaining Units allotted to each Eligible Person subscribing for Units pursuant to the Additional Subscription Privilege will be the lesser of:

- (a) the number of Remaining Units which that Eligible Person has subscribed for under the Additional Subscription Privilege; and
- (b) the product (disregarding fractions) obtained by multiplying the aggregate number of Remaining Units by a fraction of which the numerator is the number of Units subscribed for by that Eligible Person under the Basic Subscription Privilege and the denominator is the aggregate number of Units subscribed for under the Basic Subscription Privilege by all Eligible Persons in the Additional Subscription Privilege.

If any Eligible Person has subscribed for fewer Units than the number resulting from the application of the formula in (b) above, the excess Units will be allotted in a similar manner among the Eligible Persons who were allotted fewer Remaining Units than they subscribed for.

If as a result of the application of the foregoing formula, an Eligible Person subscribing for Units pursuant to the Additional Subscription Privilege is allotted a number of Remaining Units which falls short of the number specified in Form 2 on the face of such Eligible Person's Rights Certificate, the Subscription Agent will, when mailing the certificates for the Units issued to such Eligible Person, refund, without interest or any additional costs, the excess portion of the total Subscription Price paid by such Eligible Person.

### **Purchase, Sale or Transfer of Rights - Form 3**

The Rights Certificates will be in registered form. The Rights are listed and posted for trading on the TSXV under the trading symbol "PTU.RT" and will remain listed and posted for trading until 12:00 p.m. (Toronto time) on the Rights Expiry Date.

A holder of Rights, in lieu of exercising Rights to subscribe for Units, may sell or transfer the Rights personally or through the usual investment channels, such as investment dealers or brokers, by completing Form 3 on the face of the Rights Certificate and delivering the Rights Certificate to the purchaser (the "**transferee**"). Rights Certificates will not be registered in the name of an Ineligible Person. The transferee may exercise all of the Rights of the transferring holder without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Corporation and the Subscription Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither the Corporation nor the Subscription Agent will be affected by any notice to the contrary.

Sales or transfers should be done in ample time for the new Rights Certificates to be issued and used before the Rights Expiry Time.

### **Dividing or Combining Rights Certificates - Form 4**

A Rights Certificate may be exchanged for two or more Rights Certificates, and two or more Rights Certificates may be exchanged for a single new Rights Certificate. In each case, the new Rights Certificate(s) will represent a whole number of Rights aggregating the same number of whole Rights as were evidenced by the original Rights

Certificate(s). Such an exchange may be effected by completing Form 4 as printed on the Rights Certificate and surrendering it to the Subscription Agent at its office as indicated under “*How to Use the Rights Certificate – Delivery of Completed Rights Certificates*”. This should be done in ample time for the new Rights Certificates to be issued and used before the Rights Expiry Time.

### **Unexercised Rights**

A subscriber who exercises some, but not all, of the Rights evidenced by a Rights Certificate, will be deemed to have elected not to exercise the balance of the Rights evidenced by such Rights Certificate, which will be void and of no value, unless that subscriber elects to divide the Rights Certificate by completing Form 4 (see “*How to Use the Rights Certificate – Dividing or Combining Rights Certificates – Form 4*”).

### **Signatures**

When the original Shareholder signs any form on the Rights Certificate, the signature must correspond in every particular with the name of the Shareholder as it appears on the face of the Rights Certificate. If the Rights Certificate is transferred (see “*How to Use the Rights Certificate – Purchase, Sale or Transfer of Rights – Form 3*”) the signature of the transferor must be guaranteed by a Canadian Schedule 1 chartered bank or eligible guarantor institution with membership in an approved signature medallion program.

If a Rights Certificate is issued to or transferred to two or more persons who hold the Rights evidenced thereby jointly, the signatures of all such joint holders shall be required on the appropriate forms in order to exercise the Basic Subscription Privilege and, if applicable, the Additional Subscription Privilege, or to sell or transfer Rights.

If a form on the Rights Certificate is signed by a trustee, executor or administrator, by an officer of a corporation or by any person acting in a representative capacity, the Rights Certificate must be accompanied by evidence satisfactory to the Subscription Agent of authority to so sign. Such evidence would consist of, in the case of a corporation, a certified extract from the by-laws or a certified copy of a board resolution granting authority to certain officers to sell, assign and transfer securities registered in its name, together with a certificate of the corporate secretary identifying the authorized officers. In the case of a trustee, executor or administrator, or by any person acting in a legal representative capacity, such evidence would consist of appropriate proof of appointment.

### **Payment of Subscription Price**

The Subscription Price for all the Units subscribed for, including those subscribed for under the Additional Subscription Privilege, must be paid in Canadian funds by certified cheque, bank draft or money order payable to the order of “Equity Financial Trust Company”.

### **Delivery of Completed Rights Certificates**

Subscribers should deliver the completed Rights Certificates by overnight courier, first class, hand delivery, registered mail or courier service to the Subscription Agent at the following address:

Equity Financial Trust Company  
Suite 400, 200 University Avenue  
Toronto, Ontario M5H 4H1  
Attention: Corporate Actions

In case of postal service interruption, subscribers should deliver the Rights Certificates by hand delivery or by courier to the address noted above.

The method of delivery of a Rights Certificate is at the option and risk of the person effecting the same. We recommend that you send your subscription materials by registered mail, properly insured, with return receipt requested.

### **Reservation of Common Shares**

The Corporation will, at all times, reserve a sufficient number of its Common Shares to permit the exercise of all of the Rights and the exercise of all of the Warrants.

### **No Fractional Units**

The Corporation will not issue fractional Common Shares or Warrants upon the exercise of Rights. Where the issuance of Rights would otherwise entitle the holder of Rights to fractional Common Shares or Warrants, the holder's entitlement will be rounded down to the next lowest whole number of Common Shares or Warrants, with no additional compensation.

### **Determinations as to Validity of Subscription**

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription or request for transfer will be determined by Purepoint, in its sole discretion, whose determination shall be final and binding. All subscriptions are irrevocable. Purepoint reserves the absolute right to reject any subscription if such subscription is not in proper form or if the acceptance thereof or the issuance of Units pursuant thereto could be deemed unlawful. The Corporation also reserves the right to waive any defect with regard to any particular subscription. Neither the Corporation nor Equity will be under any duty to give any notification of any defect or irregularity in such subscriptions nor shall either of them incur any liability for failure to give such notification.

### **Delivery of Common Share and Warrant Certificates**

Certificates for the Common Shares and the Warrants subscribed for in accordance with this Offering, will be mailed to the address of the subscriber as stated on the Rights Certificate, unless otherwise directed, as soon as practicable following the Rights Expiry Time.

### **Acceptance by Book-Based Transfer in Canada**

Beneficial Shareholders in the Qualifying Jurisdictions may also accept the Offering in the Qualifying Jurisdictions by following the procedures for book-based transfer, provided that a confirmation of the book-based transfer of their Rights through CDS on-line tendering system into the Subscription Agent's account at CDS, is received by the Subscription Agent at its office in Toronto, Ontario prior to the Rights Expiry Time. The Subscription Agent has established an account at CDS for the purpose of the Offering. Any financial institution that is a participant in CDS may cause CDS to make a book-based transfer of a holder's Rights into the Subscription Agent's account in accordance with CDS procedures for such transfer. Delivery of Rights using the CDS book-based transfer system will constitute a valid tender under the Offering.

Beneficial shareholders in the Qualifying Jurisdictions, through their respective CDS Participants, who utilize the CDS on-line system to accept the Offering through a book-based transfer of their Rights into the Subscription Agent's account with CDS, are deemed to have completed a Rights Certificate and therefore such instructions received by the Subscription Agent are considered as a valid tender in accordance with the terms of the Offering. Registered Shareholders must exercise their Rights in accordance with the procedures set out in "*How to Use the Rights Certificate*".

## **SUBSCRIPTION AGENT AND TRANSFER AGENT**

The Subscription Agent has been appointed to receive subscriptions and payments from holders of Rights and to perform the services relating to the exercise and transfer of the Rights. The following office of the Subscription Agent has been appointed to perform these services:

Equity Financial Trust Company  
200 University Avenue, Suite 400  
Toronto, Ontario M5H 2H1

## Attention: Corporate Actions

The Corporation will pay the fees and expenses of the Subscription Agent in respect of such services. The Subscription Agent, through its offices at Toronto, Ontario, is the transfer agent and registrar for the Common Shares, and warrant agent for the Warrants.

### INTENTION OF INSIDERS TO EXERCISE RIGHTS

Certain directors and senior officers of the Corporation have advised the Corporation that they intend to exercise all of the Rights they receive under this Offering (subject to compliance with the laws of the jurisdiction in which they are resident) in order to maintain their proportionate holdings of Common Shares, however no commitments to do so have been made

Shareholders should be aware that the directors and officers of the Corporation as a group beneficially own or have direction or control over, directly or indirectly, approximately 13,306,022 Common Shares representing approximately 13.7% of the outstanding Common Shares.

To the knowledge of the directors and senior officers of Purepoint, as at the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation.

As a result of the Subscription Price being greater than the market price for the Common Shares at the date of filing of this Circular, the Corporation will not permit any insider of the Corporation to increase its proportionate interest in the Corporation through the exercise of Rights under the Offering. For certainty, “proportionate interest in the Corporation” means an insider’s proportionate interest in Purepoint based on the number of Common Shares held by such insider on the Record Date, and not based on any subsequent increase in overall interest prior to completion of the Offering. The Corporation will put instructions in place with the Subscription Agent to prevent the issuance of securities subscribed for by insiders in excess of their proportionate interest in the Corporation in such circumstances and to return related subscription proceeds.

Should the directors, officers and other insiders of the Corporation purchase the maximum number of Units issuable pursuant to the Basic Subscription Privilege and Remaining Units pursuant to the Additional Subscription Privilege, the directors, officers and other insiders of Purepoint may increase their respective percentage ownership of the outstanding Common Shares following completion of this Offering in order to maintain their proportionate holdings of Common Shares.

### DESCRIPTION OF THE CORPORATION’S SECURITIES

#### General

The Corporation’s authorized share capital consists of an unlimited number of Common Shares without par value. As at the date hereof, there are 97,047,730 Common Shares issued and outstanding, all of which are fully paid and non-assessable, 8,712,501 Common Shares are reserved for issuance pursuant to the Corporation’s currently outstanding stock options granted under the Corporation’s stock option plan and 18,144,089 Common Shares are reserved for issuance pursuant to outstanding common share purchase warrants. The following summary of certain material terms of the Corporation’s Common Shares does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Corporation’s articles and applicable laws. Copies of the Corporation’s articles are available on SEDAR at [www.sedar.com](http://www.sedar.com).

*Dividends.* Shareholders are entitled to receive dividends when, as and if declared by the board of directors of the Corporation. The *Canada Business Corporations Act* provides that a corporation may not declare or pay a dividend if there are reasonable grounds for believing that: (a) the corporation is, or would after the payment of the dividend, be unable to pay its liabilities as they become due; or (b) the realizable value of

the corporation's assets would thereby be less than the aggregate of, (i) its liabilities, and (ii) its stated capital of all classes.

*Voting.* Shareholders are entitled to receive notice of and to attend at all meetings of the Shareholders and are entitled to one vote for each Common Share on all matters voted on by Shareholders, including the election of directors.

The Common Shares do not by their terms carry any pre-emptive, subscription, redemption or conversion rights.

## **The Units**

Each Unit will consist of one Common Share and one Warrant. Each Warrant entitles the holder to purchase one additional Common Share at a price of \$0.10 per Common Share at any time on or before the Warrant Expiry Time, at which time the Warrants will expire and be void and of no value. See "*Description of the Corporation's Securities – The Warrants*".

## **The Warrants**

The Warrants will be issued under and subject to an indenture to be executed between the Corporation and Equity (the "**Warrant Indenture**"). Each Warrant will entitle the holder to purchase one Common Share at a price of \$0.10 per Common Share at any time on or before the Warrant Expiry Time on the Warrant Expiry Date, after which time the Warrants will expire and be void and of no value. The Warrants will be exercisable at the principal office of Equity in Toronto. The Warrants will be transferable upon compliance with applicable securities laws at the principal office of Equity in Toronto.

The Warrant Indenture will provide for adjustment to the exercise price and to the number of Common Shares issuable upon exercise of a Warrant upon the occurrence of certain events. Under the Warrant Indenture, the Corporation may purchase in the market, by private contract or otherwise, all or any portion of the Warrants on such terms as the Corporation may determine.

The Corporation will not issue fractional Common Shares upon exercise of Warrants. Where the exercise of Warrants would appear to entitle the holder of Warrants to fractional Common Shares, the holder's entitlement will be reduced to the next lowest whole number of Common Shares.

Holders of Warrants will have as such no voting or pre-emptive rights or other rights of holders of Common Shares.

## **PRINCIPAL SHAREHOLDERS**

To the knowledge of the directors and senior officers of Purepoint, as at the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation.

## **CHANGES OF OWNERSHIP**

To the knowledge of the directors and officers of Purepoint, there have been no issuances or transfers of securities of the Corporation that have materially affected the control of Purepoint since December 31, 2012.

## **MANAGING DEALER FEE AND SOLICITING DEALER FEES**

The Corporation has not retained any party to solicit subscriptions for Units pursuant to the Offering.



## STAND-BY COMMITMENT

The Corporation has no stand-by commitment agreement with any person or company to purchase any Units not otherwise subscribed for and purchased on the exercise of Rights pursuant to the Basic Subscription Privilege and the Additional Subscription Privilege.

## USE OF PROCEEDS

In the event that the Rights Offering is fully subscribed, the Corporation will receive gross proceeds of approximately \$679,334 (subject to adjustment for rounding and assuming no convertible securities of the Corporation are exercised prior to the Record Date) and net proceeds of approximately \$604,334 after deducting expenses of the Offering estimated at \$75,000. The completion of the Rights Offering is not conditional upon the Corporation receiving any minimum amount of subscriptions from Shareholders.

The net proceeds from the Rights Offering, combined with the Corporation's current working capital, will be used for general corporate and administrative costs of the Corporation over the next year including the following costs:

Communications	\$27,000
Insurance	\$46,000
General administration, IT, Telecom	\$17,000
Payroll and Professional Fees	\$294,000
Transfer Agent and Filings Fees	\$35,000
Travel	\$5,000
Rent	\$15,000
<b>Total</b>	<b>\$439,000</b>

Any proceeds raised in excess of \$439,000 may be used for additional exploration work, or strategic acquisitions and to enhance the Corporation's liquidity position.

The Corporation intends to spend the available funds as set forth above. However, there may be circumstances where, for sound business reasons, a reallocation of the available funds may be necessary. In any event, the available funds will be used by the Corporation in furtherance of its business.

The Corporation's overhead costs have been reduced significantly in 2012. As set out above, it is expected that the general corporate and administrative costs of Purepoint will amount to approximately \$439,000 for the next year. The net proceeds from the Offering, together with the Corporation's existing working capital, will be used towards these costs over the next 12 months.

As at December 31, 2012, the Corporation had \$704,974 in cash and \$417,145 in working capital. As at the date hereof, the Corporation's monthly burn rate is \$36,500 and Purepoint's management believes that the Corporation has enough funds, including the receipt of anticipated management fees from the Hook Lake and Smart Lake projects, to continue operations to September 30, 2013. The net proceeds of the Offering are not required for the Corporation to satisfy its immediate general corporate and administrative costs, rather, the net proceeds will allow the Corporation to enhance its liquidity position and to provide it with strategic flexibility.

If the Offering is not fully subscribed, the Corporation has enough working capital to fund its general corporate and administrative costs and the contributions to these costs from the proceeds of the Offering will decrease by such commensurate amount. This will not affect the immediate day to day operations of the Corporation as it has sufficient funding for exploration and to cover its overhead costs for the next nine months. Therefore a standby commitment and/or minimum offering is not required.

## **RISK FACTORS**

An investment in the Corporation's securities involves a significant degree of risk and should be considered speculative due, generally, to the nature of the business in which the Corporation is engaged, the limited extent of the Corporation's assets, the Corporation's state of development and the degree of its reliance upon the expertise of management. Prospective investors should carefully review the following factors, together with other information contained or referred to in this Rights Offering Circular, before making an investment decision.

### **Nature of Mineral Exploration**

The Corporation's viability and potential success lie in its ability to develop, exploit and generate revenue out of mineral deposits. Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Corporation may be affected by numerous factors which are beyond the control of the Corporation and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in the Corporation not receiving an adequate return of investment capital.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Corporation's mineral exploration and development activities will result in any discoveries of minerals. The long-term profitability of the Corporation's operations will, in part, be directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations, or that funds required for development can be obtained on a timely basis.

### **Mining Risks and Insurance**

The business of mining is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations, cave-ins, flooding and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

### **Funding Requirements**

Mining exploration involves financial risk and capital investment. The Corporation's only present means of acquiring investment capital is by means of the sale of equity shares or rights to acquire equity shares. The Corporation has limited resources of funds to engage in additional exploration and development which may be necessary to exploit its properties and make additional acquisition payments in order to maintain its property interests and there are no assurances that the Corporation will be able to raise additional financing in the future.

### **Permits and Licenses**

The operations of the Corporation require licenses and permits from various governmental authorities. The Corporation currently has all permits and licenses that it believes are necessary to carry out its current exploration, development and mining operations at its projects. The Corporation may require additional licenses or permits in the future and there can be no assurance that the Corporation will be able to obtain all such additional licenses and permits. In addition, there can be no assurance that any existing licenses and permits will be renewable if and when required or that such existing licenses and permits will not be revoked.

### **No Assurance of Profitability**

The Corporation has a limited history of earnings and due to the nature of its business there can be no assurance that the Corporation will be profitable. The Corporation has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Corporation is from the anticipated cash flow generated through the sale of its equity shares, short-term high-cost borrowing or the sale or optioning of a portion of its interest in its mineral properties. Even if the results of exploration are encouraging, the Corporation may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Corporation may generate additional working capital through cash flow from further equity offerings, short-term borrowing or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Corporation at risk.

### **Marketability of Warrants**

There is no market for the Warrants and the Corporation does not intend to make application to list the Warrants for trading on the TSXV or on any other exchange. Therefore, there is no market through which the Warrants may be sold and subscribers may not be able to resell the Warrants. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation.

### **Uninsured or Uninsurable Risks**

In the course of exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the Common Shares.

### **Government Regulations and Environmental Matters**

The Corporation's activities will be subject to extensive federal, provincial and local laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Corporation's properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, the Corporation must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority.

### **Mining and Investment Policies**

Changes in mining or investment policies or shifts in political attitude may adversely affect the Corporation's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and safety regulations. The effect of these factors cannot be accurately predicted.

### **Title**

No assurances can be given that title defects to the Corporation's properties do not exist. The properties may be subject to prior unregistered agreements, interests or native land claims and title may be affected by undetected defects. If title defects do exist, it is possible that the Corporation may lose all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates. There is no guarantee that title to the properties

will not be challenged or impugned. While, to the best of the Corporation's knowledge, title to its properties is in good standing, this should not be construed as a guarantee of title.

### **Competition**

The mineral exploration and mining industry is extremely competitive. The Corporation will encounter competition from other companies in connection with the search for the acquisition of properties which are producing or capable of producing minerals. As a result of this competition, the majority of which will be with companies with greater financial resources than the Corporation, the Corporation may be unable to acquire attractive properties on terms it considers acceptable.

### **Dependence Upon Others and Key Personnel**

The success of the Corporation's operations will depend upon its ability to attract and retain key personnel in sales, marketing, technical support and finance and to hire outside consultants having the specific expertise required by the Corporation. The inability of the Corporation to hire or retain key personnel or retain the services of qualified consultants when required by the Corporation could have a material adverse effect on the operations and financial results of the Corporation.

### **Price Fluctuations and Share Price Volatility**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual severe fluctuations in price will not occur.

### **Conflicts of Interest**

Certain directors and officers are directors and/or officers of other mineral exploration companies and as such may, in certain circumstances, have a conflict of interest, if any, the resolution of which will be subject to and governed by procedures prescribed by the Corporation's governing corporate law statute which requires a director of a corporation who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under such legislation.

## **STATEMENT AS TO RESALE RESTRICTIONS**

Securities legislation in the Qualifying Jurisdictions restricts the ability of a holder to trade the Rights and the Common Shares and Warrants issuable upon the exercise of such Rights and the Common Shares issuable upon exercise of the Warrants, without certain conditions having been fulfilled or applicable prospectus and registration requirements of applicable securities legislation having been complied with in the Qualifying Jurisdictions. The following is a general summary of the restrictions governing the first trades of such securities in the Qualifying Jurisdictions. Additional restrictions apply to "insiders" of the Corporation and holders of the Rights and the Common Shares and Warrants issuable upon the exercise of the Rights and the Common Shares issuable upon exercise of the Warrants, who are "control persons" or the equivalent or who are deemed to be part of what is commonly referred to as a "control block" in respect of the Corporation for purposes of securities legislation. **Each holder of Rights is urged to consult his or her professional advisors to determine the exact conditions and restrictions applicable to trades of the Rights, Units or the Common Shares and Warrants issuable upon the exercise of such Rights or the Common Shares issuable upon the exercise of the Warrants (the "Securities").**

Generally, in Canada, the first trade of any of the Securities will be exempt from the prospectus requirements of securities legislation in the Qualifying Jurisdictions if:

- (a) the Corporation is and has been a “reporting issuer” in a jurisdiction of Canada for the four months immediately preceding the trade;
- (b) the trade is not a “control distribution” as defined in the applicable securities legislation;
- (c) no unusual effort is made to prepare the market or to create a demand for the securities;
- (d) no extraordinary commission or other consideration is paid in respect of such trade; and
- (e) if the seller is an insider or officer of the Corporation, the seller has no reasonable grounds to believe that the Corporation is in default of applicable securities legislation.

If such conditions have not been met, then the Securities may not be resold except pursuant to a prospectus or prospectus exemption, which may only be available in limited circumstances.

The Corporation has been a reporting issuer for more than four months in each of the provinces of British Columbia, Alberta and Ontario.

None of the Rights or the Common Shares and Warrants issuable upon the exercise of such Rights or the Common Shares issuable upon exercise of the Warrants have been nor will they be registered under the US Securities Act, and they may not be offered or transferred within the United States except pursuant to an exemption from the registration requirements of the US Securities Act.

The foregoing is a summary only and is not intended to be exhaustive. Holders of Rights should consult with their advisors concerning restrictions on resale, and should not resell their Securities until they have determined that any such resale is in compliance with the requirements of applicable legislation.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Corporation, the following is a summary of the principal Canadian federal income tax considerations generally applicable to Shareholders who acquire Rights under this Offering and who, for the purposes of the Tax Act and at all the relevant times, are resident in Canada, deal at arm’s length with, and are not affiliated with, the Corporation and hold, or will hold, Rights and any Units acquired on exercise of the Rights as capital property. The Rights, Warrants and Common Shares generally will constitute capital property to a Shareholder unless the Shareholder holds such securities in the course of carrying on a business of trading or dealing in securities or otherwise as part of a business of buying and selling securities or has acquired such securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Shareholders who might not otherwise be considered to hold their securities as capital property may be entitled, in certain circumstances, to treat Common Shares (but not Rights or Warrants) as capital property by making an election under subsection 39(4) of the Tax Act. A Shareholder considering making such an election should consult its own tax advisor.

This summary is based on the current provisions of the Tax Act and Regulations, taking into account all published proposals for the amendment thereof that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Rights Offering Circular and on counsel’s understanding of the current publicly available published administrative and assessing practices of the Canada Revenue Agency (“CRA”). No assurances can be given that the proposed amendments will be enacted as proposed or at all. This summary is not exhaustive of all possible Canadian federal tax considerations nor, subject to that mentioned above, does it take into account or anticipate any changes in the law or in the administrative practices of CRA, whether by legislative, governmental or judicial action or otherwise, nor does it take into account provincial, territorial or foreign tax considerations. No guarantee can be given that the Tax Act will not be amended in the future such that comments in this section no longer will be valid.

This summary does not apply to a Shareholder: (i) that is a “financial institution” (as defined in the Tax Act for the purposes of the “mark-to-market” rules); (ii) an interest in which is a “tax shelter investment” for the purposes of the

Tax Act; (iii) that is a “specified financial institution” (as defined in the Tax Act); or (iv) that has elected to report its tax results in a currency other than Canadian currency. Such Shareholders should consult their own tax advisors in respect of acquiring and holding Rights or Units.

**This summary is of a general nature and is not exhaustive of all Canadian federal income tax considerations. It is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder. Shareholders should consult their own tax advisors regarding the income tax considerations applicable to them.**

This summary does not address any Canadian federal income tax considerations applicable to non-residents of Canada, and non-residents should consult their own tax advisors regarding the tax consequences of acquiring and holding Rights or Units.

### **Receipt of Rights**

No amount will be required to be included in computing the income of a Shareholder as a consequence of acquiring Rights pursuant to the Offering. The cost of a Right received pursuant to the Offering will be nil for the purposes of the Tax Act. The cost of Rights acquired pursuant to the Offering will be averaged with the adjusted cost base of all other Rights held by the Shareholder as capital property for the purpose of determining the adjusted cost base to that Shareholder of each Right so held.

### **Exercise of Rights**

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act. Consequently, no gain or loss will be realized upon the exercise of Rights. Common Shares and Warrants acquired by a Shareholder upon the exercise of Rights will have an aggregate cost to the Shareholder equal to the aggregate of the Subscription Price for the Unit and the cost, if any, to the Shareholder of the Rights exercised to acquire the Unit. This cost must be allocated on a reasonable basis between the Common Share and the Warrant to determine the cost of each to the Shareholder for purposes of the Tax Act. These amounts must generally be averaged with the adjusted cost base of all other Common Shares and Warrants, respectively, held by a Shareholder as capital property to determine the adjusted cost base of all such Common Shares and Warrants to the Shareholder.

### **Disposition of Expiry Rights**

Upon the disposition of a Right by a Shareholder, other than pursuant to the exercise thereof, the Shareholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base of the Right to the Shareholder. The tax treatment of any such capital gain or capital loss is described below. Upon the expiry of an unexercised Right, a Shareholder will realize a capital loss equal to the adjusted cost base of the Right to the Shareholder, if any. The tax treatment of any such capital gain or capital loss is described below.

### **Exercise of Warrants**

No gain or loss will be realized by a Shareholder upon the exercise of a Warrant to acquire a Common Share. When a Warrant is exercised, the Shareholder’s cost of the Common Share acquired thereby will be the aggregate of the Shareholder’s adjusted cost base of such Warrant and the exercise price paid for the Common Share. The cost of Common Shares acquired pursuant to the Offering will be averaged with the adjusted cost base of all other Common Shares held by the Shareholder as capital property for the purpose of determining the adjusted cost base to that Shareholder of each Common Share.

### **Disposition and Expiry of Warrants**

A disposition or deemed disposition by a Shareholder of a Warrant (other than upon the exercise thereof) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such Shareholder’s adjusted cost base of the Warrant. In the event of the expiry of an unexercised Warrant, the Shareholder will generally realize a capital loss equal to the

Shareholder's adjusted cost base of such Warrant. The tax treatment of any such capital gain or capital loss is described below.

### **Disposition of Common Shares**

A disposition or deemed disposition of Common Shares by a Shareholder will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such Shareholder's adjusted cost base of the Common Shares. The tax treatment of any such capital gain or capital loss is described below.

### **Treatment of Capital Gains and Capital Losses**

A Shareholder will be required to include in computing income one-half of any capital gain (a "**taxable capital gain**") realized in a taxation year and generally must deduct one-half of any capital loss (an "**allowable capital loss**") sustained against taxable capital gains in the year, subject to and in accordance with the provisions of the Tax Act.

Allowable capital losses in excess of taxable capital gains in the year of disposition may be carried back and deducted in any of the three prior taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of a Common Share by a Shareholder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on the Common Share to the extent and in the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares. Shareholders to whom these rules may be relevant should consult their tax advisors.

A holder that is a Canadian controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of  $6\frac{2}{3}\%$  on its "aggregate investment income" (as defined in the Tax Act), which generally includes taxable capital gains.

### **Dividends**

A Shareholder will be required to include in computing its income for a taxation year any dividends received, or deemed to be received, in the year by the Shareholder on the Common Shares. In the case of a Shareholder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Corporation designates the dividend as an "eligible dividend" in accordance with the provisions of the Tax Act. A dividend received or deemed to be received by a Shareholder that is a corporation will generally be deductible in computing the corporation's taxable income.

A corporation that is a "private corporation" (as defined in the Tax Act) or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), generally will be liable to pay a refundable tax under Part IV of the Tax Act at the rate of  $33\frac{1}{3}\%$  on dividends received or deemed to be received on the Common Shares in a year to the extent such dividends are deductible in computing taxable income for the year.

### **Minimum Tax**

In general terms, a Shareholder that is an individual (other than certain trusts), that receives or is deemed to receive taxable dividends on the Common Shares or that realizes a capital gain on the disposition or deemed disposition of Common Shares or Warrants may be liable for alternative minimum tax.

## **STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides security holders of the Corporation with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or a notice that is required to be delivered to those security holders. However, such rights must be exercised within the prescribed time limits. Security holders should refer to the applicable provisions of securities legislation of the province of residence for particulars of those rights, or consult with a lawyer.

## **ADDITIONAL INFORMATION**

Further information regarding the Corporation, its activities and its financial results may be found in the Corporation's continuous disclosure documents, copies of which can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

## **INQUIRIES**

Inquiries relating to this Offering should be addressed:

*By Mail, Hand or Courier to:*  
Equity Financial Trust Company  
Suite 400, 200 University Avenue  
Toronto, Ontario M5H 4H1  
Attention: Corporate Actions

*By E-Mail to:*  
[investor@equityfinancialtrust.com](mailto:investor@equityfinancialtrust.com)

*By Telephone:*  
North American Toll Free: 1-866-393-4891  
Local: 416-361-0152