

PUREPOINT URANIUM GROUP INC.

(TSX-V: PTU)

Recommendation
Speculative Buy

Risk
High

Price (Feb. 2, 2012)
\$0.14

52-Week Range
\$0.74 - \$0.09

Target Price
\$0.60

Shares O/S
90.7 million

Market Cap
\$12.7 million

Average Daily Volume
50-day: 292,300
200-day: 150,400

Year-End
December 31

Analyst
Bob Weir, B.Sc., B.Comm., CFA

Research is the bedrock
underpinning all
capital markets



Source: www.bigcharts.com

UPFRONT

Purepoint Uranium Group Inc.'s 2012 exploration plans include expenditures of \$2,020,000 on six projects in the Athabasca Basin in northern Saskatchewan, Canada. About half of that is to be spent on the *Red Willow* property, where crews have been mobilized to begin the Winter 2012 exploration program being undertaken by optionee Rio Tinto Exploration Canada Inc., which is earning a controlling interest (see page 3). The drill program to be carried out by Rio Tinto Exploration Canada follows a year of detailed analysis and the completion of a regional 3D model incorporating extensive geophysical data collected to date.

THE COMPANY

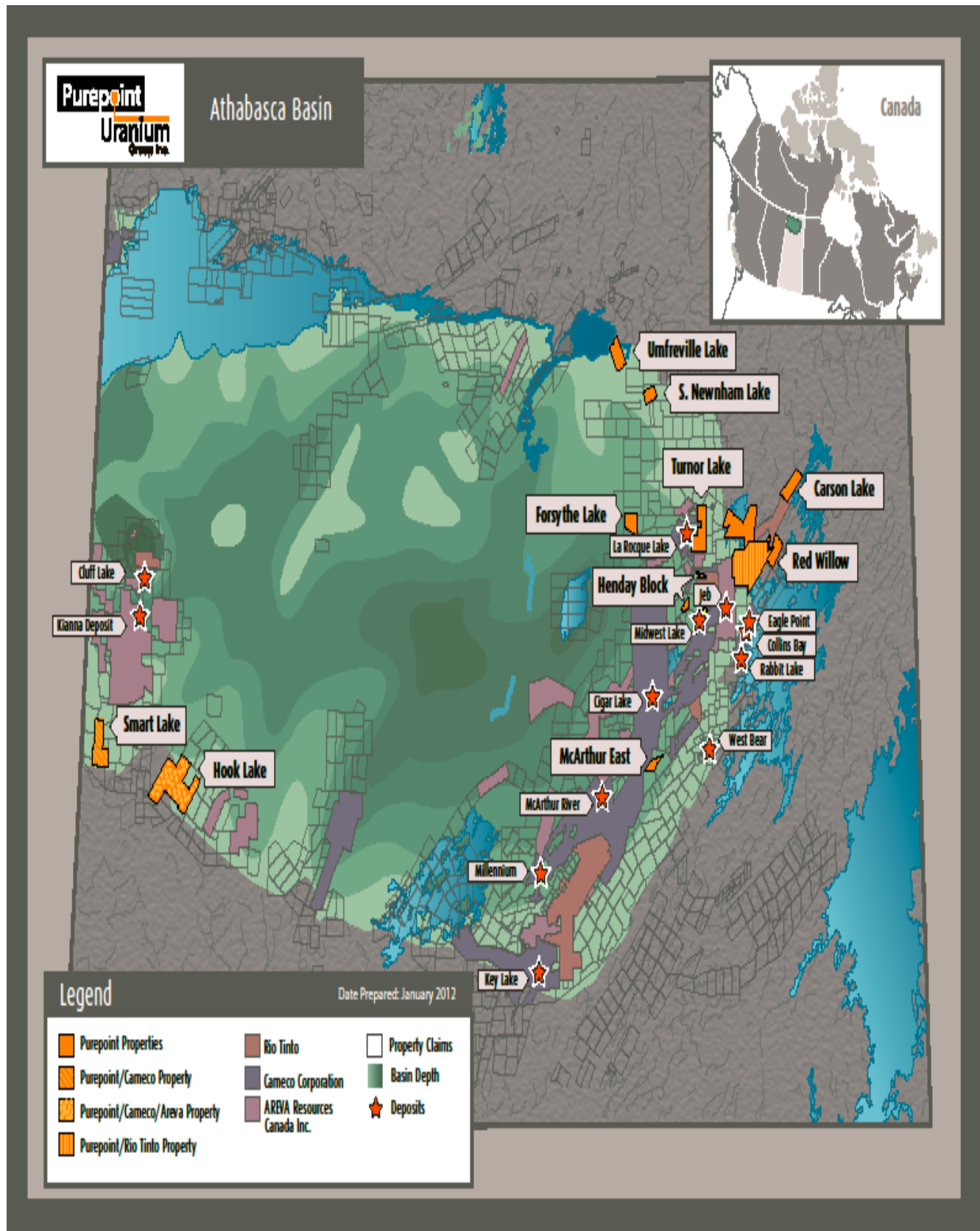
Purepoint Uranium is an early-stage Canadian exploration and development company, focused on exploration of its uranium prospects in the uranium-rich Athabasca Basin. The Company is involved in project partnerships with the three largest uranium producers in the world: Cameco Corporation; AREVA; and Rio Tinto, plc.

RECOMMENDATION and TARGET PRICE

Purepoint Uranium's stock price languished in the second half of 2011, closing the year around \$0.10 per share. Since the middle of January 2012, however, the shares have moved up to the \$0.14 per share area, with good volume. We continue to recommend Purepoint Uranium shares as a Speculative Buy for risk-tolerant investors, and our Target Price remains at \$0.60. This price objective presupposes a return of investor interest to the uranium sector; not just to the senior producers, but to the junior exploration companies as well. It also reflects the expectation of successful drilling results this winter by Rio Tinto Exploration Canada at Red Willow.

PUREPOINT URANIUM PROPERTIES

Map: Purepoint Uranium Properties in the Athabasca Basin



Source: Purepoint Uranium Group Inc.

2012 EXPLORATION PROGRAM

Purepoint Uranium's planned 2012 exploration program is shown below:

| <u>Project</u> | <u>Program</u> | <u>Expenditures</u> |
|---------------------------------------|------------------|---------------------|
| Red Willow (Optioned to Rio Tinto) | Drilling | \$1,000,000 |
| Smart Lake (JV with Cameco) | Drilling | \$350,000 |
| Henday Block | Drilling | \$200,000 |
| Hook Lake (Partner with Areva/Cameco) | Drilling | \$350,000 |
| Forsythe | Surface Sampling | \$55,000 |
| Carson Lake | Surface Sampling | <u>\$65,000</u> |
| Total | | \$2,020,000 |

FINANCING

In mid-December 2011, Purepoint Uranium closed a non-brokered private placement of 9.64 million flow-through units at \$0.11 per unit, for aggregate proceeds of \$1.06 million. The net proceeds are for the advancement of Purepoint Uranium's 12 uranium exploration projects, as well as general corporate purposes. Purepoint Uranium had also completed a private placement in June 2011, of 2.27 million flow-through units at \$0.22 per unit, for gross proceeds of \$500,000.

PROJECTS UPDATE

1. Red Willow

Purepoint Uranium's *Red Willow* property, on the eastern edge of the Athabasca Basin, measures 25,612 hectares. The property adjoins AREVA Resource Canada Inc.'s claim group (containing the JEB, Sue, McClean and Caribou deposits) to the west, and UEX's Hidden Bay property to the south. The latter property surrounds Cameco Corporation's Rabbit Lake, Collins Bay, and Eagle Point deposits (see map, previous page).

Purepoint Uranium reported in late January 2012 that crews are mobilized to begin the Winter 2012 exploration program for Rio Tinto Exploration Canada Inc. at Purepoint Uranium's *Red Willow* uranium project in the Athabasca Basin in Saskatchewan. Purepoint Uranium optioned the property to Rio Tinto in late 2010, with Rio Tinto being able to earn a controlling interest by spending up to \$22.5 million in exploration and development expenses. The program will include about 1,600 metres of diamond drilling on targets within the *Geneva* and *Osprey* areas.

(a) Geneva

A gravity survey, with follow-up diamond drilling, is underway at the *Geneva* area (southwest corner of the *Red Willow* property). An airborne electromagnetic survey (VTEM) delineated 3.8 kilometres of conductors at *Geneva*, within a distinct fold structure highlighted by the aeromagnetic results. In a 1984 drill program, Eldorado Resources (a predecessor to Cameco) intersected a graphitic fault zone that returned 0.22% U₃O₈ over 1.0 metres in this area.

(b) Osprey

A weak EM conductor, about 700 kilometres long, lying beneath Osprey Lake, will be primary drill target at the *Osprey* area this winter. It cross-cuts the main *Osprey* conductor near the intercept of 0.20% eU₃O₈ over 5.8 metres. The east-west-trending conductor follows the shape of Osprey Lake, and is coincident with a magnetic low, a gravity low, as well as a resistivity low. The area is untested by diamond drilling.

2. Staking at the Athabasca Basin

Since the uranium down-cycle began in 2008, the Company has used a number of strategies to seek out opportunities in the Athabasca Basin, and has acquired, through staking, six new projects covering 33,000 hectares in prime locations. Among the projects acquired by this method are *Red Willow North* and *McArthur East*.

Red Willow North

The Company announced in mid-October 2011 that it had expanded its *Red Willow North* property by staking an additional 2,057 hectares in the Hatchet Lake area of the Athabasca Basin.

The *Red Willow North* property, on the eastern edge of the Basin, measures 15,493 hectares and comprises four claims covering meta-sedimentary basement rocks. The property is contiguous with the Company’s joint-venture *Red Willow* project (with Rio Tinto) and, on the west, with the Denison Mines/Virginia Energy joint-venture Hatchet Lake project. Target areas at *Red Willow North* include:

- The Golden Eye Shear Zone, which extends over six kilometres and joins the historic FDL Showing (up to 1.43% U₃O₈) and AJ Showing (up to 0.46% U₃O₈).
- The FDL Conductor;
- Turkey North Conductor, which has returned intercepts of up to 0.16% over 1.0 metre, is now interpreted to continue untested for over five kilometres on the *Red Willow North* property; and
- Smith Bay.

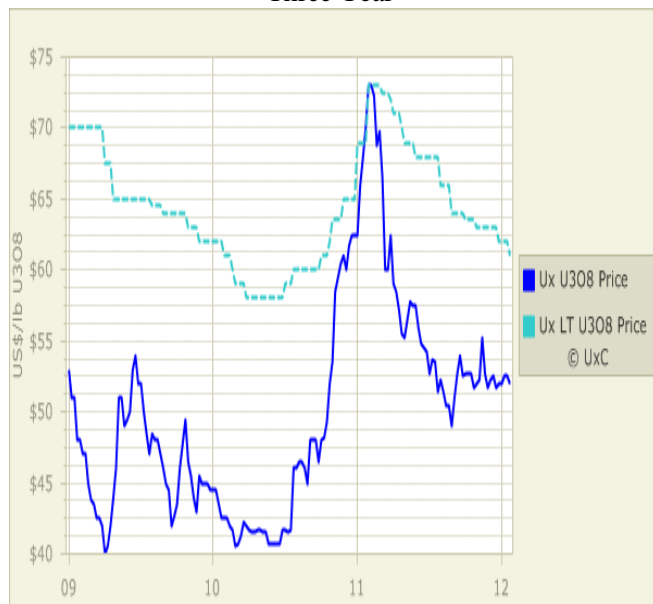
Airborne electromagnetic and magnetic survey results indicate that the Red Willow Osprey Conductor, where Purepoint Uranium drilling has returned intercepts of up to 0.20% e U₃O₈ over 5.8 metres, continues for over five kilometres on the *Red Willow North* property.

McArthur East

Purepoint Uranium announced in late September 2011 that it had recently staked a 1,985-hectare property (*McArthur East*) due east of, and adjoining, Cameco’s McArthur River mine, and due south of Cameco’s renowned Cigar Lake mine. The McArthur River property contains the world’s largest high-grade uranium deposit.

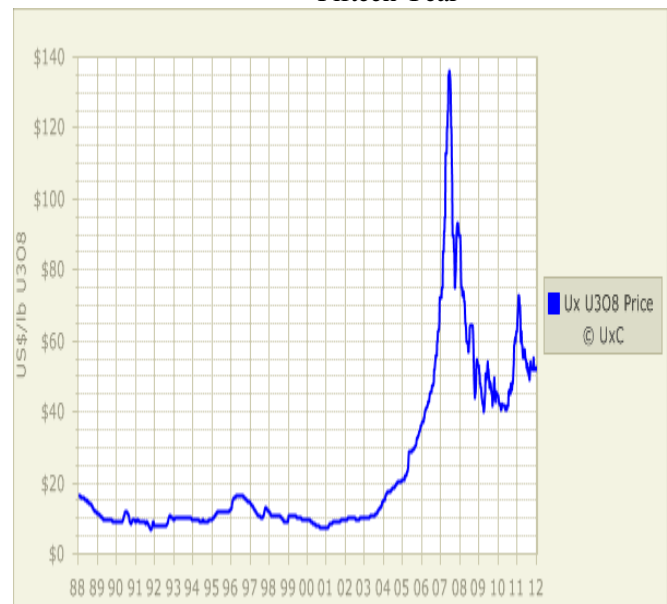
URANIUM PRICE CHARTS

Three Year



Source: The Ux Consulting Company, LLC

Fifteen Year



Source: The Ux Consulting Company, LLC

COMMENT: The three-year chart of the Spot U₃O₈ price (solid blue line) shows the significant price spike that occurred in mid-2010 until early-2011, with an equally sharp decline throughout 2011. Other than the unsustained jump above US\$55.00/lb, the price in recent weeks has remained stable. The industry needs a catalyst to give impetus to rising prices. The long-term outlook seems certain. By about 2035, it is forecast that there will be an increase in nuclear power generation of some 35%. There are, currently, 435 nuclear power plants in operation around the world. There are a further 63 presently under construction, of which China accounts for 26 and India 6. Since the Japanese melt-down almost one year ago, Germany and Switzerland have announced that they are going to phase out, or other wise mothball, their nuclear power operations. However, for China and India, it is full steam ahead. The real challenge to the uranium industry as a power source is natural gas, given the tremendous reserves possible in the shale reservoirs. But that still remains a way off.

RATINGS HISTORY

| <u>Date</u> | <u>Report Type</u> | <u>Recommendation</u> | <u>Stock Price</u> | <u>Target</u> |
|----------------|--------------------|-----------------------|--------------------|----------------|
| Mar. 3, 2011 | Update | Speculative Buy | \$0.56 | \$0.95 |
| Apr. 14, 2011 | Perspective | No Change | \$0.20 | No Change |
| Jun. 6, 2011 | Perspective | No Change | \$0.185 | No Change |
| Sept. 13, 2011 | Perspective | No Change | \$0.135 | No Change |
| Sept. 29, 2011 | Perspective | No Change | \$0.135 | No Change |
| Oct. 13, 2011 | Perspective | No Change | \$0.125 | \$0.60 Lowered |
| Dec. 8, 2011 | Perspective | No Change | \$0.10 | No Change |
| Feb. 2, 2012 | Perspective | No Change | \$0.14 | No Change |

CORPORATE INFORMATION**Purepoint Uranium Group Inc.**

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ANALYST CERTIFICATION

The Research Analyst who was involved in the preparation of this Research Report hereby certify that:

- (1) the views and opinions expressed herein accurately reflect the Research Analyst's personal views concerning any and all securities and issuers that are either discussed or are the subject matter of this Research Report; and
- (2) The compensation received for the preparation of this report was not related, in any way, to the Research Analyst's views and opinions expressed herein.

eResearch Analyst on this Report:

Bob Weir, B.Sc., B. Comm., CFA: Bob Weir has 45 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He joined eResearch in 2004 and has been its President, CEO, and Director of Research since May 2005. Prior to joining eResearch, Mr. Weir was at Dominion Bond Rating Service (DBRS), latterly as Executive Vice-President responsible for supervising the firm's 34 analysts and conducting the day-to-day management affairs of the company.

Analyst Affirmation: I, Bob Weir, hereby state that, at the time of issuance of this research report, I own shares of Purepoint Uranium Group Inc.

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| | |
|-------------------------|---|
| Strong Buy: | Expected total return within the next 12 months is at least 40%. |
| Buy: | Expected total return within the next 12 months is between 10% and 40%. |
| Speculative Buy: | Expected total return within the next 12 months is substantial, but Risk is High (see below). |
| Hold: | Expected total return within the next 12 months is between 0% and 10%. |
| Sell: | Expected total return within the next 12 months is negative. |

eResearch Risk Rating System

A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

| | |
|---------------------|---|
| High Risk: | <p><i>Financial</i> - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.</p> <p><i>Operational</i> - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.</p> |
| Medium Risk: | <p><i>Financial</i> - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.</p> <p><i>Operational</i> - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.</p> |
| Low Risk: | <p><i>Financial</i> - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.</p> <p><i>Operational</i> - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.</p> |

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