Form 51-102F1
Annual Management Discussion and Analysis For
Kivalliq Energy Corporation ("Kivalliq" or "KIV" or the "Company")

Containing information up to and including January 23, 2013

Introduction

Kivalliq Energy Corporation ("Kivalliq" or the "Company") is a uranium exploration company based in Vancouver, Canada, with a focus on the exploration of the Angilak Property uranium project located in Nunavut Territory, Canada.

Note to Reader

This management and discussion and analysis ("MD&A) focuses on significant factors that affected Kivalliq during the year ended September 30, 2012, and to the date of this report. The MD&A supplements but does not form part of, the audited annual financial statements of Kivalliq and the notes thereto for the years ended September 30, 2012 and 2011. Consequently, the following discussion and analysis should be read in conjunction with the audited annual financial statements and the notes thereto for the years ended September 30, 2012 and 2011.

Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or Kivalliq's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "anticipates", "believes", "estimates", "expects" and similar expressions, or the negatives of such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Kivalliq's properties to contain economic uranium deposits; Kivalliq's ability to meet its working capital needs at the current level for the 12-month period ending September 30, 2013; the plans, costs, timing and capital for future exploration and development of Kivalliq's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; prices and price volatility for uranium; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Kivalliq's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, uranium commodity prices, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to Kivalliq's properties, the possibility that future exploration results will not be consistent with Kivalliq's expectations, increases in costs, environmental compliance, and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the mineral exploration and development industry, as well as those risk factors listed in the "Risks and Uncertainties" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in the MD&A. Such statements are based on a number of assumptions about the following: the availability of financing for Kivalliq's exploration and development activities; operating and exploration costs; Kivalliq's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements may be affected by known and unknown risks, uncertainties and other factors that may cause Kivalliq's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. Kivalliq undertakes no obligation to update publicly or otherwise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If Kivalliq does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Highlights of Kivalliq's activities for the year ended September 30, 2012:

Exploration

- On October 3 and 5, 2011, Kivalliq provided updates from property-wide exploratory RC and diamond drilling proximal to and along the strike of the structure hosting the high grade Lac Cinquante Uranium Deposit in Nunavut, Canada. Three zones discovered by RC drilling (Eastern Extension, Pulse Zone and Spark Zone) were corroborated by diamond drilling. Kivalliq announced that six of seven holes drilled on the Western Extension at Lac Cinquante had the deepest radioactive intercepts to date on the property. Vertical depths ranged from 193 to 327 metres.

- On October 18, 2011, Kivalliq announced the successful completion of the field component of the 2011 exploration program at the Angilak Property. The 2011 exploration program included 23,849 metres of diamond drilling in 153 holes, 6,411 metres of reverse circulation drilling in 88 holes, 5,470 line kilometres of airborne geophysical surveys and 1,640 line kilometres of ground geophysical surveys. In addition prospecting, mapping and soil geochemistry surveying were completed as well as geological and environmental baseline studies.

- On October 25 and 27, and December 15 and 19, 2011, Kivalliq provided assay results from diamond drilling at the Western Extension and Eastern Extension zones.

- On January 10, 2012, Kivalliq provided assay results from 1,732 metres of exploration diamond drilling in 14 holes conducted in 2011 at the Blaze/Spark, Pulse and Joule Zones. These zones, discovered through drilling in 2010 and 2011, are all located within a 3.0 kilometre radius of the high grade Lac Cinquante Uranium Deposit.

- On January 12, 2012, Kivalliq announced assay results from the 2011 summer prospecting program at the Angilak Property. 273 rock samples were collected, with 10% (27 samples) exceeding 1% U3O8, along with multiple samples containing significantly anomalous silver (Ag), copper (Cu), and (Pb) lead values.

- On January 17, 2012, Kivalliq announced a 92% increase in the NI 43-101 compliant mineral resource estimate for the Lac Cinquante Uranium Deposit. The summary report described an Inferred Mineral Resource Estimate of 1,779,000 tonnes grading 0.69% U_3O_8, totalling 27.13 million pounds ("lbs") U_3O_8 (15.2 lbs U_3O_8/tonne) at a 0.2% U_3O_8 cut-off grade.

- On February 22, 2012, Kivalliq announced a proposed two-phased, $20 million exploration program at the Angilak Property in Nunavut. Kivalliq's plan proposed to advance multiple uranium discoveries made in 2011 and build on the updated 27.13 million lbs U_3O_8 Inferred Resource at Lac Cinquante. Kivalliq intended to drill 26,000 metres of NQ core using three diamond drill rigs and 9,000 metres of reverse circulation ("RC") drilling on exploration targets with a light weight RC fly rig. Extensive ground based geophysical surveying, prospecting and soil sampling campaigns were also planned.

- On March 1, 2012, Kivalliq announced the completion and filing of a revised National Instrument ("NI") 43-101 independent technical report on SEDAR. The report was prepared to support the updated Inferred Mineral Resource estimate for Lac Cinquante reported on January 17, 2012.

- On March 12, 2012, Kivalliq was presented the 2012 Environmental Excellence Award by the Kivalliq Inuit Association ("KIA"). Kivalliq was acknowledged for outstanding environmental stewardship at Kivalliq Energy's Angilak Property in Nunavut for the second consecutive year.

- On April 4, 2012, Kivalliq announced the commencement of drilling, as part of the 2012 program at the Angilak Property described in the February 22 news release.

- On June 25, 2012, Kivalliq reported anomalous radioactivity from additional drilling at the Western Extension and Pulse, plus the discovery of three new radioactive zones: Southwest, Flare and Ray. The Western Extension was extended to 365 vertical metres, the deepest radioactive intercept reported on the Angilak Property to date. Radioactivity was intercepted in 14 of 27 holes at Pulse over 1.3 kilometres of strike length. The Southwest Zone was identified 300 metres southwest of the Western Extension. The Flare Zone is associated with a 1.5 kilometre long EM conductor, and was discovered 1.7 kilometres west of the Lac Cinquante Drilling at the Ray Zone intersected radioactivity two kilometres southeast of the Lac Cinquante resource area.

- On July 11, 2012, Kivalliq reported discovering a fourth new radioactive zone called J4, located 2.3 kilometres southeast of the Lac Cinquante Uranium Deposit, and that drilling had extended the strike of the Ray Zone to 310 metres.

- On July 25, 2012, Kivalliq announced extending the strike length of the J4 Zone to 200 metres with significant radiation in 15 of 15 holes. Initial 2012 assays were also reported from drilling below the Lac Cinquante main zone, and from new drilling at Pulse.

- On August 27, 2012, Kivalliq announced initial 2012 assay results from J4 Zone drilling, and the extension of this zone to 600 metres of strike length. The news release summarized the 2012 drill program to date, and also included assay results from drilling within the 10 kilometre long “Lac Cinquante Trend”, comprised of the Lac Cinquante Deposit and the Ray, Flare, J2, Southwest and Pulse Zones.

- On September 24, 2012, Kivalliq announced the successful completion of the field component of the 2012 exploration program at the Angilak Property, including: discovery of the J4, Ray, Flare and Southwest Zones; 38,856 metres of core and RC drilling; 930 line kilometres of ground magnetic, VLF electromagnetic, gravity and seismic surveys; Prospecting, mapping and RC drilling to test new target areas property-wide; Ongoing geological, metallurgical, environmental and archeological studies; Emphasis on community consultation including property visits by community leaders

Financing and Corporate

- On January 19, 2012, Kivalliq announced the addition of Dale Wallster to Kivalliq’s board of directors; the appointment of Mr. Andrew Berry as Kivalliq’s Chief Operating Officer; and the appointment of Mr. Bill Cronk as Kivalliq’s Exploration Manager.

- On February 21, 2012, Kivalliq closed a non-brokered private placement of 13,127,444 non-flow-through common shares at a price of $0.45 per common share and 6,845,000 flow-through common shares at a price of $0.52 per common share for gross proceeds of $9,466,750. In connection with this private placement Kivalliq issued 179,383 agent warrants exercisable at a price of $0.50 per common share and 146,820 agent warrants exercisable at a price of $0.55 per common share.

- On May 29, 2012, Kivalliq closed a bought deal private placement of 16,772,900 flow-through common shares at a price of $0.50 per flow-through common share and 7,124,000 non-flow-through common shares at a price of $0.45 per non-flow-through common share for total gross proceeds of $11,592,250. In connection with this private placement Kivalliq issued 1,393,783 agent warrants exercisable at a price of $0.45 per common share.

- On June 5, 2012, Kivalliq’s board of directors named Ms. Blair Lockhart as Kivalliq's Corporate Secretary.

- On September 26, 2012, Kivalliq’s announced the addition of Jim Malone to Kivalliq board of directors.

- During the year ended September 30, 2012, 258,000 options and 6,607,500 warrants were exercised for gross proceeds of $2,371,705 and 619,500 options and 10,642,500 warrants expired without exercise.

Subsequent Events

Highlights of Kivalliq’s activities subsequent to the year ended September 30, 2012:

- On November 6, 2012, Kivalliq announced significant assay results from six of seven diamond drill holes at the newly-discovered “Hot Zone”, drilled late in the season as part of the 2012 exploration program at the Angilak Property. The Hot Zone is located on a two kilometre long geophysical target within the Lac 50 Trend, approximately 1.8 kilometres north east of the Lac Cinquante Deposit.

- On November 27, 2012, Kivalliq announced results from 80 diamond drill holes from within the Lac 50 Trend, including high-grade uranium assays from the J4 Zone. The J4 Zone is located approximately two kilometres southeast of the Lac Cinquante Uranium Deposit, has been intersected along 800 metres of strike length and is one of five mineralized zones discovered in 2012 within the Angilak Property. At the Ray Zone, located 300 metres south of J4, uranium was intersected along 310 metres of strike length. Kivalliq hopes to incorporate results these two significant 2012 discoveries into a revised resource estimate, scheduled for early 2013.

- On December 3, 2012, Kivalliq announced results from five diamond drill holes at the Nine Iron Trend (a portion of which was formerly referred to as the “BIF Zone”), plus added property acreage through staking. Nine Iron is located approximately 10 kilometres southeast of the Lac Cinquante Uranium Deposit and is the sixth new mineralized zone discovered in 2012 within a larger 340,268 acre Angilak Property.

- On January 15, 2013, Kivalliq announced a significant increase in the NI 43-101 compliant Mineral Resource estimate for the Lac 50 Trend uranium deposits, located within Kivalliq’s 340,268 acre Angilak Property in Nunavut, Canada. Kivalliq has received a summary report from Robert Sim, Professional Geologist of SIM Geological Inc. that describes an Inferred Mineral Resource Estimate of 2,831,000 tonnes grading 0.69% U_3O_8 (15.2 lbs U_3O_8/tonne), totalling 43.3 million lbs U_3O_8 at a 0.2% U_3O_8 cut-off grade. This is a 60% increase over the previous Resource Estimate of 27.1 million pounds.

- Subsequent to September 30, 2012, 550,000 options were exercised for total proceeds of $90,000 and 1,225,000 options expired without exercise.

Operational Summary

Kivalliq plans to continue exploring the Angilak Property, as well as to evaluate new prospects and opportunities. Kivalliq expects to obtain financing in the future primarily through further equity and/or debt financing, or through joint venturing of Kivalliq’s properties to qualified resource companies.

Kivalliq’s loss from operations for the year ended September 30, 2012 was $5,655,244 or $0.04 per common share (2011 - $3,524,524 and $0.03 per common share). Assets totalled $54,961,366 as at September 30, 2012 (September 30, 2011 - $37,273,177).

Kivalliq is an exploration stage company and engages principally in the acquisition, exploration and development of resource properties. Kivalliq capitalizes all acquisition and exploration costs until the property to which those costs are related is placed into production, sold, or abandoned. The decision to abandon a property is largely determined from exploration results, and the amount and timing of Kivalliq’s write-offs of capitalized exploration and evaluation assets will vary in a fiscal year from one year to the next and typically cannot be predicted in advance. As at September 30, 2012 exploration and evaluation assets totalled $46,998,000 (September 30, 2011 - $27,882,471) and details of the cost break-down are contained in the Schedule of Exploration and Evaluation Assets in the audited annual financial statements.

Results of Operations

For the Year Ended September 30, 2012

Net loss for the year ended September 30, 2012 was $5,655,244 or $0.04 per common share including stock based compensation expense of $2,594,741 (2011 - $3,524,524 or $0.03 per common share including stock-based compensation expense of $1,466,291). Aside from stock-based compensation, the largest areas of expenditure during this period were salaries and consulting fees, travel and conference, and office and sundry expenses.

	Note	Year Ended September 30 2012	2011	Increase (Decrease)	
Amortization and depreciation	1	$ 165,543	$ 76,223	$ 89,320	117%
Bank charges and interest		7,731	6,472	1,259	19%
Investor relations	2	166,090	143,617	22,473	16%
Listing and filing fees	3	91,924	55,819	36,105	65%
Office and sundry	4	238,378	164,470	73,908	45%
Professional fees		180,420	195,469	(15,049)	(8%)
Salaries and consulting fees	5	762,130	359,145	402,985	112%
Stock-based compensation	6	2,594,741	1,466,291	1,128,450	77%
Transfer agent fees		18,099	20,206	(2,107)	(10%)
Travel and conference	7	259,715	191,124	68,591	36%
		(4,484,771)	(2,678,836)	(1,805,935)	(67%)
Interest income	8	116,210	72,759	43,451	60%
Loss on foreign exchange		(7,788)	(1,378)	(6,410)	(465%)
Part XII.6 tax expense	9	(9,882)	-	(9,882)	(100%)
Amortization of flow-through share premium liability	10	1,225,341	1,139,655	85,686	8%
Loss before income taxes		$ (3,160,890)	$ (1,467,800)	$ (1,693,090)	(115%)

Notes:

1. Amortization and depreciation has increased due to the new leasehold improvements and significant additions to field equipment made during the past year.
2. Investor relation fees have increased as a consequence of the current challenging market conditions and the need for the Company to continue to market and raise funds.
3. Listing and filing fees have increased due to larger private placements in the current year over the prior year.
4. Office and sundry expenses have increased due to increased work related to expansion of 2012 work program. Also, the balance includes rent at a larger office space.
5. Salaries and consulting fees have increased as a result of increased personnel required for the expanded 2012 work program. In addition, new executives and management personnel were appointed by Kivalliq.
6. Stock-based compensation increased due to the timing of the vesting of stock options.
7. Travel and conference fees increased due to increased promotional trips in order to raise more funds in the current year.
8. Interest income increased as a result of having higher cash balances for a longer duration of time.

9. Part XII.6 tax expense is paid relating to flow-through expenditures renounced in 2011 prior to funds being spent in 2012.
10. Amortization of flow-through share premium liability relates to the requirement under IFRS to isolate the premium on flow-through shares issued, as well as the share issuance costs related to that premium. These are expensed or amortized over the period in which flow-through funds are spent.

For the Three Month Period Ended September 30, 2012

Net loss for the three month period ended September 30, 2012 was $1,558,211 or $0.01 per common share (three month period ended September 30, 2011 - $18,133 or $0.00 per common share). Aside from stock-based compensation, the largest areas of expenditure during this period were salaries and consulting fees, travel and conference, and office and sundry expenses.

	Note	Three Month Period Ended September 30 2012	2011	Increase (Decrease)	
Amortization and depreciation	1	$ 48,179	$ 41,030	$ 7,149	17%
Bank charges and interest		2,856	5,532	(2,676)	(48%)
Investor relations		36,011	45,163	(9,152)	(20%)
Listing and filing fees	2	569	9,105	(8,536)	(94%)
Office and sundry	3	63,350	53,502	9,848	18%
Professional fees	4	11,126	30,463	(19,337)	(63%)
Salaries and consulting fees	5	200,173	103,438	96,735	94%
Stock-based compensation	6	944,672	12,462	932,210	7481%
Transfer agent fees		1,466	7,491	(6,025)	(80%)
Travel and conference	7	108,798	44,282	64,516	146%
		(1,417,200)	(352,468)	(1,064,732)	(302%)
Interest income	8	39,729	72,542	(32,813)	(45%)
Loss on foreign exchange		(2,766)	(267)	(2,499)	(936%)
Amortization of flow-through share premium liability	9	196,916	1,049,190	(852,274)	(81%)
Income (loss) before income taxes		$ (1,183,321)	$ 768,997	$ (1,952,318)	(254%)

Notes:

1. Amortization and depreciation has increased due to the new leasehold improvements and significant additions to field equipment made during the past year.
2. Listing and filing fees have decreased due to the timing of private placement fees.
3. Office and sundry expenses have increased due to increased work related to expansion of 2012 work program. Also, the balance includes rent at a larger office space.
4. Professional fees have decreased over the prior year due to the CFO and corporate secretary fees being allocated to salaries and consulting fees in the current year.
5. Salaries and consulting fees have increased as a result of increased personnel required for the expanded 2012 work program. In addition, new executives and management personnel were appointed by Kivalliq.

6. Stock-based compensation increased due to the timing of the vesting of stock options.
7. Travel and conference fees increased due to increased promotional trips in order to raise more funds in the current year.
8. Interest income decreased due to the timing of when interest income is recognized. In the current year interest income is recognized over the year, whereas in the prior year the majority of the interest income was allocated to the fourth quarter.
9. Amortization of flow-through share premium liability relates to the requirement under IFRS to isolate the premium on flow-through shares issued, as well as the share issuance costs related to that premium. These are expensed or amortized over the period in which flow-through funds are spent.

Selected Annual Information

The following table summarizes selected financial data reported by the Company for the year ended September 30, 2012. The information set forth should be read in conjunction with the audited annual financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), and the related notes thereon. The Company's IFRS transition date was October 1, 2010, and the summarized annual financial results for the year ended September 30, 2010 were prepared under Canadian Generally Accepted Accounting Principles ("GAAP") and have not been restated to IFRS.

	For the year ended or as at September 30, 2012	For the year ended or as at September 30, 2011	For the year ended or as at September 30, 2010
Revenues	Nil	Nil	Nil
Interest and other income	$116,210	$72,759	$258
Loss	$5,655,244	$3,524,524	$1,254,148
Basic and diluted loss per common share	$0.04	$0.03	$0.03
Total assets	$54,961,366	$37,273,177	$17,748,825
Total long term debt	Nil	Nil	Nil
Shareholders' equity (deficiency)	$49,386,160	$31,017,563	$15,816,739
Share capital	$53,080,461	$30,991,994	$13,278,744
Contributed surplus	$7,801,902	$5,866,528	$4,807,817
Deficit	$11,496,203	$5,840,959	$2,269,822
Cash dividends declared per common share	Nil	Nil	Nil

Summary of Quarterly Results

The following table summarizes selected quarterly financial data reported by the Company.

	Sept. 30, 2012	June 31, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest and other income	$39,729	$45,633	$17,179	$13,669	$72,542	Nil	Nil	$217
Net loss	$(1,558,211)	$(1,646,062)	$(2,283,458)	$(167,513)	$(18,133)	$(1,436,174)	(467,449)	$(1,602,768)
Basic and diluted loss per common share	$(0.01)	$(0.01)	$(0.02)	$(0.00)	$(0.00)	$(0.01)	$(0.00)	$(0.02)
Total assets	$54,961,366	$56,201,303	$46,251,735	$34,315,040	$37,273,177	$36,688,999	$33,381,523	$21,856,847
Shareholders' equity	$49,386,160	$49,919,199	$41,275,032	$30,888,969	$31,017,563	$30,742,521	$31,220,933	$21,267,862
Share capital	$53,080,461	$52,962,700	$42,939,981	$31,047,302	$30,991,994	$30,649,784	$29,726,083	$19,230,394
Contributed surplus	$7,801,902	$6,894,491	$6,626,981	$5,850,139	$5,866,528	$5,915,562	$5,881,501	$5,956,671
Deficit	$11,496,203	$9,937,992	$8,291,930	$6,008,472	$5,840,959	$5,822,825	$4,386,651	$3,919,203
Cash dividends declared per common share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Liquidity and Capital Resources

Kivalliq is in the exploration stage and therefore has no regular cash flow. At September 30, 2012, Kivalliq had working capital of $6,213,187 (September 30, 2011 - $4,909,369).

Cash and cash equivalents totalled $6,663,542 as at September 30, 2012 (September 30, 2011 - $7,213,622).

During the year ended September 30, 2012, Kivalliq spent a total of $22,208,591 (2011 - $14,399,531) on Kivalliq's exploration and evaluation assets and other investing activities, spent $708,819 (2011 – $1,672,590) on the operating activities of Kivalliq, and received $22,367,330 (2011 - $18,062,999) from the issuance of shares via private placement and from the exercise of warrants and stock options.

At September 30, 2012, Kivalliq's investment in exploration and evaluation assets, aggregated $46,998,000 (September 30, 2011 - $27,882,471), made up of the following:

	Acquisition Costs	Exploration Costs	**Cumulative as at September 30, 2012**	Cumulative as at September 30, 2011
Angilak Property, Nunavut	$1,004,442	$45,993,558	**$46,998,000**	$ 27,882,471

At September 30, 2012, share capital totalled $53,080,461 comprised of 173,348,370 issued and outstanding common shares (September 30, 2011 - $30,991,994 comprised of 122,613,526 issued and outstanding common shares). As a result of the loss for the year ended September 30, 2012 of $5,655,244 (2011 - $3,524,524) the deficit at September 30, 2012 was $11,496,203 (September 30, 2011 - $5,840,959). With contributed surplus of $7,801,902 (September 30, 2011 - $5,866,528), the shareholders' equity at September 30, 2012 was $49,386,160 (September 30, 2011 - $31,017,563).

Kivalliq currently has sufficient financial resources to meet its administrative overhead expenses and exploration expenditures at least for the next twelve months and is confident that even with the current tightening of the venture capital markets, it will be able to utilize the expertise of its board and management to raise additional funds if necessary to undertake its planned exploration activities. Actual funding requirements may vary from those planned due to a number of factors, including the results of exploration activity and market conditions.

Kivalliq expects to obtain financing in the future primarily through further equity and/or debt financing, as well as through joint venturing and/or optioning out Kivalliq's properties to qualified mineral exploration companies. There can be no assurance that Kivalliq will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause Kivalliq to suspend its operation and eventually to forfeit and/or to sell its interest in its exploration and evaluation assets.

Exploration Update

General - Angilak Property, Nunavut

In May 2009, Kivalliq performed a 600 line kilometre ground geophysical survey on the Angilak Property. Results from the survey identified the prominent VLF-EM (Very Low Frequency Electromagnetic) anomaly associated with the Lac Cinquante Uranium Deposit and a nine kilometre long trend of parallel VLF-EM conductors.

In August 2009 Kivalliq completed 1,745 metres of diamond drilling in 16 holes. Significant uranium mineralization was intersected along 900 metres of strike length and to a vertical depth of 125 metres at Lac Cinquante.

In 2010, Kivalliq undertook an aggressive exploration program at Angilak comprising new camp construction, delineation and exploratory diamond drilling, property-wide prospecting and environmental baseline studies.

Drilling in 2010 comprised 16,600 metres in 107 holes and confirmed mineralization at the Lac Cinquante Main Zone to a vertical depth of 275 metres along a strike length of 1.35 kilometres. Upon completion of the program the Lac Cinquante Main Zone remained open at depth and along strike in both directions. Exploratory holes demonstrated the potential to extend the Main Zone along strike, or discover separate analogous uranium zones elsewhere within the property.

On February 7, 2011 Kivalliq received a summary report prepared under the direction of Robert Sim P.Geo., of SIM Geological Inc. that described an Inferred Mineral Resource Estimate of 810,000 tonnes grading 0.79% U_3O_8, totaling 14.15 million lbs U_3O_8 (17.5 lbs U_3O_8/tonne) at a 0.2% U_3O_8 cut-off grade. The Mineral Resource estimate was generated using drill sample assay results from Kivalliq's 2009 and 2010 field seasons (up to October 31, 2010), The independent technical report was filed on SEDAR on March 24, 2011. This first 43-101 compliant mineral resource estimate for the Lac Cinquante uranium deposit was a major milestone for Kivalliq.

Kivalliq's aggressive exploration campaign at the Angilak Property continued in 2011. Work in 2011 comprised 23,849 metres of diamond drilling in 153 holes focused on expanding the Lac Cinquante resource and testing new mineralized target areas, 6,411 metres in reverse circulation ("RC") drilling in 88 holes, testing 25 targets, 5,470 line kilometres of airborne geophysical surveying, 1,640 line kilometres of ground geophysical surveying, prospecting and engineering and environmental studies.

Lac 50 Trend - Inferred Mineral Resource Estimate

On January 17, 2012 Kivalliq received a summary report that describes an Inferred Mineral Resource Estimate of 1,779,000 tonnes grading 0.69% U_3O_8, totaling 27.13 million lbs U_3O_8 (15.15 lbs U_3O_8/tonne) at a 0.2% U_3O_8 cut-off grade. The Mineral Resource estimate for Lac Cinquante was prepared under the direction of Robert Sim, P.Geo., of SIM Geological Inc. A resource model was generated using drill sample assay results from Kivalliq's 2009, 2010 and 2011 field seasons (up to December 31, 2011), and interpretation of a geological model relating to spatial distribution of uranium. The independent technical report was filed on SEDAR on March 01, 2012.

On January 15, 2013, Kivalliq announced a significant increase in the NI 43-101 compliant Mineral Resource estimate for the Lac 50 Trend uranium deposits (Lac Cinquante, J4 and Ray), located within Kivalliq's 340,268 acre Angilak Property in Nunavut, Canada. Kivalliq has received a summary report from Robert Sim, P.Geo., of SIM Geological Inc. that describes an Inferred Mineral Resource Estimate of 2,831,000 tonnes grading 0.69% U_3O_8 (15.2 lbs U_3O_8/tonne), totaling 43.3 million lbs U_3O_8 at a 0.2% U_3O_8 cut-off grade. The resource model was generated using drill sample assay results from Kivalliq's 2009 to 2012 field seasons (up to December 31, 2012) and is a 60% increase over the previous Resource Estimate of 27.1 million pounds. Three additional metals: silver (g/t), molybdenum (%) and copper (%) were also estimated within the resource model. The Lac 50 Trend Resource is considered to be an early stage project, therefore little is known about the potential mining or metallurgical characteristics. However, the resource is considered to exhibit reasonable prospects for economic extraction, and the base case cut-off threshold of 0.2% U_3O_8 is considered appropriate based on its location and other assumptions derived from deposits of similar type and scale. The independent technical report will be filed on SEDAR within 45 days, or before March 01, 2013.

2012 Exploration Program

On February 22, 2012, Kivalliq announced a two-phased, $20 million exploration program at the 252,820 acre Angilak Property in Nunavut Territory, Canada. The aggressive drill plans for 2012 commenced on April 4, 2012 and will advance multiple uranium discoveries made in 2011 and build on the inferred resource of 27.13 million lbs U_3O_8 at Lac Cinquante.

The following summarizes both phases of the proposed 2012 exploration campaign:

- 26,000 metres of core drilling focused on expanding the Lac Cinquante resource and testing new zones discovered in the immediate vicinity of this deposit
- 9,000 metres of RC drilling to test multiple target areas property-wide and untested conductors within close proximity of the Lac Cinquante deposit
- Ground geophysical surveys consisting of gravity, magnetics and electro-magnetics
- Continued prospecting to advance high-priority target areas defined by the 2011 program and identify new targets on a property wide scale

- Ongoing modeling, geological, metallurgical, environmental and archeological studies
- Continued emphasis on community consultation
- Engineering studies focused on expanding infrastructure to support future programs
- Update to the current Lac Cinquante Inferred Resource by Q2 2013.

On September 24, 2012, Kivalliq announced the successful completion of the field component of the 2012 exploration program at the Angilak Property. The following highlights elements of the completed 2012 Exploration Program:

- Discovery of the J4, Ray, Flare, Southwest and Hot Zones, plus the Nine Iron Trend
- 38,856 metres of core and RC drilling focused on adding inferred resources and testing new mineralized target areas within the Lac 50 Trend
- 930 line kilometres of ground magnetic, VLF electromagnetic, gravity and seismic surveys
- Prospecting, mapping and RC drilling to test new target areas property-wide
- Ongoing geological, metallurgical, environmental and archeological studies
- Emphasis on community consultation including property visits by community leaders

Background on the Angilak Property, Nunavut

Since the mid 1970's, exploration in the Yathkyed Lake area has been referenced by several names (i.e. LGT, Yathkyed, Lac Cinquante); however going forward, Kivalliq collectively refers to all land holdings as the Angilak Property. The Angilak Property is a combination of two land tenures totalling 252,820 acres (102,312.6 hectares); Inuit Owned Land ("IOL") parcel RI-30 and 101 adjacent claims staked on Federal Crown land.

Following the introduction of a uranium policy by Nunavut Tunngavik Inc. ("NTI") in September 2007, Kaminak Gold Corporation ("Kaminak" the predecessor to Kivalliq) signed an Exploration Agreement ("EA") with NTI in May 2008, whereby Kaminak was granted a 100% interest in minerals within privately-held IOL parcel RI-30. Kivalliq Energy Corporation was formed in July 2008 and Kaminak assigned all uranium interests in Nunavut to Kivalliq.

Kivalliq was the first company in Canada to have a comprehensive agreement to explore on IOL for uranium. As part of this landmark partnership, NTI receives shares in Kivalliq and upon completion of a feasibility study can elect to have a participating interest in the project, or collect royalties. Kivalliq also makes advance annual royalty payments to NTI and must complete specific work programs. The agreement not only applies to privately-held IOL, but also extends to the 101 adjacent claims on Crown Land. Exploration work to date on Crown Land will keep all claims in good standing until at least October 2012 and beyond.

Lac Cinquante

The Lac Cinquante Uranium Deposit was discovered by Pan Ocean Oil Ltd. ("Pan Ocean") in the late 1970's and was later acquired by Aberford Resources Ltd. ("Aberford") and then Abermin Corp. ("Abermin") Very little geological assessment information is available in the public archives; however, a researcher from the Geological Survey of Canada (GSC) published a description of the deposit geology in the mid-1980's based on a study of outcropping surface mineralization and diamond drill core (CIMM Special Paper #33, p. 263 to 285, 1986).

Pan Ocean (and later Aberford) conducted 19,000 metres of drilling and spent over $13 million on the property between 1975 and 1982.

The 1986 CIMM report described the deposit as a vein-type hydrothermal system which resembles the Beaverlodge District in Saskatchewan. Mineralization consists of a steeply dipping series of fractures and veins, 1 to 3 metres wide, which contain variable amounts of pitchblende and sulphide minerals accompanied by hematite, carbonate, albite and silica alteration. The host structure was reported to be at least 1,100 metres long.

Additional Mineral Occurrences and Trends

Structurally vein hosted, uranium mineralization observed at Lac Cinquante represents one of many different types of mineralization observed on the Angilak Property. Research by Kivalliq determined that the Angilak Property is host to over 150 documented mineral showings, in addition to the Lac Cinquante Uranium Deposit. Prospecting and exploratory drilling by Kivalliq in 2010 and 2011 has advanced several target areas including the Blaze/Spark, Pulse, VGR, Yat, Forte, Force and BIF zones, where grab samples from surface showings and boulders, and samples from diamond drilling, have returned high grade uranium, silver, molybdenum, copper and lead values.

Baker Lake Uranium Project, Nunavut

On July 14, 2008, Kivalliq signed an amending agreement with Pacific Ridge Exploration Ltd. ("Pacific Ridge"), whereby, Pacific Ridge acquired a 100% interest in the Baker Lake Uranium Project located in the Kivalliq District of Nunavut (subject to Kivalliq's back-in right). Upon signing a joint venture agreement between Pacific Ridge and Aurora Energy Resources Inc. ("Aurora"), Kivalliq received 2,000,000 common shares of Pacific Ridge.

Kivalliq is entitled to elect to earn back a 20% interest (the "Back-In Right") by paying Pacific Ridge within 90 days of the delivery by Pacific Ridge to Kivalliq of a Pre-Feasibility Study ("PFS") an amount equal to 40% of the expenditures incurred by Pacific Ridge on programs and the PFS.

Hunter Exploration Group has a 2% Net Smelter Return interest and Shear Minerals Ltd. has a 8.5% Net Profits Interest. The agreement pertains to all commodities other than diamonds.

Subsequent to an exploration program in early 2009, and Aurora's amalgamation with Fronteer Development Group, Pacific Ridge was advised that Aurora no longer wished to participate in further exploration. Claims that comprise the Baker Lake Project are in good standing until at least October 2012. Kivalliq has no plans at this time to perform any additional exploration work on the Baker Lake Uranium Project.

Risks and Uncertainties

Exploration Stage Company

Kivalliq is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. All of its properties are in the early stages of exploration and are without known deposits of commercial ore. Development of Kivalliq's properties will only follow upon obtaining satisfactory exploration results. There can be no assurance that Kivalliq's existing or future exploration programs will result in the discovery of commercially viable mineral deposits. Further, there can be no assurance that even if an economic deposit of minerals is located, that it can be commercially mined.

Mineral Exploration and Development

The exploration and development of minerals is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral deposit or ore body may result in significant rewards, few properties which are explored are ultimately developed into producing mines. Substantial expenses are required to establish ore reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on Kivalliq.

Mining Operations and Insurance

Mining operations generally involve a high degree of risk. Kivalliq's operations are subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flowing and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, periodic interruptions due to adverse weather conditions, labour disputes, and political unrest. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. Kivalliq does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may cause substantial delays and require significant capital outlays.

No Operating History and Financial Resources

Kivalliq does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. It anticipates that its existing cash resources, following any proposed private placements, will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to prove economic deposits and to bring such deposits to production. Additional funds will also be required for Kivalliq to acquire and explore other mineral interests. Kivalliq has limited financial resources and there is no assurance that sufficient additional funding will be available to it to fulfill its obligations or for further exploration and development, on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause Kivalliq to forfeit its interests in some or all of its properties or to reduce or terminate its operations.

Government Regulation

The current or future operations of Kivalliq, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various federal, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. There can be no assurance, however, that Kivalliq will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which Kivalliq may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to Kivalliq's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Competition

The mineral exploration and mining business is competitive in all of its phases. Kivalliq will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties. Kivalliq's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or development. There is no assurance that Kivalliq will be able to compete successfully with others in acquiring such prospects.

Title to Property

Some of Kivalliq's properties are held in the names of others. Kivalliq has taken precautions to ensure that legal title to its property interests are properly recorded. There can be no assurance that Kivalliq will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. Third parties may have valid claims underlying portions of Kivalliq's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that Kivalliq may lose all or part of its interest in the properties to which such defects relate.

Environmental Risks and Hazards

All phases of Kivalliq's operations will be subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which Kivalliq holds interests or on properties that will be acquired which are unknown to Kivalliq at present and which have been caused by previous or existing owners or operators of the properties.

Commodity Prices

The price of Kivalliq's securities, its financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of base minerals. Precious or base minerals prices fluctuate widely and are affected by numerous factors beyond Kivalliq's control such as the sale or purchase of base metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand; production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and international political and economic trends, conditions and events. The price of base metals has fluctuated widely in recent years, and future serious price declines could cause continued development of Kivalliq's properties to be impracticable.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Price Volatility

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Any quoted market for Kivalliq's securities will be subject to such market trends and the value of such securities may be affected accordingly.

Key Executives

Kivalliq is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel, whose contributions to the operations of Kivalliq are likely to be of importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of Kivalliq, the loss of these persons or Kivalliq's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. Kivalliq does not currently carry any keyman life insurance on any of its executives. The directors and certain of the officers of Kivalliq devote part of their time to the affairs of Kivalliq.

Potential Conflicts of Interest

Certain directors and officers of Kivalliq are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of Kivalliq. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of Kivalliq. Directors and officers of Kivalliq with conflicts of interest are subject to and do follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

Dividends

Kivalliq has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of Kivalliq and will depend on Kivalliq's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of Kivalliq deem relevant.

Nature of the Securities

The purchase of Kivalliq's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. Kivalliq's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in Kivalliq's securities should not constitute a major portion of an investor's portfolio.

Proposed Transactions

There are no proposed transactions that should be disclosed.

Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning Kivalliq's general and administrative expenses and exploration and evaluation assets is provided in Kivalliq's Statement of Loss and Deficit and Schedule of Exploration and Evaluation Expenditures contained in its audited annual financial statements for September 30, 2012, available on www.sedar.com .

Outstanding Share Data

Kivalliq's authorized capital is unlimited common shares without par value. As at January 23, 2013 the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at January 23, 2013	173,898,370		
Share Purchase Warrants	370,008	$0.90	March 30, 2013
	249,000	$0.50	March 31, 2013
	60,000	$0.50	April 5, 2013
	179,383	$0.50	February 21, 2014
	146,820	$0.55	February 21, 2014
	1,393,783	$0.45	May 29, 2014
Employee Stock Options	1,455,000	$0.15	November 12, 2013
	150,000	$0.25	August 11, 2014
	450,000	$0.30	January 29, 2015
	740,000	$0.45	April 22, 2015
	20,000	$0.40	September 8, 2015
	2,235,000	$0.50	October 19, 2015
	2,900,000	$0.50	January 19, 2017
	2,200,000	$0.50	January 25, 2017
	5,055,000	$0.45	September 7, 2017
Fully Diluted at January 23, 2013	191,502,364		

Off Balance Sheet Arrangements

Kivalliq does not utilize off balance sheet arrangements.

Transactions with Related Parties

Key management compensation

Key management consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits. The aggregate value of compensation with key management for the year ended September 30, 2012 was $2,286,583 (2011 - $1,576,525) and was comprised of the following:

		Year ended September 30, 2012		Year ended September 30, 2011
Wages, salaries and consulting fees	$	792,449	$	460,230
Non-cash benefits		29,041		16,109
Share-based compensation		1,465,093		1,100,186
Total remuneration	$	2,286,583	$	1,576,525

Related party transactions

Related party transactions and balances not disclosed elsewhere in the audited annual financial statements are as follows:

During the year ended September 30, 2012, the Company reimbursed $421,418 (2011 - $233,840) of rent, salaries, and office and administration expenses incurred by companies controlled by directors of the Company.

During the year ended September 30, 2012, the Company reimbursed companies with common directors and key management $188,221 (2011 - $155,316) for travel and office expenses incurred on behalf of the Company.

During the year ended September 30, 2012, the Company incurred expenses on behalf of companies with common directors of $34,900 (2011 - $154,702) for consulting and office expenses.

The balance receivable from related parties at September 30, 2012 was $11,349 (September 30, 2011 - $308,270).

The balance payable to related parties at September 30, 2012 was $34,077 (September 30, 2011 - $110,455) and such payables are unsecured, non interest bearing and are expected to be repaid under normal trade terms.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Recent Developments and Outlook

Kivalliq expects to obtain financing in the future primarily through further equity and/or debt financing, as well as through joint venturing and/or optioning out Kivalliq's properties to qualified mineral exploration companies. There can be no assurance that Kivalliq will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause Kivalliq to suspend its operation and eventually to forfeit or sell its interest in its mineral properties.

Commitments

As disclosed in Note 10 of the audited annual financial statements for the year ended September 30, 2012, Kivalliq has entered into agreements for the rental of office space that require minimum payments in the aggregate as follows:

Fiscal 2013	$	35,747
Fiscal 2014		35,747
Fiscal 2015		35,747
Fiscal 2016		20,852
Total Commitments	**$**	**128,093**

Also, as part of the agreement pertaining to Angilak Property, Kivalliq is committed to paying annual royalty fees of $50,000 to NTI.

Financial Instruments and Other Instruments

Categories of financial assets and liabilities

Kivalliq's financial instruments consist of cash and cash equivalents, other receivables, HST recoverable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that Kivalliq is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

As at September 30, 2012, the carrying value of Kivalliq's financial instruments approximate their fair value due to their short term nature.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Kivalliq's credit risk is primarily attributable to cash and cash equivalents, other receivables and HST recoverable. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, other receivables and HST recoverable is remote as they relate to deposits and interest receivable from major financial institutions, related party balances, HST recoverable from the Government of Canada, and other balances which have been subsequently collected. The maximum credit risk as at September 30, 2012 was $7,130,903 (September 30, 2011 - $8,612,837; October 1, 2010 - $5,733,269).

Liquidity risk

Kivalliq's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2012, Kivalliq had a cash and cash equivalents balance of $6,663,542 (September 30, 2011 - $7,213,622) to settle accounts payable and accrued liabilities of $1,013,653 (September 30, 2011 – $3,901,304). All of Kivalliq's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that Kivalliq has sufficient funds to meet its obligations as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Kivalliq has cash balances and no interest-bearing debt. Kivalliq's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. Kivalliq periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2012, Kivalliq had $5,044,541 (September 30, 2011 – $5,934,500) in term deposits.

(b) Foreign currency risk

Kivalliq operates predominately in Canada and is not exposed to any significant foreign currency risk.

(c) Price risk

Kivalliq is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on Kivalliq's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Kivalliq closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by Kivalliq.

Critical Accounting Estimates

Kivalliq's accounting policies are presented in Note 2 of the September 30, 2012 audited annual financial statements. The preparation of financial statements in accordance with IFRS requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. Actual amounts could differ materially from the estimates used and, accordingly, affect the results of the operations. These include:

- the carrying values of exploration and evaluation assets;
- the useful lives for depreciation of equipment; and
- the valuation of stock-based compensation expense.

Exploration and evaluation assets

Resource exploration and development costs, including option payments, are capitalized on an individual area of interest basis until the properties are brought into production, at which time they will be amortized on a unit-of-production basis, or until the properties are abandoned, sold or management determines that the mineral property is not economically viable, at which time the unrecoverable deferred costs are expensed to operations. Option payments arising on the acquisition of mineral property interests exercisable at the discretion of Kivalliq are recognized as paid or payable.

Exploration and evaluation costs include cash consideration and the estimated fair market value of common shares or warrants on the date of issue as provided under the agreed terms of acquisition for the mineral property interest.

Capitalized exploration and evaluation costs are those directly attributable costs related to the search for, and evaluation of, mineral resources, that are incurred after Kivalliq has obtained the legal rights to explore a specific area and before the technical feasibility and commercial viability of a mineral reserve are demonstrable. Any costs incurred prior to obtaining the right to explore a mineral property are expensed as incurred as project evaluation expenses in the statement of operations and comprehensive loss.

Management reviews the carrying value of capitalized exploration and evaluation costs each reporting period for indications of impairment. Exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where information is available, and conditions suggest impairment, the fair value of the mineral property is determined using net cash flows for the mineral property taking into account proven and probable reserves and resources, estimated future prices and operating, capital and reclamation costs. In the case of undeveloped projects, there may be only inferred or indicated resources to form a basis for the impairment review. In such cases, the impairment review is based on the exploration and evaluation results to-date and a status report regarding Kivalliq's intentions for development of the mineral property.

Recovery of the resulting carrying value of exploration and evaluation costs depends on the successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project are expensed to operations.

Once an economically viable reserve has been determined for a property and the decision to proceed with development has been approved, acquisition, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property and equipment.

The amount presented for exploration and evaluation assets represents costs incurred, less impairment costs, if any, to date and does not necessarily reflect present or future values.

Stock-based compensation expense

The grant date fair value of stock-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

International Financial Reporting Standards

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date for Kivalliq is October 1, 2010.

Notes 2 and 13 to the September 30, 2012 audited annual financial statements provide more detail on key Canadian GAAP to IFRS differences, accounting policy decisions and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), optional exemptions for significant or potentially significant areas that have had an impact on Kivalliq's financial statements on transition to IFRS or may have an impact in future periods.

The Company completed its conversion from Canadian GAAP to IFRS through a transition plan that involved scoping and planning, an assessment of differences, implementation and post implementation. The post implementation phase involves the maintenance of IFRS compliant financial data and processes for 2012 and the future.

The conversion from Canadian GAAP to IFRS has resulted in changes to the Company's accounting policies and financial reporting processes.

Transitional Financial Impact

As a result of accounting policy choices selected and changes that were required to be made under IFRS, Kivalliq has recorded a reduction in shareholders' equity of $1,271,411 as at September 30, 2011. A full reconciliation of this adjustment is included in the audited annual financial statements for the year ended September 30, 2012. The table below outlines adjustments to shareholders' equity on adoption of IFRS at September 30, 2011 for comparative purposes. In accordance with IFRS 1, Kivalliq was required to maintain estimates and assumptions in existence at October 1, 2010 including but not limited to metal prices, discount rates, capital and operating costs.

	September 30, 2011
Total shareholders' equity as reported under Canadian GAAP	$32,288,974
Increase (decrease) net of tax in respect of:	
Flow-through shares	(1,271,411)
Total shareholders' equity as reported under IFRS	$31,017,563

Comprehensive Income Impact

As a result of accounting policy choices selected and changes that were required to be made under IFRS, Kivalliq has recorded a decrease in total comprehensive income of $1,314,115 for the year ended September 30, 2011.

The following is a summary of the adjustments to comprehensive income for the year ended September 30, 2011 under IFRS (all of which are outlined in the notes to the audited annual financial statements):

	Year ended September 30, 2011
Total comprehensive loss as reported under Canadian GAAP	$(2,210,409)
Increase (decrease) net of tax in respect of:	
Share-based compensation	32,641
Flow-through shares	(1,346,756)
Total comprehensive loss as reported under IFRS	$(3,524,524)

Cash Flow impact

The adoption of IFRS did not have an impact on the total operating, financing and investing cash flows used by Kivalliq.

Information Technology and Systems

The IFRS transition project did not have a significant impact on information systems for the convergence periods, nor is it expected that significant changes are required in the post-convergence periods.

Post-Implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. It has been noted that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that Kivalliq has selected. In particular, there may be additional new or revised IFRS's or Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in relation to financial instruments and leases. The International Accounting Standards Board is also currently working on an extractive industries project, which could significantly impact the financial statements of Kivalliq primarily in the areas of capitalization of exploration costs and disclosures. Processes are in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRS's and IFRIC Interpretations will be evaluated as they are drafted and published.

New Standards and Interpretations not yet Adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2012, and have not been applied in preparing the audited annual financial statements. None of these is expected to have a significant effect on the audited annual financial statements of the Company, except for IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurements, which become mandatory for the Company's 2015 and 2013 financial statements, respectively. The Company is in the process of evaluating these new standards and the impact has not yet been determined.

Approval

The Board of Directors of Kivalliq Energy Corp. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional information can be obtained by contacting:

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KIVALLIQ ENERGY CORPORATION
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Chief Executive Officer

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/s/ "Jonathan Singh"
Jonathan Singh
Chief Financial Officer