

Purepoint Uranium Group Inc.  
**Management's Discussion and Analysis**  
For the year ended December 31, 2020

The following discussion and analysis is management's assessment of the results and financial condition of Purepoint Uranium Group Inc. ("Purepoint" or the "Company") and should be read in conjunction with the consolidated audited financial statements for the year ended December 31, 2020, together with the related notes contained therein. The Company's most recent filings are available on the SEDAR website. The date of this management's discussion and analysis is April 20, 2021.

The annual financial statements for the years ended December 31, 2020 and 2019 are prepared in accordance with International Financial Reporting Standards ("IFRS").

**COVID-19 outbreak**

Subsequent to 2019 year-end, there was a global outbreak of COVID-19 (coronavirus), which had a significant impact on businesses through restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolations/quarantine orders. At this time the global outbreak of coronavirus has had no significant impact on the Company's ongoing business operations.

**Forward looking statements**

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

**Business of Purepoint**

Purepoint maintains a focused objective of locating uranium deposits in the Athabasca Basin in Northern Saskatchewan. Purepoint currently maintains 12 properties located in the Athabasca Basin. The Company entered into joint venture agreements and operates one of these projects with Cameco Corporation and Orano Canada Inc. (formerly AREVA Resources Canada Inc.), one of these projects with Cameco Corporation, while the other ten projects remain 100% owned. Saskatchewan's Athabasca Basin now provides approximately 25% of the world's uranium production credited primarily to that region's unusually high ore grade deposits.

The 2021 operating plan is discussed under Exploration Activities.

### Selected quarterly information

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

	Quarter ended December 31, 2020	Quarter ended September 30, 2020	Quarter ended June 30, 2020	Quarter ended March 31, 2020	Quarter ended December 31, 2019	Quarter ended September 30, 2019	Quarter ended June 30, 2019	Quarter ended March 31, 2019
Net loss	(313,906)	(170,729)	(592,384)	(379,076)	(216,925)	(215,807)	(450,295)	(467,453)
Net loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	2,518,243	370,320	543,896	1,014,644	1,695,213	732,030	968,516	1,365,887

### Selected annual financial information

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

	Year Ended December 31		
	2020	2019	2018
	(dollars)		
Net loss	(1,456,095)	(1,350,480)	(1,406,520)
Net loss per share - basic and diluted	(0.01)	(0.01)	(0.01)
Total assets	2,518,243	1,695,213	1,991,443

### Results of operations

The Company's operations during the year ended December 31, 2020 produced a net loss of \$1,456,095 (2019 - \$1,350,480). The primary operational activity continues to be the exploration of the Company's major projects. The expenditures and levels of activity relating to the Company's projects are described in greater detail below following a brief discussion of significant changes in expense line items.

Exploration and evaluation expenditures amounted to \$639,069 (2019 - \$769,436) and are mainly result of joint project operational activities, especially drilling at Hook Lake Property - see Exploration and evaluation expenditures.

Exploration salaries and benefits amounted to \$295,701 (2019 - \$417,623).

Share based payments in the amount of \$408,711 have been recognized during the year ended December 31, 2020 (2019 - \$241,794). On April 27, 2020 the Company granted 6,650,000 stock options at an exercise price of \$0.07 per option, vesting immediately. On April 26, 2019 the Company granted 3,280,000 stock options at an exercise price of \$0.085 per option, vesting immediately. Fair value assigned to new grants was expensed in the same period when granted.

Investor relations decreased by \$25,463 compared to 2019 and is attributable to decrease in marketing activities in 2020.

Professional fees increased by \$15,438 compared to 2019 and is attributable to increase in audit and legal fees in 2020.

General and administration decreased by \$26,252 compared to 2019 and is attributable to decrease in rent expenses.

Other expenses were comparable to 2019.

Operator fees and other expense recoveries with respect to joint projects amounted to \$345,033 (2019 - \$566,353). Decrease is mainly due to decrease in joint project operational activities overall, especially drilling at Hook Lake Property.

### **Exploration and evaluation expenditures**

The Company incurred \$639,069 and \$769,436 in exploration and evaluation expenditures on its properties during the years ended December 31, 2020 and 2019, as follows:

	2020	2019
Red Willow Property	\$ 835	\$ 3,798
Hook Lake Property	593,119	725,556
Smart Lake Property	585	19,991
Turnor Lake Property	585	5,063
Umfreville Lake Property	23,085	5,040
Henday Lake Property	835	1,266
Additional Properties	20,025	8,722

During 2020 and early 2021, the Company carried out the following significant activities:

#### **2020 Winter Exploration Programs at Hook Lake**

On February 25th and May 6th, 2020, Purepoint released updates on the 2019/2020 winter exploration program at Hook Lake.

#### **Highlights:**

- Seven diamond holes for 3,659 metres of drilling and five lines of stepwise-moving loop EM completed.
- Hole HK20-115 encountered strong hydrothermal clay and hematite alteration associated with graphitic shearing along the “W” conductor, approximately 3.5 kilometers along strike of previous drilling.
- An electromagnetic (EM) geophysical survey was completed and consisted of five lines of stepwise-moving loop EM surveying, 800 metres apart. The survey provided initial targets covering 4 kilometres of conductor strike length northeast of last year’s hole HK19-105 that intersected numerous shear zones, strong hydrothermal alteration and elevated radioactivity (up to 125 ppm U over 0.3 metres).
- The 2020 EM survey covered the edge of a gravity high identified by the 2019 airborne gravity survey, funded by the Targeted Geoscience Initiative (TGI). The gravity high edge is considered to reflect a lithologic contact, possibly providing a zone of weakness and structural traps for focusing uranium-rich fluids.
- Interpretation of the Tilt Derivative of the airborne magnetic results suggests destruction of the magnetic response in the area of the 2020 EM survey, possibly due to hydrothermal alteration.
- All assays have been received.

## **2021 Winter Exploration Program at Hook Lake**

On October 1, 2020 Purepoint announced plans for their 2021 exploration program at Hook Lake.

### **Highlights:**

- Five diamond holes for 3,250 metres of drilling were planned at the Sabre Target Area.
- The Company announced the commencement of that drill program on January 28, 2021.
- The program has been completed and assays are pending.

## **2021 Exploration Schedule**

On April 12, 2021, Purepoint released its exploration schedule for the remainder of the year, focusing on its large portfolio of 100-per-cent-owned uranium projects strategically located across Canada's Athabasca basin.

### **Highlights:**

- Permits are in place for work at the company's Red Willow, Henday and Umfreville projects.
- Drilling is scheduled to take place on these projects in Q3 2021.
- Additional permit applications are being prepared for the Turnor Lake, Smart Lake, Carson Lake and Russell South projects.
- Initial airborne geophysics have been scheduled for this summer on Purepoint's four Tabernor block projects.
- Ground electromagnetic and resistivity geophysical surveys are proposed/planned in Q4 2021 at the Smart Lake and Carson Lake projects.
- Scheduling reflects the anticipated timing of permit applications, the availability of contracted service providers and seasonal weather conditions.

## ***Hook Lake Project - Joint Venture with Cameco and Orano***

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

Under the original option agreement, Purepoint acquired a 21% interest in the Hook Lake project. The remaining 79% of the project is owned by Cameco Corporation (39.5%) and Orano Canada Inc. (39.5%);

Located along the Patterson Uranium District, the Hook Lake JV has been operated by Purepoint since 2007. The project consists of nine claims totaling 28,683 hectares including the Spitfire high-grade discovery (53.3% U3O8 over 1.3 metres within a 10 metre interval of 10.3% U3O8).

### **Hook Lake Project Highlights:**

- (i) Two of the world's largest, high-grade uranium deposits reside along-strike on adjacent properties;
- (ii) High-grade Spitfire/Harpoon deposit outlined at the claim border with NexGen;
- (iii) Widespread hydrothermal alteration in Dragon Zone similar to and along-strike with Spitfire, with a much larger footprint;

- (iv) Anomalously high concentrations of uranium within, and adjacent to graphitic shear zones in the sub-Athabasca basement rocks of the Dragon Zone;

#### **Hook Lake, Sabre Target Area (“W” Conductor - North):**

Interpretation of the EM results provided four to six conductor picks of varying strength along each survey line. The “W” conductor now appears as two continuous parallel conductors of variable strength associated with numerous sub-parallel weaker conductors.

Drill hole HK20-115 tested a 2020 EM conductor pick located approximately 3.5 kilometres northeast along strike of favourable drill hole HK19-105. Below the unconformity at 460 metres, the hole encountered strongly clay altered porphyroblastic schist and mafic intrusive to 500 metres, strongly hematite altered granodiorite gneiss to 512 metres, then strongly chloritized, sheared and graphitic mafic intrusive to a depth of 525 metres before completion within unaltered diorite gneiss at a depth of 638 metres.

#### **OTHER PROJECTS**

##### ***Henday Project - 100% Owned***

The 100% owned Henday Lake property is 1,029 hectares in size and consists of 2 claims. This property is located nine kilometres northwest of Orano’s Midwest Lake deposit (41 million lbs. U3O8) and ten kilometers west of Rio Tinto’s Roughrider Deposit (57 million lbs. U3O8).

Only one drill hole is known to have been drilled on Purepoint’s Henday property. Hole HLH8-71 was drilled by Cogema Resources (now Orano Canada Inc.) in 1998 and encountered a steeply dipping, strongly graphitic fault gouge at the bottom of the hole. The claims rest within a magnetic low believed to represent pelitic basement rocks, a typical host rock for economic uranium mineralization. The depth to basement is locally less than 350 metres.

The Henday Lake property falls within the Mudjatik-Wollaston Tectonic Zone, a northeast trending structural zone along the eastern margin of the Basin. The Mudjatik-Wollaston Tectonic Zone is the NE trending high strain tectonic zone marking the boundary between the Archean gneisses and granitoids of the Mudjatik Domain to the west and Archean gneisses, metasediments, and pegmatite intrusions of the Wollaston domain to the east. All of the operating uranium mines in Canada are located along this trend.

##### ***Smart Lake Project - 27% Owned***

Purepoint (as operator) holds a 27% ownership of the Smart Lake project in a joint venture with Cameco Corporation.

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

Depth to the unconformity, where it occurs, is relatively shallow at less than 350 metres.

Aeromagnetic and electromagnetic patterns at Smart Lake reflect an extension of the patterns underlying the Shea Creek deposits (max. grade of 58.3% U3O8 over 3.5 m) 55 km north of the property. Exploration by Purepoint and Cameco has firmly established the presence of uranium mineralization, hydrothermal alteration and the location of a number of basement electromagnetic conductors never drill tested.

During 2008, Purepoint's initial drill hole SMT08-01 intersected a weakly radioactive structure that displayed the strongest radioactivity returned from a tension fracture in SMT08-06 assaying 1,600 ppm U over 0.1 metre.

Known uranium mineralization at the Smart Lake project is associated with a steeply dipping, north-northwest striking, and hydrothermally altered, graphitic-shear zone. The strongest radioactivity returned from the conductor is 127 ppm U over 13.3 metres in hole SMT08-01. A geochemical signature is associated with the uranium mineralization and includes the enrichment of nickel, arsenic, and cobalt. A flat-lying, radioactive tensional fracture zone extends westward from the graphitic shear and returned 1,600 ppm U over 0.1 metre.

### ***Red Willow Project - 100% Owned***

The 100 % owned Red Willow property is situated on the eastern edge of the Athabasca Basin in Northern Saskatchewan, Canada and consists of 17 mineral claims having a total area of 40,116 hectares. The property is located close to several uranium deposits including Orano Resources Canada Inc.'s mined-out JEB deposit, approximately 10 kilometres to the southwest, and Cameco's Eagle Point deposit that is approximately 10 kilometers due south.

Geophysical surveys conducted by Purepoint at Red Willow have included airborne magnetic and electromagnetic (VTEM) surveys, an airborne radiometric survey, ground gradient array IP, pole-dipole array IP, fixed-loop and moving-loop transient electromagnetics, 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 seven have been subject to first pass drilling.

### ***Turnor Lake Project - 100% Owned***

The Turnor Lake project is 100% owned by Purepoint and includes five claims with a total area of 9,705 hectares situated in the eastern plane of the Athabasca Basin. Depth to the unconformity is shallow at approximately 180 metres.

The property covers known graphitic conductors that are associated with uranium showings on adjoining properties, namely Cameco's La Rocque showing (33.9% U<sub>3</sub>O<sub>8</sub> over 5.5 m) to the west and Orano's HLH-50 intercept (5.2% U<sub>3</sub>O<sub>8</sub> over 0.38 m) located to the south. The project lies in close proximity to several uranium deposits including Roughrider, Midwest Lake, and McClean Lake.

### ***Umfreville Project - 100% Owned***

Originally covering over 60,000 hectares, the Umfreville Project has been refined to the most prospective target areas using results from airborne gravity, magnetic and electromagnetic surveys. The project sits on the North-East rim of the Athabasca Basin and lies over a series of cross-cutting faults which are typical mineralization settings. Geophysical signatures interpreted as being representative of hydrothermal alteration coincident with anomalous uranium-in-soil geochemistry have been isolated. The Umfreville Property covers approximately 18,273 hectares and consists of seven mineral claims.

Not yet drill tested, the property has undergone a broad array of geophysical and geochemical surveys to delineate high value exploration targets. Initial work in 2005 consisted of a MEGATEM electromagnetic and magnetic survey flown by Fugro Airborne Surveys and the data then processed using a layered-earth inversion program by Condor Consulting. In 2007, Bell Geospace conducted an airborne full tensor gravity gradiometry survey over the property which supported fault systems previously interpreted from magnetic features. During 2010, Terraquest Ltd. flew a High Resolution Aeromagnetic Gradient and XDS VLF-EM Survey over the property providing higher detailed fault and lithologic contact interpretations. Utilizing CAMIRO techniques (a three-year research study utilizing field samples collected from the areas overlying the McClean Lake, Cigar Lake West and Dawn Lake uranium deposits in Saskatchewan's Athabasca Basin), a systematic geochemical survey was conducted across the property during 2011 with the best geochemical response being returned from the Perching Zone. Infill geochemical sampling was conducted over the Perching Zone during 2012 and 2014.

#### ***Additional Projects - 100% Owned***

The Company also holds 6 additional projects acquired in 2021 through staking. These early-stage uranium projects reside in northern Saskatchewan and will be the subject of preliminary review and surveying this year. They are Carson Lake, Russell South and four projects outside the South West area of the Athabasca Basin referred to as the Tabbernor Block.

#### **Liquidity and capital resources**

At December 31, 2020, the Company had a working capital surplus of \$2,008,552, compared to a surplus of \$962,180 as at December 31, 2019. The increase is attributed to December's financing that increased the Company's cash for 1M comparing to 2019. On April 7, 2021 the Company announced the closing of its brokered private placement for aggregate gross proceeds of \$5,000,000 - see Subsequent events, Private placement financing.

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

#### **Lease commitments**

The Company adopted IFRS 16 effective January 1, 2019 with respect to its office in Saskatoon, using the modified retrospective approach. As a result, comparative information has not been restated and is accounted for under IAS 17, Leases. Upon transition to IFRS 16 on January 1, 2019, the Company recognized right-of-use asset and initial lease liability totalling \$137,637. The lease liability has a remaining term of 4 years and is discounted at a rate of 6%.

Lease liability arising on initial application of IFRS 16 at January 1, 2019	\$ 137,637
Less: Lease accretion in 2019	(28,878)
Lease liability at December 31, 2019	<u>108,759</u>
Less: Lease accretion in 2020	(31,336)
Lease liability at December 31, 2020	<u>77,423</u>
Less: Current portion	(36,035)
Lease liability - long term	<u>\$ 41,388</u>

### **Critical accounting estimates**

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

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

The Company had no off balance sheet arrangements as at December 31, 2020 or December 31, 2019.

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

The Company had no financial instruments other than short-term GIC's, accounts receivable, accounts payable and accrued liabilities, advances from project and lease liability as at December 31, 2020 and December 31, 2019.

### **Outstanding share data**

#### *Common Shares:*

The Company has authorized an unlimited number of common shares, with no par value, of which 320,502,332 shares are issued and outstanding as of the date hereof.

#### *Share Purchase Warrants:*

As of the date hereof, 98,997,935 share purchase warrants (including finder's compensation warrants) were outstanding.

#### *Employee Stock Options:*

As of date hereof, 22,160,000 options were outstanding under the Company's stock option plan for employees, directors, officers and consultants of the Company.

On April 27, 2020 the Company granted 6,650,000 stock options at an exercise price of \$0.07 per option, vesting immediately. On April 26, 2019 the Company granted 3,280,000 stock options at an exercise price of \$0.085 per option, vesting immediately.



### *Private placements*

On October 22, 2020, the Company closed its non-brokered private placement for gross proceeds of \$275,000.

In connection with the private placement, the Company issued 5,500,000 units at a price of \$0.05 per unit. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.08 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company paid finders' fees consisting of \$10,850 plus applicable taxes in cash and issued 217,000 non-transferrable compensation warrants. Each compensation warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.08 per share for a period of 24 months after the date of issuance.

On December 18, 2020, the Company closed its non-brokered private placement for aggregate gross proceeds of \$1,925,400.

In connection with the private placement, the Company issued 30,170,000 flow-through units and 8,338,000 hard-dollar units, both at a price of \$0.05 per unit. Each flow-through unit consists of one common share in the capital of the Company issued on a "flow through" basis pursuant to the Income Tax Act (Canada) and one common share purchase warrant. Each hard-dollar common share unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.08 per share for a period of 24 months from the date of issuance.

In connection with the closing of the private placement, the Company paid certain finders' fees consisting of \$58,620 in cash and 1,214,400 non-transferable compensation warrants. Each compensation warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.08 per share for a period of 24 months after the closing date.

On December 31, 2019, the Company closed its non-brokered private placement for gross proceeds of \$552,005. The financing was transacted in two tranches with the first tranche closing December 18, 2019.

The Company issued 8,492,378 flow-through units at a price of \$0.065 per unit. Each flow-through unit consisted of one common share in the capital of the Company issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) and one common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.08 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company paid finders' fees consisting of \$30,120 in cash and 463,389 non-transferable compensation warrants. Each compensation warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.08 per share for a period of 24 months after the closing date.

### **Related party transactions**

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

The aggregate compensation of key management and directors of the Company for years 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Remuneration	\$ 313,000	\$ 313,000
Share-based payments	\$ 402,564	\$ 213,781

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

### **Proposed transactions**

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

### **Other matters**

#### *Risk Factors*

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

### **Subsequent events**

#### ***Private placement financing***

On April 7, 2021 the Company announced the closing of its brokered private placement with Red Cloud Securities Inc.

In connection with the closing, the Company issued 20,404,095 flow-through units ("FT Units") at a price of \$0.105 per unit and 31,750,778 hard-dollar units ("Units" together with the FT Units are hereinafter referred to as the "Offered Securities") at a price of \$0.09 per unit for aggregate gross proceeds of \$5,000,000. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant (each, a "Warrant"). Each FT Unit consists of one common share in the capital of the Company (each, a "Flow-Through Share") issued on a "flow through" basis pursuant to the Income Tax Act (Canada) and one half of one Warrant. Each Warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.13 per share for a period of 24 months from the date of issuance. The closing is subject to final acceptance by the TSX Venture Exchange of the Private Placement. In connection with the closing of the Private Placement, the Company has paid Red Cloud and a member of the selling group cash commissions in the aggregate amount of \$342,650 and issued to Red Cloud 3,569,174 non-transferrable compensation warrants ("Broker Warrants") with each

Broker Warrant exercisable to purchase one common share of the Company at a price of C\$0.105 per share for a term of 24 months following the Closing Date.

The net proceeds raised from the sale of Units will be used for the exploration and advancement of the Company's projects in the Athabasca Basin in Saskatchewan and for general working capital purposes. The gross Proceeds from the sale of Flow-Through Shares will be used to incur "Canadian exploration expenses" as defined in subsection 66.1(6) of the Income Tax Act and "flow through mining expenditures" as defined in subsection 127(9) of the Income Tax Act. Such proceeds will be renounced to the subscribers with an effective date not later than December 31, 2021, in the aggregate amount of not less than the total amount of gross proceeds raised from the issue of Flow-Through Shares.

All securities issued in connection with the closing of the Private Placement are subject to a four-month hold period pursuant to the applicable securities laws with an expiry date of August 8, 2021.

*signed: "Chris Frostad"*

Chris Frostad  
President & Chief Executive Officer

*signed: "Ram Ramachandran"*

Ram Ramachandran  
Chief Financial Officer