KIVALLIQ ENERGY CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

Canadian Dollars

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

AUDITORS' REPORT

To the Shareholders of
Kivalliq Energy Corp.

We have audited the balance sheets of Kivalliq Energy Corp. as at September 30, 2009 and 2008 and the statements of loss and deficit and comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

January 22, 2010

NEXIA INTERNATIONAL

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Kivalliq Energy Corporation

(An Exploration Stage Company)

Balance Sheets

As at September 30

Canadian Dollars

For periods prior to February 26, 2008, the financial statements of Kivalliq Energy Corp., including the results of operations and cash flow, have been prepared on a carve-out basis from Kaminak Gold Corporation as is described in Note 2. These financial statements may not be indicative of the results that would have been attained if Kivalliq Energy Corp. had operated as a stand-alone entity for those periods.

ASSETS	**2009**	2008
Current		
Cash	$ 1,170,942	$ 936,350
Marketable securities *(Note 7)*	-	180,000
Due from related party *(Note 11)*	28,916	-
Receivables	6,059	-
GST receivable	89,859	130,783
Prepaid expenses	13,035	171,322
	1,308,811	1,418,455
Equipment *(Note 6)*	49,213	54,342
Resource Property Costs *(Note 8) – Schedule*	4,054,372	2,514,291
	$ 5,412,396	$ 3,987,088
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 164,943	$ 173,313
Future Income Tax Liability *(Note 14)*	276,100	-
	441,043	173,313
SHAREHOLDERS' EQUITY		
Share Capital *(Note 9)*	5,017,771	3,600,252
Contributed Surplus *(Note 10)*	969,256	635,728
Accumulated Other Comprehensive Income *(Note 7)*	-	60,000
Deficit	(1,015,674)	(482,205)
	4,971,353	3,813,775
	$ 5,412,396	$ 3,987,088

Nature of Operations (Note 1)

ON BEHALF OF THE BOARD:

"John Robins", President & CEO, Director

"James Paterson", Director

- See Accompanying Notes -

Kivalliq Energy Corporation

(An Exploration Stage Company)

Statements of Loss and Deficit and Comprehensive Loss

For the Years Ended September 30

Canadian Dollars

For periods prior to February 26, 2008, the financial statements of Kivalliq Energy Corp., including the results of operations and cash flow, have been prepared on a carve-out basis from Kaminak Gold Corporation as is described in Note 2. These financial statements may not be indicative of the results that would have been attained if Kivalliq Energy Corp. had operated as a stand-alone entity for those periods.

	2009	2008
Expenses		
Amortization	**$ 11,881**	$ 6,111
Bank charges and interest	**1,070**	3,352
Investor relations	**40,371**	30,731
Listing and filing fees	**25,207**	33,794
Office and sundry	**51,444**	14,012
Professional fees	**106,034**	46,164
Salaries and consulting fees	**212,785**	99,915
Stock-based compensation *(Note 9)*	**77,127**	167,886
Transfer agent fees	**14,610**	14,208
Travel and conference	**50,551**	26,557
Loss before the undernoted	**(591,080)**	(442,730)
Other income (expenses)		
Gain on optioning of resource property	**-**	119,493
Interest	**1,171**	8,192
Loss on sale of marketable securities	**(30,315)**	-
Write down of resource property costs	**(22,554)**	
Gain (Loss) on foreign exchange	**(14,591)**	1,889
Loss before income taxes	**(657,369)**	(313,156)
Future income tax recovery – flow-through share renunciation *(Note 14)*	**123,900**	-
Net loss for the year	**(533,469)**	(313,156)
Deficit - beginning of year	**(482,205)**	(169,049)
Deficit – end of year	**$ (1,015,674)**	$ (482,205)
Net loss for the year	$ (533,469)	$ (313,156)
Changes in fair value of marketable securities	-	60,000
Total comprehensive loss for the year	$ (533,469)	$ (253,156)
Basic and diluted loss per share	**$ (0.02)**	(0.02)
Weighted average number of shares outstanding	**34,157,297**	14,001,403

Kivalliq Energy Corporation

(An Exploration Stage Company)

Statement of Cash Flows

For the Years Ended September 30

Canadian Dollars

For periods prior to February 26, 2008, the financial statements of Kivalliq Energy Corp., including the results of operations and cash flow, have been prepared on a carve-out basis from Kaminak Gold Corporation as is described in Note 2. These financial statements may not be indicative of the results that would have been attained if Kivalliq Energy Corp. had operated as a stand-alone entity for those periods.

	2009	2008
Cash Flows from Operating Activities		
Net loss for the year	$ (533,469)	$ (313,156)
Items not affected by cash:		
Amortization	11,881	6,111
Future income tax recovery	(123,900)	-
Gain on optioning of resource property	-	(119,493)
Loss on sale of marketable securities	30,315	-
Stock-based compensation	77,127	167,886
Shares for services	10,000	-
Write down of resource property costs	22,554	-
Changes in non-cash working capital:		
Receivables	(6,059)	-
Due to related	(28,916)	
GST receivable	40,924	(130,783)
Prepaid expenses	158,287	(171,322)
Accounts payable and accrued liabilities	(133,907)	153,517
	(475,163)	(407,240)
Cash Flows from Investing Activities		
Sale of marketable securities	89,685	-
Resource property costs	(1,359,598)	(2,156,579)
Equipment	(6,752)	(60,453)
	(1,276,665)	(2,217,032)
Cash Flows from Financing Activities		
Issuance of share capital, net of issuance costs	1,986,420	3,513,747
Funding by Kaminak Gold Corporation	-	46,875
	1,986,420	3,560,622
Net Increase in Cash	234,592	936,350
Cash - Beginning of year	936,350	-
Cash - End of Year	$ 1,170,942	$ 936,350

Supplemental Schedule of Non-Cash Investing and Financing Activities

	2009	2008
Accounts payables included in resource property costs	$ 145,333	$ 19,796
Issuance of shares for property acquisitions (Note 2)	$ 77,500	$ 189,761
Issuance of warrants for property acquisitions (Note 2)	$ -	$ 148,662
Fair value of agents warrants	$ 59,361	$ 17,695
Reallocation of contributed surplus on exercise of warrants	$ -	$ 56,072
Acquisition of resource property as a result of the spin out (Note 2)	$ -	$ 229,026
Marketable securities received as option payments	$ -	$ 120,000
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

- See Accompanying Notes -

Kivalliq Energy Corporation

Schedule

(An Exploration Stage Company)

Schedule of Resource Property Costs
For the Years Ended September 30

Canadian Dollars

For periods prior to February 26, 2008, the financial statements of Kivalliq Energy Corp., including the results of operations and cash flow, have been prepared on a carve-out basis from Kaminak Gold Corporation as is described in Note 2. These financial statements may not be indicative of the results that would have been attained if Kivalliq Energy Corp. had operated as a stand-alone entity for those periods.

	2009			2008
	Acquisition Costs	Deferred Exploration Costs	**Total**	
Mineral Interests				
Angilak, Nunavut				
Acquisition costs – cash	$ -	$ -	**$ -**	**$ 42,500**
Acquisition costs – shares and warrants	77,500	-	**77,500**	**27,002**
Claim maintenance	50,010	-	**50,010**	**35,333**
Recording and staking	23,061	-	**23,061**	**23,401**
Airborne Geophysics	-	5,420	**5,420**	**-**
Assays	-	6,000	**6,000**	**541**
Field and supplies	-	465,208	**465,208**	**1,423,604**
Geological consulting	-	203,267	**203,267**	**302,024**
Travel and accommodation	-	731,787	**731,787**	**430,646**
	150,571	1,411,682	**1,562,253**	**2,285,051**
Baker Lake, Nunavut				
Claim maintenance	-	-	**-**	**137**
Geological consulting	-	101	**101**	**370**
Option receipt – shares	-	-	**-**	**(507)**
	-	101	**101**	**-**
Washburn, Nunavut				
Recording and staking	75	-	**75**	**-**
Claim maintenance	-	-	**-**	**34**
Geological consulting	-	206	**206**	**180**
	75	206	**281**	**214**
Resource Property Costs for the Year	150,646	1,411,989	**1,562,635**	**2,285,265**
Write Down of Resource Property Costs	(20,097)	(2,457)	**(22,554)**	**-**
Balance, Beginning of the Year	265,405	2,248,886	**2,514,291**	**229,026**
Balance end of the Year	$ 395,954	$ 3,658,418	**$ 4,054,372**	**$ 2,514,291**

1. Nature of Operations

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 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 trading on the TSX Venture Exchange under the symbol “KIV”.

2. Spin Out Transaction

In February 2008, Kaminak completed a transfer of its Uranium properties to Kivalliq in exchange for 3,646,752 units of Kivalliq (“Spin Out”). In addition, in July 2008, Kivalliq issued an additional 14,587,009 units to Kaminak. Each unit consisted of one common share and one half of one share purchase warrant which allows the holder to purchase one additional common share of Kivalliq at a price of $0.25 per share, exercisable for a period of 30 days from the date Kivalliq’s shares are approved for trading on the TSX Venture Exchange (“TSX:V”) (the shares were approved for trading on July 4, 2008 and on July 28, 2008, the expiration date on the warrants was extended from August 4, 2008 to September 4, 2008). Kaminak then distributed 80% of the shares and 100% of the share purchase warrants to the existing Kaminak shareholders pursuant to a corporate restructuring transaction (“Plan of Arrangement”). This resulted in each shareholder of Kaminak receiving 0.4 of a common share in Kivalliq and one quarter of one share purchase warrant for each outstanding common share of Kaminak held.

As part of the property transaction with Nunavut Tunngavik Inc. (“NTI”), (Note 8), the Company agreed to issue to NTI 5% of the total number of warrants issued on the spin out, a total of 479,836.

The Company also completed a non-brokered private placement of 6,400,000 Special Warrants, convertible to common shares of the Company upon Kivalliq obtaining its listing on the TSX:V, at a price of $0.25 per Special Warrant for gross proceeds of $1,600,000 in June 2008. These Special Warrants were converted to Kivalliq common shares on July 4, 2008, once the Company had obtained its approval for listing on the TSX:V.

The carrying value of the assets and liabilities transferred pursuant to the Plan of Arrangement was as follows:

	February 26, 2008
Resource property costs	$ 311,421

Shareholders’ equity has been recorded as follows:

	February 26, 2008
Share Capital	$ 176,536
Contributed Surplus	357,836
Deficit	(222,951)
	$ 311,421

2. Spin Out Transaction – *Continued*

The Company's September 30, 2008 balance sheet includes the historic values that were transferred from Kaminak in February 2008. The Company's Statement of Loss and Deficit for the year ended September 30, 2008 includes the result of a "carve-out" of an allocation of Kamiank's expenses for those years. The allocation of Kaminak's general and administrative expenses was calculated on the basis of the ratio of costs deferred by Kaminak on the uranium mineral properties in each year presented as compared to the costs deferred on all mineral properties in each of these years.

3. Significant Accounting Policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Equipment

The Company provides for amortization on its equipment at an annual rate of 20% for field equipment and 30% for computer equipment on the declining balance method. One-half of the rate is taken in the year of acquisition.

c) Comprehensive Income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sale securities which are not included in net loss until realized.

d) Section 1535 – Capital Disclosures

The Company adopted CICA Section 1535, "Capital Disclosures". This section requires the Company to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. The disclosure includes quantitative and qualitative information regarding an entity's objectives, policies and procedures for managing capital.

Refer to Note 13.

e) Section 3862 and 3863 – Financial Instruments Disclosures and Presentation

The Company adopted CICA Section 3862 and 3863, "Financial Instruments Disclosures and Presentation". These sections require disclosures of both qualitative and quantitative information that enables users of the financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed.

Refer to Note 12.

3. Significant Accounting Policies – *Continued*

f) Resource Property Costs

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable.

Resource exploration and development costs are capitalized on an individual area of interest basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the reserves, while costs for the prospects abandoned are written off.

The recoverability of the amount capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

g) Asset Retirement Obligations

The Company recognizes the fair value of legal obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost is recognized at fair value when a reasonable estimate of fair value can be estimated, in the year in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. No asset retirement costs have been recognized for the years presented as none of the Company’s properties or equipment are estimated to require any remediation or other expenditures upon their retirement.

h) Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred or future income taxes for a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

i) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

3. Significant Accounting Policies – *Continued*

j) **Stock-Based Compensation**

All stock-based awards are measured and recognized using a fair value based method. Accordingly, the fair value of the options at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

k) **Loss per Share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per common share is calculated using the weighted-average number of shares outstanding during the year.

l) **Flow-Through Shares**

The Company accounts for flow-through shares using the recommendations of the Emerging Issues Committee EIC-146. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If the Company has sufficient unused tax losses and deductions (“losses”) to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

m) **Management's Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Significant areas requiring the use of estimates relate to the determination of impairment of resource property costs useful lives for amortization of equipment and estimates relating to stock-based compensation. Actual results could differ from those estimates.

3. Significant Accounting Policies – *Continued*

n) Impairment of Long-lived Assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

o) Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading. Marketable securities are classified as available-for-sale. Receivables and GST receivable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost.

4. Changes in Accounting Policy

a) Goodwill and Intangible Assets

The Company adopted the new standard “Goodwill and Intangible Assets” (Section 3064) for its fiscal year beginning October 1, 2008. This Section replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of the section did not have a significant impact on the Company’s financial position.

b) Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC-173)

In January 2009, the Emerging Issues Committee (“EIC”) issued EIC -173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The adoption of this standard did not have a material impact on the Company’s financial statements.

4. Changes in Accounting Policy – *Continued*

c) Mining Exploration Costs (EIC-174)

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This standard was effective for the Company beginning April 1, 2009. The adoption of this standard did not have a material impact on the Company's financial statements.

d) Assessing going concern (Section 1400)

The AcSB amended Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern. The adoption of the standard did not have a material impact on the financial statements.

5. Future Accounting and Reporting Changes

a) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

b) Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after October 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

6. Equipment

Details are as follows:

	Cost	Accumulated Amortization	**Net Book Value September 30, 2009**
Field equipment	$ 60,380	$ 16,906	**$ 43,474**
Computer equipment	6,752	1,013	**5,739**
	$ 67,132	$ 17,919	**$ 49,213**

	Cost	Accumulated Amortization	**Net Book Value September 30, 2008**
Field equipment	$ 60,380	$ 6,038	**$ 54,342**
	$ 60,380	$ 6,038	**$ 54,342**

7. Marketable Securities and Accumulated Other Comprehensive Loss

	September 30, 2009		September 30, 2008	
	Market Value	**Cost**	Market Value	Cost
Common shares in public companies received as property payments	**$ -**	**$ -**	**$ 180,000**	**$ 240,000**

Accumulated Other Comprehensive Loss is a result of the difference between original cost and fair value as at September 30, 2008.

8. Resource Property Costs:

Details are as follows:

	Acquisition Costs	Exploration Costs	**Cumulative as at September 30, 2009**	Cumulative as at September 30, 2008
Angilak, Nunavut	$ 395,954	$ 3,658,418	**$ 4,054,372**	**$ 2,492,119**
Washburn, Nunavut	-	-	**-**	**22,172**
	$ 395,954	$ 3,658,418	**$ 4,054,372**	**$ 2,514,291**

General

The Company acquired from Kaminak, a related party, through the Spin Out Transaction (Note 2) the following uranium properties: the Angilak Property, the Baker Lake Property, and the Washburn Property.

8. Resource Property Costs: - *Continued*

Angilak, Nunavut

Angilak is a combination of two properties, located on Inuit Owned Lands and Federal Crown land.

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 property in good standing, Kivalliq will agree to complete the following:

- Kivalliq will issue NTI 1,000,000 (500,000 shares issued) common shares from treasury staged over 36 months beginning only 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. These terms will include any feasibility study on Kivalliq’s adjacent Yathkyed property.

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 property is not subject to royalty obligations to the Government of Canada, but instead is 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 will pay annual advanced royalty payments to NTI in the sum of $50,000 annually. (Paid 2008)

Baker Lake (Uranium), Nunavut:

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

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 the Pre-Feasibility study an amount equal to 40% of the expenditures incurred by Pacific Ridge on programs and the Pre-Feasibility Study.

Hunter Exploration Group has a 2% Net Smelter Return interest, Shear Minerals Ltd. has a 5% Net Profits Interest and Stornoway Diamond Corporation has a 3.5% Net Profits Interest. The agreement pertains to all commodities other than diamonds.

Washburn, Nunavut

The Washburn Uranium Property is located on Victoria Island, Nunavut. All costs associated with the Washburn property were written off during the year ended September 30, 2009.

9. Share Capital

a) Details as follows:

	Number	Amount
Authorized:		
Unlimited number of common voting shares without par value		
Common Shares Issued:		
Issued on incorporation	1	$ 1
Issued for Spin out (Note 2)	18,233,761	176,536
Issued for cash – Flow-through shares	4,000,000	1,440,672
Issued for resource property (Note 8)	250,000	13,225
Issued for cash – special warrants shares (Note 2)	6,400,000	1,600,000
Issued for cash – warrants exercised	1,894,982	473,746
Transfer from contributed surplus – exercise of warrants (Note 9)	-	56,072
Share issuance costs	-	(160,000)
Balance – September 30, 2008	30,778,744	3,600,252
Issued for services	250,000	10,000
Flow-through income tax renunciation (Note 14)	-	(400,000)
Private placement – May 2009	2,745,000	458,321
Private placement - flow-through – May 2009	5,180,000	952,509
Private placement – flow-through - August 2009	2,000,000	459,609
Issued for finders fees and share issuance costs	150,750	2,787
Issued for resource property (Note 8)	250,000	77,500
Share issuance costs	-	(143,207)
Balance – September 30, 2009	41,354,494	$ 5,017,771

b) Private Placements:

2009

On August 20, 2009, the Company closed a private placement of 2,000,000 Flow-Through Units at a price of $0.25 per unit for gross proceeds of $500,000. Each flow-through unit sold consisted of one flow-through common share and one half of one non flow-through common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share for a period of 24 months from closing at a price of $0.35 per share in the first 12 months and $0.65 per share in the subsequent 12 months. The flow-through units issued are subject to a four month hold period from the Closing date.

The warrants attached to this issuance have been valued at $40,391 based upon the average of the residual method and the Black-Scholes Method using the following assumptions noted below:

Risk-free interest rate	0.51%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected warrant life in years	2 years

9. Share Capital - *Continued*

b) Private Placements: - *Continued*

In connection with this private placement the Company issued 200,000 agent warrants exercisable at a price of $0.25 per agent warrant. The Company has recorded the fair value of these agent warrants as share issuance costs. The 200,000 agent warrants are exercisable for a period of two years from the date of issuance into units comprised of one non flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at a price of $0.35 per share during year one and $0.65 per share during year two. The agent warrants attached to this issuance have been valued at $23,262 based upon the average of the residual method and the Black-Scholes method using the following assumptions noted below. Finder's fees of $25,000 were paid in cash and due diligence fees were paid through the issuance of 60,000 shares valued at $0.23 per common share.

Risk-free interest rate	1.09%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected warrant life in years	2 years

The warrants and agent warrants will be subject to an acceleration clause, whereby, if the weighted average trading price of the Corporation's shares on the Exchange is at a price greater than $0.10 above the strike price of a whole common share purchase warrant for a period of 10 consecutive trading days, the Corporation will have the right to accelerate the expiry date of the warrants. The Corporation will give written notice to the holders of the warrants that the warrants will expire within 30 days of the date notice provided by the Corporation to the warrant holders. Such notice by the Corporation to the holders of the warrants may not be given until 4 months and one day after the Closing.

On May 27, 2009, the Company completed a non-brokered private placement offering ("Offering") of 3,180,000 flow-through units ("FT Units") at a price of $0.20 per unit, and 2,745,000 non-flow-through units ("NFT Units") at a price of $0.20 per unit, for total gross proceeds of $1,185,000. Each FT Unit consists of one flow-through share and one half of one non-flow-through common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share at a price of $0.30 per share to May 27, 2010 and $0.60 per share to May 27, 2011. Each NFT Unit consists of one common share and one common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share at a price of $0.30 per share to May 27, 2010 and $0.60 per share to May 27, 2011.

Risk-free interest rate	0.49%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected warrant life in years	1 years

9. Share Capital - *Continued*

b) Private Placements: - *Continued*

In connection with this private placement the Company issued 441,500 agent warrants exercisable to purchase one additional non flow-through common share at a price of $0.30 per share during year one and $0.60 per share during year two. The agent warrants attached to this issuance have been valued at $16,589 based upon the average of the residual method and the Black-Scholes method using the following assumptions noted below. Finder's fees of $38,000 were paid in cash and through the issuance of 30,750 common shares valued at $0.20 per common share.

Risk-free interest rate	0.49%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected warrant life in years	2 years

The warrants will be subject to an acceleration clause, whereby, if the weighted average trading price of the Corporation's shares on the Exchange is at a price greater than $0.10 above the strike price of a whole common share purchase warrant for a period of 10 consecutive trading days, the Corporation will have the right to accelerate the expiry date of the warrants. The Corporation will give written notice to the holders of the warrants that the warrants will expire within 30 days of the date notice provided by the Corporation to the warrant holders.

On May 14, 2009, the Company completed a non-brokered private placement offering ("Offering") of 2,000,000 flow-through units ("FT Units") at a price of $0.20 per unit for total gross proceeds of $400,000. Each FT Unit consists of one flow-through share and one half of one non-flow-through common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share at a price of $0.30 per share to May 14, 2010 and $0.60 per share to May 14, 2011.

Risk-free interest rate	0.43%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected warrant life in years	2 years

In connection with this private placement the Company issued 200,000 agent warrants exercisable at a price of $0.20 per agent warrant. The Company has recorded the fair value of these agent warrants as share issuance costs. The 200,000 agent warrants are exercisable for a period of two years from the date of issuance into units comprised of one non flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at a price of $0.30 per share during year one and $0.60 per share during year two. The agent warrants attached to this issuance have been valued at $23,262 based upon the average of the residual method and the Black-Scholes method using the following assumptions noted below. Finder's fees of $20,000 were paid in cash and due diligence fees were paid through the issuance of 60,000 shares valued at $0.20 per common share.

Risk-free interest rate	1.10%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected warrant life in years	2 years

9. Share Capital - *Continued*

b) Private Placements: - *Continued*

The warrants will be subject to an acceleration clause, whereby, if the weighted average trading price of the Corporation's shares on the Exchange is at a price greater than $0.10 above the strike price of a whole common share purchase warrant for a period of 10 consecutive trading days, the Corporation will have the right to accelerate the expiry date of the warrants. The Corporation will give written notice to the holders of the warrants that the warrants will expire within 30 days of the date notice provided by the Corporation to the warrant holders.

2008

The Company completed a brokered private placement of 4,000,000 flow-through units at a price of $0.40 per unit for gross proceeds of $1,600,000. Each Unit consists of one flow-through common share of Kivalliq and one non-flow-through common share purchase warrant, each whole warrant being exercisable to purchase one common share of Kivalliq at a price of $0.50 for one year following the closing and $0.60 in the second year. The agent received a commission equal to 10% of the gross proceeds of the offering, and received 400,000 agent's warrants. Each agent's warrant entitles the holder to acquire one common share at a price of $0.50 to June 9, 2009 and $0.60 to June 9, 2010. In accordance with the terms of the private placement and certain provisions of the Income Tax Act (Canada), the Company will renounce for income tax purposes, exploration expenditures of $1,600,000 to subscribers of the flow through common shares in this private placement, for which the Company will have to incur eligible expenditures by December 31, 2008. At September 30, 2008 the Company had renounced and spent the $1,600,000 raised.

On July 4, 2008, the Company completed the conversion of its non-brokered private placement of 6,400,000 Kivalliq Special Warrants. Each special warrant was converted to a Kivalliq common share upon Kivalliq obtaining its listing on the TSX:V, at a price of $0.25 for gross proceeds of $1,600,000. Each special warrant would have been exchangeable for common shares of Kaminak had the listing not been approved by December 31, 2008.

c) Warrants:

The fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for the warrants granted to September 30, 2009:

Risk-free interest rate	0.48%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected warrant life in years	2 years

The fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for the warrants granted to September 30, 2008:

Risk-free interest rate	3.46%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected warrant life in years	0.63 years

9. Share Capital - *Continued*

c) Warrants: - *Continued*

Details as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2007	-	-
Issued	20,396,716	$0.30
Exercised	(8,294,982)	$0.25
Expired without exercise	(7,701,734)	$0.25
Outstanding warrants, September 30, 2008	4,400,000	$0.50
Issued	7,176,500	$0.30
Outstanding warrants, September 30, 2009	11,576,500	$0.42

At September 30, 2009, 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
May 14, 2010	$0.60	900,000	0.62
June 9, 2010	$0.60	3,100,000	0.69
June 9, 2010[(1)]	$0.60	400,000	0.69
May 14, 2011[(2)]	$0.30/$0.60	1,000,000	1.62
May 27, 2011[(3)]	$0.30/$0.60	4,335,000	1.62
May 14, 2011[(1.4)]	$0.20	200,000	1.65
May 27, 2011[(1,3)]	$0.30/$0.60	441,500	1.62
August 20, 2011[(5)]	$0.35/$0.65	1,000,000	1.89
August 20, 2011[(1,6)]	$0.25	200,000	1.89
Weighted average of exercise price	**$0.42**	**11,576,500**	**1.49**

[1] Agents warrants
[2] exercisable at $0.30 to May 14, 2010 and $0.60 to May 14, 2011
[3] exercisable at $0.30 to May 27, 2010 and $0.60 to May 27, 2011
[4] exercisable at $0.20 to May 14, 2011 for units which include one common share and one warrant exercisable at $0.30 to May 14, 2010 and $0.60 to May 14, 2011
[5] exercisable at $0.35 to August 20, 2010 and $0.65 to August 20, 2011
[6] exercisable at $0.25 to August 20, 2011 for units which include one common share and one warrant exercisable at $0.35 to August 20, 2010 and $0.65 to August 20, 2011

d) Stock Options

During the year ended September 30, 2009, the Company granted options to acquire 2,805,000 common shares. Stock based compensation expense using Black Scholes option pricing model was $77,127 (2008 – $167,886)

9. Share Capital - *Continued*

d) Stock Options - *Continued*

Details as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2007	-	-
Issued	1,059,200	$0.27
Outstanding options, September 30, 2008	1,059,200	0.27
Issued	2,805,000	0.15
Expired	(86,000)	0.25
Outstanding options, September 30, 2009	**3,778,200**	**$0.18**

Expiry Date	Weighted Average Exercise Price	Issued Number of Options	Vested and Exercisable Number of Options	Weighted Average Remaining Contractual Life in Years
January 17, 2011	$0.25	597,200	597,200	1.30
April 7, 2011	$0.25	20,000	20,000	1.52
July 21, 2011	$0.25	166,000	166,000	1.81
December 7, 2011	$0.25	40,000	40,000	2.19
April 2, 2012	$0.36	96,000	96,000	2.51
June 18, 2012	$0.36	54,000	54,000	2.72
November 12, 2013	$0.15	2,655,000	1,991,250	4.12
August 11, 2014	$0.25	150,000	-	4.87
Weighted average of exercise price	**$0.18**	**3,778,200**	**2,964,450**	**3.51**

During the year ended September 30, 2009, the Company granted options to acquire 2,805,000 common shares with a weighted average exercise price of $0.15 per share, of which 1,991,250 vested during the year, resulting in stock-based compensation expense under the Black-Sholes option pricing model of $77,127. The weighted average fair value of the options granted was $0.04 per option.

The following weighted average assumptions were used for the valuation of stock options granted during the year:

Risk-free interest rate	2.74%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected option life in years	5 years

9. Share Capital - *Continued*

e) Stock Options - *Continued*

During the year ended September 30, 2008, the Company granted options to acquire 1,059,200 common shares with a weighted average fair value of $0.15 per share, which fully vested during the year, resulting in stock-based compensation expense under the Black-Sholes option pricing model of $160,859. In addition, the Company was allocated stock-based compensation of $7,027 from Kaminak as a result of the spin out (Note 2).

The following weighted average assumptions were used for the valuation of stock options granted during the year:

Risk-free interest rate	3.29%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected option life in years	2.81 years

On February 17, 2009, the Company adopted a stock option plan with the following terms:

i) Options granted can not 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 share must be at least $0.10.

ii) At the time of the grant:

a) the total number of shares so reserved for issuance by the Board of directors shall not exceed ten (10%) percent of the issued and outstanding shares (on a non-diluted basis);

b) the aggregate number of shares so reserved for issuance to any one optionee in a 12 month period shall not exceed five (5%) percent of the issued shares (on a non-diluted basis);

c) the aggregate number of options granted to any one consultant in a 12 month period shall not exceed 2% of the issued shares;

d) the aggregate number of options granted to employees, who provide investor relations activities must not exceed 2% of the issued shares in any 12 month period; and options issued to consultants performing investor relations services must vest in stages over 12 months with no more than one-quarter of the options vesting in any 3 month period.

e) options issued to employees vest at the discretion of the board of directors.

f) options issued shall expire no later then 5 years from grant date.

10. Contributed Surplus

Balance consists of:

Balance – September 30, 2007	$	398,075
Funding by Kaminak Gold Corporation		46,875
Stock based compensation relating to period prior to spin out		7,027
Transfer of assets		(229,026)
Stock-based compensation on options granted		160,859
Warrants issued for property assignments		134,885
Warrants issued with flow-through shares		141,633
Agent's warrants issued		17,695
Warrants issued to NTI		13,777
Warrants exercised		(56,072)
Balance – September 30, 2008		635,728
Stock-based compensation on options granted		77,127
Warrants issued with flow-through shares – May 2009		83,491
Warrants issued with non-flow-through shares – May 2009		90,679
Warrants issued with flow-through shares – August 2009		40,391
Agent's warrants issued		59,361
Warrant issuance costs		(17,521)
Balance – September 30, 2009	**$**	**969,256**

11. Related Party Transactions

Included in the current year are consulting fees of $23,316 (2008 - $6,601), rent of $29,897 (2008 - $5,431), travel and conference charges of $16,350 (2008 - $13,000), office and sundry charges of $12,425 (2008 - $3,455) and investor relations charges of $14,702 (2008 - $1,417) to companies controlled by directors and officers of the Company.

During the year the Company paid $108,000 (2008 - $73,250) in consulting fees, reimbursed $Nil (2008 - $981) in travel and conference expenditures, and reimbursed $Nil (2008 - $594) in resource property costs to directors and officers.

At September 30, 2009, $28,916 was due from Kaminak.

During the year ended September 30, 2008, Kaminak, a company with common directors and officers transferred its Uranium properties to the Company in exchange for 18,233,761 units of the Company (Note 2).

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.

The amounts due to and from related parties are non-interest bearing with no fixed terms of repayment. The fair value of the amounts due to/from related parties cannot be determined as there are no specific terms of repayment.

12. Financial Instruments

Categories of financial assets and liabilities

As at September 30, 2009, the carrying value of the Company's financial instruments approximate their fair value. The carrying value of the Company's financial instruments is classified into the following categories:

	September 30, 2009	September 30, 2008
Held-for-trading	$ 1,170,942	$ 936,350
Available-for-sale	$ -	$ 180,000
Receivables	$ 124,834	$ 130,783
Other financial liabilities	$ 164,943	$ 173,313

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 receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

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 September 30, 2009, the Company had a cash balance of $1,170,942 (2008 – 936,350) to settle current liabilities of $164,943 (2008 - $173,313). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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 September 30, 2009, the Company did not have any investments in investment-grade short-term deposit certificates.

(b) Foreign currency risk

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

12. Financial Instruments - *Continued*

(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.

13. 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 resource properties 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 as well as cash, receivables and current liabilities.

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 year ended September 30, 2009. The Company is not subject to externally imposed capital requirements.

14. Income Taxes

a) The income tax provision for the year differs from the amount obtained by applying the statutory Canadian federal and provincial income tax rates as follows:

	For the Year Ended September 30, 2009	For the Year Ended September 30, 2008
Loss before income taxes	$ (657,369)	$ (313,156)
Statutory Canadian federal and provincial tax rates	30.125%	31.905%
Expected tax recovery	(198,032)	(99,912)
Non deductible (deductible) expenses		
Allocation of expenditures from Kaminak	-	17,174
Stock-based compensation	23,235	51,322
Amortization	3,579	1,926
Gain on optioning of resource property	-	(38,124)
Loss on sale of marketable securities	9,832	
Share issuance costs	(15,558)	(10,210)
Unrecognized benefit of non-capital losses	53,044	77,824
	-	-
Future income tax recovery	$ (123,900)	$ -

b) The components of the future income tax asset (liability) balances are as follows:

	September 30, 2009	September 30, 2008
Future income tax asset (liability)		
Equipment	$ 4,480	$ 1,570
Resource property costs	(429,873)	(31,068)
Marketable securities	-	(15,600)
Non-capital loss carry-forwards	105,648	63,420
Share issuance costs	43,645	33,280
Future income tax asset (liability)	(276,100)	51,602
Valuation allowance	-	(51,602)
Future income tax liability	$ (276,100)	$ -

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse. For 2009 this rate is estimated to be 25% and for 2008 this rate was estimated to be 26%.

The Company has available for deduction against future taxable income in Canada, non-capital losses of approximately $423,000. These losses, if not utilized, will expire through 2029. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

14. Income Taxes - *Continued*

During the year ended September 30, 2009, the Company issued 4,000,000 common shares on a flow-through basis for gross proceeds of $1,600,000. The flow-through agreement requires the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. Future income taxes of $400,000 of the exploration expenditures to be renounced to shareholders were applied against share capital.

15. Segmented Information

The Company operates in one industry, being the acquisition, exploration and development of resources properties. All of the Company's properties are located in Canada.

	September 30, 2009	September 30, 2008
Net Loss:		
Kivalliq	$ 533,469	$ 259,254
From Kaminak[(1)]	-	53,902
Total Expenditures	$ 533,469	$ 313,156

	September 30, 2009	September 30, 2008
Assets:		
Kivalliq	$ 5,412,396	$ 3,675,667
From Kaminak[(2)]	-	311,421
Total Assets	$ 5,412,396	$ 3,987,088

1 – Expenditures allocated from Kaminak as per the carve out (refer to Note 2)
2 – Assets acquired from Kaminak as part of the Spin out transaction (refer to Note 2)