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

Containing information up to and including August 20, 2009.

Note to Reader

Readers of the following management discussion and analysis (MD&A) should refer to the Company's audited financial statements for the period ended September 30, 2008 and the related Management Discussion and Analysis as filed with SEDAR, available at www.sedar.com.

This interim MD&A is an update to the Annual Management Discussion and Analysis and should be read in conjunction with the Company's Unaudited interim financial statements for the nine months ended June 30, 2009 together with the notes thereto, prepared by management in accordance with Canadian generally accepted accounting principles and expressed in Canadian Dollars.

Forward-Looking Information

When used in this document, words like "anticipate", "believe", "estimate" and "expect" and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management's future plans, objects and goals for the Company and therefore, involve inherent risks and uncertainties. The reader is cautioned that actual results, performance, or achievements may be materially different from those implied or expressed in such statements.

Overall Performance

Kivalliq 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 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". Kaminak was incorporated on July 4, 2005 under the Business Corporations Act (British Columbia), and is an exploration stage enterprise focusing on the acquisition, exploration and development of economic gold and other precious and base metal properties.

Highlights of the Company's activities during the period ended June 30, 2009:

Financing and Corporate

- The Company completed a non-brokered private placement offering ("Offering") of 5,180,000 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 $1,585,000.
  - Each FT Unit sold will consist of one (1.0) flow-through share and one half of one (0.5) non-flow-through common share purchase warrant. Each whole common share purchase warrant will be exercisable into one common share for a period of 24 months from closing at a price of $0.30 per share in the first 12 months and $0.60 per share in the subsequent 12 months.
  - Each NFT Unit sold will consist of one (1.0) common share and one (1.0) common share purchase warrant. Each whole common share purchase warrant will be exercisable into one common share for a period of 24 months from closing at a price of $0.30 per share in the first 12 months and $0.60 per share in the subsequent 12 months.

  Both FT and NFT units issued are subject to a four month hold period from the Closing date.

  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. Such notice by the Corporation to the holders of the warrants may not be given until 4 months and one day after the Closing.

  Finders fees were payable on the Offering. Proceeds for the Offering will be used to fund the first phase of the 2009 Exploration Program on the Angilak Project and for general corporate purposes.

- On November 12, 2008, the Company appointed Jeff Ward, BSc, P.Geo as Vice President, Exploration and appointed Garth Kirkham, BSc, P.Geo. P.Geoph to the Board of Directors.

- The Company issued 250,000 common shares for financial services provided.

Exploration

- The Company completed a 600 line km ground geophysical survey at the Angilak Project in Nunavut. Results from the ground geophysical survey have clearly identified a 9 kilometre long trend of parallel Very Low Frequency Electromagnetic (VLF-EM) conductors. This trend includes the prominent VLF-EM anomaly known to be associated with the Lac Cinquante Uranium Deposit.

- The Company's results from its completed 2008 Field Program highlights included:

  - Results from re-sampled historic drill core returned: 2.24% U_3O_8, 0.78 oz/T Ag and 0.17% Mo over 1.5 metres, including a 0.5 metre zone of 4.16% U_3O_8, 1.38 oz/T Ag and 0.27% Mo

  - 106 of 123 drill collars located were positively identified and most of the corresponding core was recovered on site and in good condition. Main Zone mineralization at Lac Cinquante was easily observed by re-logging and radiometric testing on core.

  - Modeling using information from historical data and drill core re-sampling revealed indications of significant near surface mineralization over a minimum of 0.5 metres, up to 5.0 metres in width, over 1.2 kilometres of strike length and to a depth of at least 160 metres.

- The Company announced final assay results from surface samples collected during the 2008 field program on the Angilak Project, Nunavut. Results from this last segment of the 2008 program confirmed that additional high-grade uranium surface showings are located near the Lac Cinquante deposit. These showings share many of the same geological attributes as Lac Cinquante, suggesting potential for the discovery of look-alike deposits on the property.

  2008 Surface Sampling Highlights:

  - Separate outcrop grab samples located four and six kilometres east of Lac Cinquante (at historic occurrences 77-9 and 77-5) yielded 0.82%U_3O_8, 0.71% Cu, 0.96 oz/T Ag and 0.62% U_3O_8, 0.20% Cu, 1.31 oz/T Ag respectively.
  - Grab samples from showings located 11.5 kilometres west and 8 kilometres north of Lac Cinquante assayed: 1.14%U_3O_8, 0.11% Cu, 0.58 oz/T Ag and 0.86%U_3O_8, 0.44% Cu, 0.65 oz/t Ag, respectively.
  - Surface samples collected from the BOG trend located 16 kilometres west of Lac Cinquante suggest similarities with iron-oxide-copper-gold (“IOCG”) deposits. The best two assays from BOG trend in 2008 were: 0.98% Cu, 0.14%U_3O_8, 0.15 oz/T Ag and 0.23%U_3O_8, 0.01% Cu, 0.18 oz/T Ag, 0.03% Mo.

Highlights of the Company’s activities subsequent to the period ended June 30, 2009:

- The Company commenced Phase One of a planned 10,000 metre diamond drill program on its Angilak Project located in Nunavut, Canada. This first phase of drilling will consist of up to 2,000 metres and is designed to confirm high-grade intercepts, verify dimensions and test the potential to expand this historic uranium deposit.

- On August 20, 2009, the Company closed a private placement of 2,000,000 FT Units at a price of $0.25 per Unit for gross proceeds of $500,000. Each FT Unit sold will consist of one half (1/2) non flow-through common share purchase warrant. Each whole common share purchase warrant will be 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 FT Units issued will be subject to a four month hold period from the Closing date. 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. Such notice by the Corporation to the holders of the warrants may not be given until 4 months and one day after the Closing. Finder fees may be payable on portions of the Offering. Proceeds for the Offering will be used to fund the first phase of the 2009 Exploration Program on the Angilak Project.

- On August 11, 2009, the Company issued 150,000 stock options to consultants at an exercise price of $0.25 per share.

The Company is planning to continue to carry out exploration of its mineral properties, and to evaluate new prospects and opportunities. The Company expects to obtain financing in the future primarily through further equity and/or debt financing, as well as through joint venturing of the Company's properties to qualified mineral exploration companies.

The Company is an exploration stage company and engages principally in the acquisition, exploration and development of resource properties. The Company capitalizes all acquisition and exploration costs until the property to which those costs are related is placed into production, sold, or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized resource property costs will vary in a fiscal period from one year to the next and typically cannot be predicted in advance. During the period ended June 30, 2009 capitalized resource property costs totalled $2,590,555 details of the cost break-down are contained in the Consolidated Schedule of Resource Property Costs in the financial statements.

Results of Operations

<u>For the nine months ended June 30, 2009</u>

During the period ended June 30, 2009, the Company's net loss for this period was largely an influence of general and administrative expenses.

Net loss for the period ended June 30, 2009 was $545,410 or $0.02 per share. The largest areas of expenditure during this period were consulting fees and professional fees.

- Consulting fees and salaries totalled $231,424 (2008 – $57,063 including $20,063 allocated from Kaminak) and included $62,500 in fees for financial advisory services, $56,000 paid the Company's President and CEO and $27,000 paid to the Company's chairman for executive management services.

- Professional fees totalled $79,631, including $22,500 paid to the Company's corporate secretary, $26,416 accrued and paid to the Company's auditors for the 2008/2009 year end audit, $21,450 paid for ongoing accounting services, and $9,265 paid for ongoing legal services.

The above expenses represented approximately 64% of total operating expenses, not including amortization and stock based compensation.

For the three months ended June 30, 2009

During the period ended June 30, 2009, the Company's net loss for this period was $168,389 or $0.00 per share. The largest areas of expenditure during this period were consulting fees and professional fees.

- Consulting fees and salaries totalled $52,854 (2008 – $37,000) and included $32,000 paid the Company's President and CEO (2008- $20,000) and $9,000 paid to the Company's chairman (2008 – 12,000).

- Professional fees totalled $22,941, including $15,000 paid to the Company's corporate secretary, $5,400 paid for ongoing accounting services, and $2,541 paid for ongoing legal services.

The above expenses represented approximately 52% of total operating expenses, not including amortization and stock based compensation.

Selected Annual Information:

The following table summarizes selected financial data reported by the Company for the period ended September 30, 2008. The information set forth should be read in conjunction with the consolidated audited financial statements, prepared in accordance with generally accepted accounting principles, and the related notes thereon.

	For the year ended or as at September 30, 2008	For the year ended or as at September 30, 2007*	For the year ended or as at September 30, 2006*
Revenues	Nil	Nil	Nil
Interest and other income	$129,574	Nil	Nil
Loss	$313,156	$123,813	$45,236
Basic and diluted loss per share	$0.02	NA	NA
Total assets	$3,987,088	$229,026	$158,659
Total long term debt	Nil	Nil	Nil
Shareholders' equity (deficiency)	$3,813,775	$229,026	$158,659
Share Capital	$3,600,252	Nil	Nil
Contributed Surplus	$635,728	$398,075	$203,895
Deficit	$(482,205)	$169,049	$45,236
Cash dividends declared per share	Nil	Nil	Nil

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 of the financial statements. These results 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.

Summary of Quarterly Results

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

	June 30, 2009	March 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008	March 31, 2008*
Revenues	Nil	Nil	Nil	Nil	Nil	Nil
Interest and other income	-	$60	$1,103	$125,852	$3,722	Nil
Net loss(**)	$(168,389)	$(194,469)	$(182,552)	$(197,602)	$(61,652)	$(53,902)
Basic and diluted loss per share	$(0.00)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.02)
Total assets	$4,925,997	$3,483,455	$3,623,624	$3,987,088	$4,475,746	$344,135
Shareholders' equity	$4,892,512	$3,432,173	$3,606,891	$3,813,775	$3,259,769	$344,135
Share capital	$5,059,532	$3,662,752	$3,662,752	$3,600,252	$1,455,324	$195,081
Contributed surplus	$880,595	$668,647	$648,896	$635,728	$519,048	$149,054
Deficit	$(1,027,615)	$(859,226)	$(664,757)	$(482,205)	$(284,603)	Nil
Cash dividends declared per share	Nil	Nil	Nil	Nil	Nil	Nil

* For the period from incorporation on February 13, 2008 to March 31, 2008

** For the period from incorporation on February 13, 2008 to March 31, 2008 the net loss and deficit is a result of the general and administrative expenses allocated from Kaminak on the spin out of the assets

Liquidity and Capital Resources

The Company is in the exploration stage and therefore has no regular cash flow. At June 30, 2009, the Company had working capital of $1,986,757 (September 30, 2008 - $1,245,142).

Cash and cash equivalents totalled $1,733,735.

<u>For the nine months ended June 30, 2009</u>

During the period ended June 30, 2009, the Company issued 8,515,750 shares for net consideration of $1,459,280. The company paid down its trade payables ($122,720), and continued to explore its resource properties, on which it expended $278,889 of its cash in the period.

<u>For the three months ended June 30, 2009</u>

During the period ended June 30, 2009, the Company issued 8,265,750 shares for net proceeds of $1,459,280. The company continued to explore its resource properties, on which it expended $193,921 of its cash in the period.

At June 30, 2009, the Company's investment in resource properties, aggregated $2,853,572, made up of the following:

	Acquisition Costs	Exploration Costs	**Cumulative as at June 30, 2009**	**Cumulative as at September 30, 2008**
Angilak, Nunavut	$ 394,454	$ 2,435,564	**$ 2,831,018**	**$ 2,492,119**
Baker Lake, Nunavut	-	101	**101**	**-**
Washburn, Nunavut	20,097	2,356	**22,453**	**22,172**
	$ 415,551	$ 2,438,021	**$ 2,853,572**	**$ 2,514,291**

At June 30, 2009, share capital totalled $5,059,532 comprised of 39,294,494 issued and outstanding common shares (September 30, 2008 - $3,600,252 comprised of 30,778,744 common shares). As a result of the loss for the period of $545,410 the deficit at June 30, 2009 was $1,027,615 (September 30, 2008 - $482,205). With contributed surplus of $880,595 (September 30, 2008 - $635,728) resulting from the fair value calculation of options issued, and other comprehensive losses of $20,000 (September 30, 2008 – gain of $60,000) from the adjustment to the fair value of the marketable securities held, the shareholders' equity at June 30, 2009 was $4,892,512 (September 30, 2008 - $3,813,775).

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

Exploration Update

General – 2009 Overall Program:

In June 2009, the Company announced a drill program to follow up on the results of the geophysical field crew mobilized in April on the Angilak Project in Nunavut. Phase one of the 10,000 metre drill program will consist of approximately 2,000 metres and is designed to confirm high-grade intercepts, verify dimensions and test the potential to expand this historic uranium deposit.

Angilak, Nunavut

Angilak is a combination of two properties, the RI-30 parcel located on Inuit Owned Lands, and additional claims staked on Federal Crown land.

Kaminak signed an Exploration Agreement (EA) with Nunavut Tunngavik Incorporated ("NTI") whereby Kaminak was granted a 100% interest in the minerals within privately owned Inuit Owned Lands that comprise parcel RI-30. 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 has agreed to complete the following:

- Issue NTI 1,000,000 shares from treasury staged over 36 months beginning only after final TSXV approval for the spin-out transaction. 500,000 shares were issued as at July 4, 2009.
- 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 study. These terms will include any feasibility study on Kivalliq's adjacent 230,000 acre Angilak property.
- Kivalliq shall perform a minimum of 6,000m of drilling before the fourth anniversary of the agreement, including at least 3,000m to be completed at Lac Cinquante.
- 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 C$1 million.
- Resulting from 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 C$50,000 annually ($50,000 paid December 31, 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 5.0% Net Profits Interest and Stornoway Diamond Corp. has a 3.5% Net Profits Interest. The agreement pertains to all commodities other than diamonds.

Washburn Uranium Project, Nunavut

The Washburn Uranium Property comprises 197,797 acres located on Victoria Island in Nunavut.

Risks and Uncertainties

Exploration Stage Company

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

Mineral Exploration and Development

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

Mining Operations and Insurance

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

No Operating History and Financial Resources

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

Government Regulation

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

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

Competition

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

Title to Property

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

Environmental Risks and Hazards

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

Commodity Prices

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

Further, reserve calculations and life-of-mine plans using significantly lower precious or base minerals prices could result in material write-downs of Kivalliq's investment in mining properties and increased amortization, reclamation and closure charges.

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

Price Volatility

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

Key Executives

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

Potential Conflicts of Interest

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

Dividends

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

Nature of the Securities

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

Proposed Transactions

There are no proposed transactions that should be disclosed.

Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning KIV's general and administrative expenses and resource property costs is provided in the Company's Statement of Loss and Deficit and Schedule of Resource Property Costs contained in its Financial Statements for June 30, 2009, available on www.sedar.com .

Outstanding Share Data

Kivalliq's authorized capital is unlimited common shares without par value. As at August 20, 2009, the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at August 20, 2009	41,294,494		
Share Purchase Warrants	900,000	$0.60	May 14, 2010
	3,100,000	$0.60	June 9, 2010
	1,000,000	$0.30/$0.60	May 14, 2011[1]
	4,335,000	$0.30/$0.60	May 27, 2011[2]
	1,000,00	$0.35/$0.65	August 20, 2011[3]
Agents Share Purchase Warrants	400,000	$0.60	June 9, 2010
	200,000	$0.30/$0.60	May 14, 2011[1]
	441,500	$0.30/$0.60	May 27, 2011[2]
	200,000	$0.25	August 20, 2011[4]
Employee Stock Options	597,200	$0.25	January 17, 2011
	20,000	$0.25	April 7, 2011
	20,000	$0.25	April 25, 2011
	166,000	$0.25	July 21, 2011
	20,000	$0.25	December 7, 2011
	96,000	$0.36	April 2, 2012
	54,000	$0.36	June 18, 2012
	2,655,000	$0.15	November 12, 2013
	150,000	$0.25	August 11, 2014
Fully Diluted at August 20, 2009	56,649,194		

[1] exercisable at $0.30 to May 14, 2010 and $0.60 to May 14, 2011
[2] exercisable at $0.30 to May 27, 2010 and $0.60 to May 27, 2011
[3] exercisable at $0.35 to August 20, 2010 and $0.65 to August 20, 2011
[4] exercisable at $0.25 to August 20, 2011 for 1 share and 1/2 of one share purchase warrant, of which each whole warrant is exercisable for one common share at $0.35 to August 20, 2010 and $0.65 to August 20, 2011

Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

Transactions with Related Parties

Included in the period ending June 30, 2009, are consulting fees of $1,591, travel and conference charges of $9,000, and office and sundry charges of $3,077 to companies controlled by directors and officers of the Company.

During the period ended June 30, 2009, the Company paid $28,000 in consulting fees to directors and officers.

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.

Financial Instruments

Categories of financial assets and liabilities

As at June 30, 2009, the carrying and fair value amounts of the Company's financial instruments are the same. The carrying value of the Company's financial instruments is classified into the following categories:

	June 30, 2009	September 30, 2008
Held for trading	**$ 1,733,735**	$ 936,350
Available for sale	**$ 100,000**	$ 180,000
Receivables	**$ 39,594**	$ 130,783
Other financial liabilities	**$ 33,485**	$ 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 accounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable 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 June 30, 2009, the Company had a cash balance of $1,733,735 to settle current liabilities of $33,485. 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 June 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.

(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.

Recent Developments and Outlook

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

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, short-term investments, GST receivable, cash call receivable, accrued interest receivable, marketable securities, due to related party and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

Changes in Accounting Policies

There have been no changes in accounting policies in the current period.

Critical Accounting Estimates

The Company's accounting policies are presented in note 3 of the accompanying financial statements. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. Actual amounts could differ materially from the estimates used and, accordingly, affect the results of the operations. These include:

- the carrying values of mineral properties; and
- the valuation of stock-based compensation expense.

Mineral properties and deferred exploration costs

The Company records its interest in mineral properties at cost. Resource exploration and development costs are capitalized on an individual area of interest basis until such time as an economic resource 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.

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. When it is determined that a mineral property is impaired, it is written down to its estimated fair value.

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of the net cash flows expected to be generated from its properties.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to continue operations and to complete the development and upon future profitable production or proceeds from the disposition thereof. The discovery or establishment of adequate reserves is dependent on successful exploration. Competition for exploration resources at all levels is currently very intense, particularly affecting availability of manpower, drill rigs and helicopters. As a result of this, and other factors inherent in exploration, the Company has uncertainty that it will be able to carry out its planned exploration programs.

Stock-based compensation expense

From time to time, the Company may grant share purchase options to directors, employees, and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation recorded in a period.

Approval

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

Additional Information

Additional information can be obtained by contacting:

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