KIVALLIQ ENERGY CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

Canadian Dollars

(UNAUDITED)

Notice of Non-review of Condensed Interim Financial Statements

The attached condensed interim financial statements for the three month periods ended December 31, 2014 and 2013 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim financial statements.

Kivalliq Energy Corporation

(An Exploration Stage Company)

Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

ASSETS	Notes		As at December 31, 2014		As at September 30, 2014
Current					
Cash and cash equivalents		$	**670,074**	$	1,067,494
Marketable securities	3		**352,145**		539,279
Other receivables	4		**31,761**		638,072
GST recoverable			**-**		42,811
Prepaid expenses			**96,006**		141,159
			1,149,986		2,428,815
Equipment	5		**481,310**		507,529
Exploration and Evaluation Assets (Schedule)	6		**54,740,184**		54,593,330
		$	**56,371,480**	$	57,529,674
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	**211,625**	$	789,629
GST payable			**3,924**		-
Flow-through share premium liability	7		**68,641**		81,600
			284,190		871,229
Deferred Tax Liability			**3,402,532**		3,504,749
			3,686,722		4,375,978
SHAREHOLDERS' EQUITY					
Share Capital	7		**57,925,527**		57,925,527
Contributed Surplus			**10,016,534**		10,016,534
Accumulated Other Comprehensive Income	3		**218,497**		380,368
Deficit			**(15,475,800)**		(15,168,733)
			52,684,758		53,153,696
		$	**56,371,480**	$	57,529,674

Nature of Operations and Going Concern *(Note 1)*
Commitments *(Notes 6 and 11)*
Subsequent Events *(Notes 7 and 13)*

APPROVED ON FEBRUARY 24, 2015 ON BEHALF OF THE BOARD:

"James Paterson", CEO ,Director *"John Robins"* ,Director

Kivalliq Energy Corporation

(An Exploration Stage Company)

Statements of Operations and Comprehensive Loss

For the Three Month Periods Ended December 31

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Notes		**2014**		2013
Expenses					
Amortization and depreciation	5	$	**27,954**	$	34,124
Bank charges and interest			**552**		476
Investor relations			**10,942**		14,981
Listing and filing fees			**151**		1,525
Office and sundry			**55,615**		56,202
Professional fees			**39,000**		56,943
Project evaluation			**(29,910)**		126,897
Salaries and consulting fees			**290,631**		310,539
Transfer agent fees			**1,292**		4,480
Travel and conference			**26,908**		39,110
Loss before the undernoted			**(423,135)**		(645,277)
Other income (expenses)					
Project Operator Fees	6		**23,645**		-
Interest			**2,510**		8,374
Loss on foreign exchange			**-**		(23)
Amortization of flow-through premium liability	7		**12,959**		-
Loss before income taxes			**(384,021)**		(636,926)
Deferred tax recovery			**76,954**		181,735
Loss for the period			**(307,067)**		(455,191)
Change in fair value of marketable securities	3		**(187,134)**		(28,000)
Tax recovery in OCI from change in fair value of marketable securities	3		**25,263**		-
Total comprehensive loss for the period		$	**(468,938)**	$	**(483,191)**
Basic and diluted loss per common share		$	**(0.00)**	$	(0.00)
Weighted average number of common shares outstanding			**196,200,431**		190,414,007

- The accompanying notes are an integral part of these condensed interim financial statements -

Kivalliq Energy Corporation
(An Exploration Stage Company)
Statement of Changes in Shareholders' Equity
For the Three Month Periods Ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)
Unaudited – Prepared by Management

	Share Capital					
	Number of shares	Amount	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
Balance, September 30, 2013	189,067,703	$ 56,671,834	$ 8,727,682	$ (12,580,955)	-	$ 52,818,561
Issued						
Private placement - asset purchase	600,000	150,000	-	-	-	150,000
Exercise of options	1,360,000	204,000	-	-	-	204,000
Fair value of options exercised	-	40,470	(40,470)	-	-	-
Fair value adjustment on marketable securities	-	-	-	-	(28,000)	(28,000)
Loss for the period	-	-	-	(455,191)	-	(455,191)
Balance, December 31, 2013	191,027,703	$ 57,066,304	$ 8,687,212	$ (13,036,146)	$ (28,000)	$ 52,689,370
Issued						
Private placement - shares and warrants (note 7 (a))	5,172,728	1,022,046	115,954	-	-	1,138,000
Flow-through share premium	-	(155,182)	-	-	-	(155,182)
Share issuance costs - cash	-	(9,157)	-	-	-	(9,157)
Share issuance costs - warrants	-	(715)	715	-	-	-
Stock-based compensation	-	-	1,212,653	-	-	1,212,653
Fair value adjustment on marketable securities	-	-	-	-	467,732	467,732
Tax benefit on share issuance costs	-	2,231	-	-	-	2,231
Tax expense in OCI from fair value adjustment on marketable securities in OCI	-	-	-	-	(59,364)	(59,364)
Loss for the period	-	-	-	(2,132,587)	-	(2,132,587)
Balance, September 30, 2014	196,200,431	57,925,527	10,016,534	(15,168,733)	380,368	53,153,696
Tax recovery in OCI from fair value adjustment on marketable securities in OCI	-	-	-	-	25,263	25,263
Fair value adjustment on marketable securities	-	-	-	-	(187,134)	(187,134)
Loss for the period	-	-	-	(307,067)	-	(307,067)
Balance, December 31, 2014	**196,200,431**	**$ 57,925,527**	**$10,016,534**	**$ (15,475,800)**	**$ 218,497**	**$ 52,684,758**

- The accompanying notes are an integral part of these condensed interim financial statements -

Kivalliq Energy Corporation

(An Exploration Stage Company)

Statement of Cash Flows

For the Three Month Periods Ended December 31

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

		2014		2013
Cash Flows from (used in) Operating Activities				
Net loss for the period	**$**	**(307,067)**	$	(455,191)
Adjustments for:				
Amortization and depreciation		**27,954**		34,124
Deferred tax recovery		**(76,954)**		(181,735)
Amortization of flow-through premium liability		**(12,959)**		-
Interest income		**(2,510)**		(8,374)
Changes in non-cash working capital:				
Other receivables		**606,363**		21,047
GST recoverable		**46,735**		25,654
Prepaid expenses		**45,153**		96,482
Accounts payable and accrued liabilities		**(328,696)**		(31,351)
		(1,981)		(499,344)
Interest received		**2,458**		1,710
		477		(497,634)
Cash Flows used in Investing Activities				
Exploration and evaluation assets		**(396,162)**		(546,519)
Equipment		**(1,735)**		-
Marketable securities				(70,000)
		(397,897)		(616,519)
Cash Flows from Financing Activities				
Issuance of share capital, net of issuance costs		**-**		354,000
Net decrease in cash and cash equivalents		**(397,420)**		(760,153)
Cash and cash equivalents - Beginning of period		**1,067,494**		2,964,879
Cash and cash equivalents - End of period	**$**	**670,074**	$	2,204,726
Supplemental Schedule of Non-Cash Investing Activities				
Exploration and evaluation expenditures included in account payable	**$**	**118,440**	$	233,999

Cash and cash equivalents consist of:		**December 31, 2014**		September 30, 2014
Cash on deposit	**$**	**224,311**		623,249
Other investments		**445,763**		444,245
	$	**670,074**		1,067,494

Cash paid for income taxes	**$**	**-**	$	-
Cash paid for interest	**$**	**-**	$	-

- The accompanying notes are an integral part of these condensed interim financial statements -

Kivalliq Energy Corporation

(An Exploration Stage Company)

Schedule of Exploration and Evaluation Assets

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	For the Three Month Period Ended December 31, 2014			For the year ended September 30, 2014
	Acquisition Costs	**Deferred Exploration Costs**	**Total**	Total
Angilak				
Land Administration	$ 50,000	$ -	**$ 50,000**	$ 117,926
Air Support and Transportation	-	7,516	**7,516**	51,123
Field and General Operations	-	22,528	**22,528**	99,709
Field Contractors and Consultants	-	2,437	**2,437**	552,850
Laboratory Costs	-	(5,196)	**(5,196)**	104,334
Salaries and Wages	-	57,329	**57,329**	150,275
Travel and Accommodation	-	2,895	**2,895**	57,057
Baker Basin				
Land Administration	-	-	**-**	208,016
Field Contractors and Consultants	-	-	**-**	12,704
Salaries and Wages	-	-	**-**	64,861
Genesis				
Staking and Land Administration	-	-	**-**	119,475
Air Support and Transportation	-	-	**-**	7,000
Field and General Operations	-	1,873	**1,873**	1,735
Field Contractors and Consultants	-	731	**731**	82,318
Travel and Accommodation	-	-	**-**	839
Salaries and Wages	-	6,741	**6,741**	122,463
Option Agreement Payment	-	-	**-**	(154,547)
Exploration and Evaluation Assets for the Period	50,000	96,854	**146,854**	1,598,138
Balance, Beginning of the Period	1,499,843	53,093,487	**54,593,330**	52,995,192
Balance, End of the Period	$ 1,549,843	$ 53,190,341	**$ 54,740,184**	$54,593,330

1. Nature of Operations and Going Concern

Kivalliq Energy Corporation (“Kivalliq” or the “Company”) was incorporated as a wholly owned subsidiary of Kaminak Gold Corporation (“Kaminak”) on February 13, 2008 as 0816479 BC Ltd. under British Columbia’s Company Act. Effective February 20, 2008, 0816479 BC Ltd. changed its name to Kivalliq Energy Corp. The Company is an exploration stage company focusing on the acquisition, exploration and development of resource properties. The Company’s head office is located at Suite 1020, 800 West Pender Street, Vancouver, BC, V6C 2V6.

The Company became a reporting issuer in Alberta and British Columbia on July 4, 2008 by virtue of a reorganization transaction involving the exchange of securities between Kaminak, the Company and the shareholders of Kaminak. The reorganization transaction involved the acquisition from Kaminak of a 100% interest in Kaminak’s Uranium properties (Angilak, Baker Lake and Washburn). On July 7, 2008, after completion of its private placements, the Company’s shares became publicly traded on the TSX Venture Exchange under the symbol “KIV”.

Long-term continuance of the Company’s operations is dependent upon achieving profitable operations and obtaining additional equity or debt financing. The recoverability of the carrying values of the Company’s resource property interests is dependent upon the existence and discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production from or proceeds from the disposition of resource properties.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

These condensed interim financial statements are unaudited, but in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for fair presentation of the financial position, operations and changes in financial results for the interim periods presented.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies and Basis of Presentation

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended September 30, 2014.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of February 24, 2015, the date the Board of Directors approved the statements.

The condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2014.

3. Marketable Securities and Other Comprehensive Income

	December 31, 2014		September 30, 2014	
	Market Value	**Cost**	Market Value	Cost
Common shares in public companies	**$352,145**	**$99,547**	$539,279	$99,547

		Other Comprehensive Income
Balance, September 30, 2014	$	380,368
Unrealized loss on available-for-sale securities		(187,134)
Tax recovery in OCI from marketable securities loss in OCI		25,263
Balance, December 31, 2014	**$**	**218,497**

On October 15, 2013 the Company announced a completed private placement purchase of $70,000 in Pacific Ridge Exploration Ltd (TSX-V: "PEX") units as part of the acquisition of the Baker Basin Uranium Property from Pacific Ridge Exploration Ltd. (See note 6.)

The Company announced that, pursuant to a Mining Option Agreement dated July 10, 2014 between Kivalliq and Roughrider Exploration Limited ("Roughrider") (formerly Westham Resources Corp.), Kivalliq had acquired ownership of 1,969,828 common shares of Roughrider at a cost of $29,547. (See note 6)

Management has determined it appropriate to record these investments as available-for-sale financial assets. The initial investments were recorded at cost. The Company will revalue the investments at each reporting period. Any changes in the fair value of the investments will be recorded in other comprehensive income ("OCI") until the investments are sold or otherwise disposed, at which point any gains and losses recorded to date will be recognized through profit or loss.

(Expressed in Canadian Dollars)

4. Other Receivables

		December 31, 2014		September 30, 2014
Roughrider Exploration Ltd.	**$**	**20,539**	$	532,131
Due from related parties (note 8)		**5,072**		86,628
Other miscellaneous receivables		**6,150**		19,313
	$	**31,761**	$	638,072

The other receivables balance pertains primarily to the receivable from Roughrider for exploration and evaluation expenses incurred by the Company as part of Phase 1 of the 2014 exploration program on the Genesis Property. Phase 1 was fully funded by Roughrider and operated by Kivalliq. See note 6 for details.

5. Equipment

	Furniture & Equipment	**Computer Equipment**	**Field Equipment**	**Leasehold Improvements**	**Total**
Cost at September 30, 2014	**$ 31,595**	**$ 29,827**	**$ 937,263**	**$ 58,513**	**$ 1,057,198**
Current period additions	**-**	**1,735**	**-**	**-**	**1,735**
Cost at December 31, 2014	**31,595**	**31,562**	**937,263**	**58,513**	**1,058,933**
Accumulated depreciation at September 30, 2014	**16,647**	**19,216**	**475,507**	**38,299**	**549,669**
Current period depreciation	**748**	**926**	**23,088**	**3,192**	**27,954**
Accumulated depreciation at December 31, 2014	**17,395**	**20,142**	**498,595**	**41,491**	**577,623**
Net book value at December 31, 2014	**$ 14,200**	**$ 11,420**	**$ 438,668**	**$ 17,022**	**$ 481,310**

	Furniture & Equipment	Computer Equipment	Field Equipment	Leasehold Improvements	Total
Cost at September 30, 2013	$ 31,595	$ 29,827	$ 937,263	$ 58,513	$ 1,057,198
Current year additions	-	-	-	-	-
Cost at September 30, 2014	31,595	29,827	937,263	58,513	1,057,198
Accumulated depreciation at September 30, 2013	12,910	14,668	360,068	25,533	413,179
Current year depreciation	3,737	4,548	115,439	12,766	136,490
Accumulated depreciation at September 30, 2014	16,647	19,216	475,507	38,299	549,669
Net book value at September 30, 2014	$ 14,948	$ 10,611	$ 461,756	$ 20,214	$ 507,529

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets

Details are as follows:

	Acquisition Costs	Exploration Costs	**Cumulative as at Dec 31, 2014**	Cumulative as at Sept 30, 2014
Angilak, Nunavut	1,344,843	52,921,132	**54,265,975**	54,128,466
Baker Basin, Nunavut	205,000	80,581	**285,581**	285,581
Genesis Property, Saskatchewan and Manitoba	-	188,628	**188,628**	179,283
Total	1,549,843	53,190,341	**54,740,184**	54,593,330

General

The Company has the Angilak Property and the Baker Basin Property in Nunavut Territory, Canada and the Genesis Property in the Provinces of Saskatchewan and Manitoba, Canada.

Angilak, Nunavut

The Angilak Property was acquired from Kaminak, a related party, through the reorganization transaction (Note 1). The Angilak Property is comprised of a central Inuit Owned Land parcel surrounded by adjacent and contiguous mineral claims on Federal Crown lands in Nunavut.

Kaminak signed an Exploration Agreement (“EA”) with Nunavut Tunngavik Inc. (“NTI”) whereby Kaminak was granted a 100% interest in the minerals within privately owned Inuit Owned Lands. This parcel is located directly adjacent to Kaminak’s “Angilak (formerly Yathkyed) IOCG Project” which is comprised of staked claims located on Federal Crown land.

In order to keep the Inuit Owned Lands in good standing, Kivalliq has or will complete the following:

- Kivalliq issued 1,000,000 common shares from treasury to NTI staged over 36 months beginning after final TSX:V approval for the spin-out transaction. Upon completion of a feasibility study on any portion of the property, NTI has the option of taking either a 25% participating interest or a 7.5% net profits royalty in the specific area subject to the feasibility study.

- Upon completion of a National Instrument 43-101 compliant report that outlines a measured resource of at least 12 million pounds of uranium, Kivalliq will pay NTI a cash sum of $1,000,000.

As a consequence of the land claims settlement, the Inuit Owned Lands are not subject to royalty obligations to the Government of Canada, but instead are subject to an underlying 12% net profits royalty payable on all minerals to NTI. During periods of positive operating revenue, gross uranium revenue shall be calculated as 130% of the value of the product. Starting December 31, 2008, Kivalliq is to pay annual advanced royalty payments to NTI in the sum of $50,000 annually (2008 – 2014 paid).

6. Exploration and Evaluation Assets - *Continued*

Baker Basin, Nunavut

On October 15, 2013, the Company announced the acquisition of the Baker Basin Uranium Property in Nunavut Territory through a transaction with PEX.

The Baker Basin Property is located south of the hamlet of Baker Lake, Nunavut Territory, Canada. Kivalliq acquired 100% of Pacific Ridge's ownership interest in the Baker Basin Uranium Property through payment of 600,000 shares of Kivalliq, $55,000 in cash and a $70,000 private placement purchase of PEX units.

Genesis, Saskatchewan and Manitoba

Kivalliq's 100% owned "Genesis Property" commences 25 kilometres northeast of Cameco's Eagle Point uranium mine and extends 90 kilometres to the northeast along this strategic trend to the Manitoba border. Following the initial acquisition announced January 13, 2014, an additional 17 claims were staked in Saskatchewan and Manitoba. Kivalliq's Genesis Property comprises 53 claims totaling 495,883 acres (200,677 ha).

On July 10, 2014, the Company signed a Mining Option Agreement with Roughrider on the Genesis Property. Roughrider can acquire up to an 85% interest in Kivalliq's Genesis Property in exchange for 20% of the issued and outstanding shares of Roughrider on a post-transaction/post-financing basis, $1 million in cash payments, and $5 million in exploration expenditures over four years. Upon acquisition of an 85% interest in Genesis by Roughrider, Kivalliq's remaining 15% interest in the project will be carried through to completion of a bankable feasibility study and a recommendation from the board of Roughrider to proceed to commercial production. Kivalliq will be project operator for at least the first two years of the agreement.

Pursuant to the Mining Option Agreement, Kivalliq acquired ownership of 1,969,828 common shares of Roughrider. As a result of this acquisition, Kivalliq owns 10% of the issued and outstanding capital of Roughrider. In order to earn the initial 50% interest in the Genesis Property, Roughrider must issue to Kivalliq an additional 1,969,828 common shares, being an additional 10% of Roughrider's issued shares, on a non-diluted basis, plus cash payments, on or before August 31, 2016 in order to earn the initial 50% interest in Genesis. The shares issued to Kivalliq are subject to a 12-month hold period.

On August 7, 2014, Kivalliq announced the commencement of the Phase 1 2014 exploration program on its Genesis Property, which was fully funded by Roughrider and operated by Kivalliq. A summary of the results from the Phase 1 program was provided in a news release dated December 1, 2014. In the three month period ended December 31, 2014, Kivalliq spent $307,614 (2013 - $nil) of exploration and evaluation expenses that have been subsequently billed to Roughrider for reimbursement, along with project operator fees of $23,645 (2013 - $nil), of which $20,539 remains receivable as at December 31, 2014 (September 30, 2014 - $532,131).

(Expressed in Canadian Dollars)

7. Share Capital

As at December 31, 2014, there were an unlimited number of common voting shares without par value authorized.

a) Private Placements

On August 1, 2014, Kivalliq closed a private placement of 5,172,728 units at a price of $0.22 per unit for total gross proceeds of $1,138,000. Each unit consisted of one flow-through common share and one-half of one common share purchase warrant. Each warrant will be exercisable into a non-flow-through common share of Kivalliq for a period of 24 months from the closing date at an exercise price of $0.28 per common share.

The warrants attached to this issuance have been valued at $115,954 based upon the Black-Scholes Method using the following assumptions noted below.

Risk-free interest rate	1.09%
Expected dividend yield	0%
Share price	$0.28
Expected stock price volatility	66%
Average expected warrant life	2 years

In aggregate, the financing was subject to the following finders' fees: $9,157 of cash commission and other fees and 15,000 finder’s warrants with a strike price of $0.28 exercisable for a period of two years from the date of this private placement. Kivalliq has recorded the fair value of these finder warrants as share issuance costs. The finder warrants attached to this issuance have been valued at $715 based upon the Black-Scholes valuation model using the following assumptions noted below.

Risk-free interest rate	1.09%
Expected dividend yield	0%
Share price	$0.28
Expected stock price volatility	66%
Average expected warrant life	2 years

On October 14, 2013, Kivalliq acquired a uranium exploration property in the prospective Baker Lake Basin of Nunavut Territory, Canada. As part of the purchase agreement, the Company issued 600,000 common shares at a price of $0.25 per share.

On April 4, 2013, Kivalliq closed a non-brokered private placement of 15,149,333 units at a price of $0.30 per unit for total gross proceeds of $4,544,800. Each unit consisted of one common share and one whole warrant. Each whole warrant will allow the holder to acquire an additional common share of Kivalliq at a price of $0.50 per share for a period of two years following the date of closing.

The warrants attached to this issuance have been valued at $955,922 based upon the average of the residual method and the Black-Scholes Method using the following assumptions noted below.

(Expressed in Canadian Dollars)

7. Share Capital – *Continued*

a) Private Placements - *Continued*

Risk-free interest rate	1.02%
Expected dividend yield	0%
Share price	$0.29
Expected stock price volatility	78%
Average expected warrant life	2 years

In connection with this private placement Kivalliq issued 550,900 finder warrants exercisable at a price of $0.50 per common share for a period of two years from the date of this private placement. Finder's fees consisted of cash payments of $165,270 in commissions. Kivalliq has recorded the fair value of these finder warrants as share issuance costs. The finder warrants attached to this issuance have been valued at $44,021 based upon the Black-Scholes valuation model using the following assumptions noted below.

Risk-free interest rate	1.02%
Expected dividend yield	0%
Share price	$0.29
Expected stock price volatility	78%
Average expected warrant life	2 years

For all valuation models, the risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed warrant life. The expected volatility is based on the Company's historical prices. The expected average warrant is the average expected period to exercise, based on the historical activity patterns for warrants.

b) Warrants

Details as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2013	17,420,219	$0.50
Issued	2,601,364	$0.28
Expired	(1,719,986)	$0.46
Outstanding warrants, September 30, 2014 and December 31, 2014	18,301,597	$0.47

(Expressed in Canadian Dollars)

7. Share Capital – *Continued*

b) Warrants – *Continued*

At December 31, 2014, warrants enabling the holders to acquire common shares as follows:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
April 4, 2015	$0.50	15,149,333	0.26
April 4, 2015	$0.50	550,900	0.26
July 5, 2016	$0.28	1,150,000	1.51
August 1, 2016	$0.28	1,436,364	1.59
August 1, 2016	$0.28	15,000	1.59
Weighted average of exercise price and remaining contractual life	**$0.47**	**18,301,597**	**0.44**

c) Stock Options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan vest over time at the discretion of the board of directors and expire no later than five years from the date of issuance. Exercise prices on options granted under the plan cannot be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange and the minimum exercise price per common share must be at least $0.10.

The changes in stock options issued are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2013	14,150,000	$0.44
Issued	8,060,000	$0.22
Exercised	(1,360,000)	$0.15
Cancelled	(1,235,000)	$0.42
Outstanding options, September 30, 2014	19,615,000	$0.37
Cancelled	(10,650,000)	$0.47
Outstanding options, December 31, 2014	**8,965,000**	**$0.25**

(Expressed in Canadian Dollars)

7. Share Capital - *Continued*

c) Stock Options – *Continued*

At December 31, 2014 the following stock options were outstanding:

Expiry Date	Weighted Average Exercise Price	Issued Number of Options	Vested and Exercisable Number of Options	Weighted Average Remaining Contractual Life in Years
January 29, 2015	$0.30	70,000	70,000	0.08
September 8, 2015	$0.40	20,000	20,000	0.69
October 19, 2015	$0.50	130,000	130,000	0.80
January 25, 2017	$0.50	450,000	450,000	2.07
September 25, 2017	$0.45	310,000	310,000	2.74
September 12, 2019	$0.22	7,985,000	7,985,000	4.70
Weighted average of exercise price and remaining contractual life	**$0.25**	**8,965,000**	**8,965,000**	**4.40**

Subsequent to December 31, 2014, 70,000 options expired without exercise.

The Company did not grant any stock options during the three month period ended December 31, 2014. During the year ended September 30, 2014, Kivalliq granted options to acquire 8,060,000 common shares with a weighted average exercise price of $0.22 per common share and a weighted average fair value of $0.15 per option. Share-based compensation expense under the Black-Scholes option pricing model of $1,212,653 was recorded in relation to options vested during the year.

The fair value of stock options for all options issued during 2014 was estimated at the grant date based on the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.58%
Expected dividend yield	0%
Share price	$0.22
Expected stock price volatility	87%
Average expected option life	5 years

For all valuation models, the risk-free interest rate is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected volatility is based on the Company's historical prices. The expected average option life is the average expected period to exercise, based on the historical activity patterns for options.

(Expressed in Canadian Dollars)

7. Share Capital – *Continued*

d) Flow-through Share Premium Liability

		December 31, 2014		September 30, 2014
Balance, beginning of year	**$**	**81,600**	$	-
Premium attributed to flow-through shares issued		**-**		155,182
Reduction of liability due to expenditures incurred		**(12,959)**		(73,582)
Balance, end of year	**$**	**68,641**	$	81,600

8. Related Party Transactions

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 three month period ended December 31, 2014 was $185,377 (2013 - $222,804) and was comprised of the following:

		Three month period ended December 31, 2014		Three month period ended December 31, 2013
Wages, salaries and consulting fees	**$**	176,165	**$**	215,379
Non-cash benefits		9,212		7,425
Total remuneration	$	**185,377**	$	222,804

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

During the three month period ended December 31, 2014, the Company reimbursed $83,526 (2013 - $149,245) to recover the direct costs of rent, salaries, and office and administration expenses incurred by Aurora Mineral Resource Group, a company controlled by John Robins and James Paterson.

During the three month period ended December 31, 2014, the Company reimbursed companies with common directors and key management $19,372 (2013 - $9,448) for travel and office costs incurred on behalf of the Company.

During the three month period ended December 31, 2014, the Company incurred expenses on behalf of companies with common directors of $7,386 (2013 - $2,016) for exploration costs.

The balance receivable from related parties at December 31, 2014 was $5,072 (September 30, 2014 - $86,628).

8. Related Party Transactions – *Continued*

The balance payable to related parties at December 31, 2014 was $29,063 (September 30, 2014 - $22,060) and such payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms. These balances are recorded on the statement of financial position under accounts payable and accrued liabilities

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.

9. Financial Instruments

Categories of financial assets and liabilities

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The fair value of the Company's cash and cash equivalents, other receivables, GST recoverable, GST payable and accounts payable and accrued liabilities approximate carrying value which is the amount recorded on the statement of financial position due to their short term nature. The Company's marketable securities, under the fair value hierarchy, are based on both level one (shares) and level three (warrants) inputs.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, other receivables, marketable securities and GST recoverable. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, marketable securities, other receivables and GST recoverable is remote as they relate to deposits and interest receivable from major financial institutions, related party balances, marketable securities held with a major brokerage firm and GST recoverable from the Government of Canada, and other balances which have been subsequently collected. The maximum credit risk as at December 31, 2014 was $1,053,980 (September 30, 2014 - $2,287,656).

9. Financial Instruments - *Continued*

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, Kivalliq had a cash and cash equivalents balance of $670,074 (September 30, 2014 - $1,067,494) to settle GST payable and accounts payable and accrued liabilities of $215,549 (September 30, 2014 – $789,629). 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

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2014 Kivalliq had $445,763 (September 30, 2014 – $444,245) in term deposits.

(b) Foreign currency risk

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

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company'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. The Company closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company maintains certain investments in marketable securities which are measured at fair value, being the closing price of each equity investment at the balance sheet date. We are exposed to changes in share prices which would result in gains and losses being recognized in total comprehensive loss. A 10% fluctuation in the price of the Company's marketable securities would increase/decrease comprehensive loss by $35,215 as at December 31, 2014 (September 30, 2014 - $53,928).

(Expressed in Canadian Dollars)

10. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain flexible capital structure for its projects for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There were no changes in the Company's approach to capital management during the three month period ended December 31, 2014. The Company is not subject to externally imposed capital requirements.

11. Commitments

The Company has entered into agreements for the rental of office space that require minimum payments in the aggregate as follows:

Fiscal 2015	49,693
Fiscal 2016	38,650
Total Commitments	**$ 88,343**

12. Segment Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company's equipment and exploration and evaluation assets are located in Canada.

13. Subsequent Events

On February 10, 2015, Kivalliq announced it has acquired 100% of the Hatchet Lake Uranium Property ("Hatchet Lake Property") from Rio Tinto Exploration Canada Inc. and Rio Tinto Canada Uranium Corporation ("Rio Tinto") on the following terms:

- Kivalliq made a cash payment upon execution of the agreement of $220,000, subject to all claims being in good standing as of the closing date;
- Rio Tinto transferred a 100% interest in the Hatchet Lake Property to Kivalliq;
- Kivalliq granted Rio Tinto a 2% net smelter return ("NSR") royalty on the Hatchet Lake Property, with Kivalliq holding a buy-down right of 0.5% for $750,000 (in the event Kivalliq exercises its buy-down right Rio Tinto's remaining royalty will be a 1.5% NSR royalty).