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

Containing information up to and including January 24, 2012

Introduction

Kivalliq Energy Corporation ("Kivalliq" or the "Company") is a uranium exploration company, with its head office in Vancouver, Canada, with a focus on the exploration and development of uranium rich properties located on Inuit owned lands in Nunavat Territory, Canada.

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".

Note to Reader

This management and discussion and analysis ("MD&A) focuses on significant factors that affected Kivalliq during the year ended September 30, 2011, and to the date of this report. The MD&A supplements but does not form part of, the audited financial statements of the Company and the notes thereto for the years ended September 30, 2011 and 2010. Consequently, the following discussion and analysis should be read in conjunction with the audited financial statements and the notes thereto for the years ended September 30, 2011 and 2010.

Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "anticipates", "believes", "estimates", "expects" and similar expressions, or the negatives of such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of the Company's properties to contain economic uranium deposits; the Company's ability to meet its working capital needs at the current level for the 12-month period ending September 30, 2012; the plans, costs, timing and capital for future exploration and development of the Company's property interest, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; prices and price volatility for uranium; and general business and economic conditions.

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

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

Highlights of the Company's activities for the year ended September 30, 2011:

Exploration

- On October 26, 2010, the Company announced completion of the 2010 Exploration Program on the Angilak Property. The 2010 Program operated from April to October and consisted of new camp construction, property-wide prospecting, environmental baseline studies, and a total of 16,600 metres of resource definition and exploratory drilling in 107 holes. Prospecting resulted in the identification of nine priority areas warranting further investigation. Drilling in 2010 confirmed mineralization at the Lac Cinquante Main Zone, along a strike length of 1.35 kilometres to a depth of 275 metres vertically.

- On February 7, 2011, the Company announced the release of the first NI 43-101 compliant mineral resource estimate for the Lac Cinquante uranium deposit. A final technical report was filed on SEDAR on March 24, 2011. The summary of this report described an Inferred Mineral Resource Estimate of 810,000 tonnes grading 0.79% U_3O_8, totalling 14.15 million lbs U_3O_8 (17.5 lbs U_3O_8/tonne) at a 0.2%U_3O_8 cut-off grade.

- On February 15, 2011, the Company announced board approval for a $17 million exploration program at the Angilak Property. Drill crews commenced operations in April. On June 20, 2011, the company announced that assays from the first ten of 19 holes exploratory drill holes at Blaze had identified significant U-Cu-Ag-Mo mineralization. On July 21, 2011, the company stated that diamond drilling had identified the “Lac Cinquante Western Extension”, a highly radioactive zone located to the west and along strike from the Lac Cinquante deposit. On August 17, 2011, the company disclosed the discovery of the "Lac Cinquante Eastern Extension," a highly radioactive zone 450 metres to the east and along strike from the Lac Cinquante deposit. This new zone extended the known strike length of uranium mineralization at Lac Cinquante to at least 2.3 kilometres. On August 25, 2011, the company released results from 20 holes drilled at the Lac Cinquante Main Zone. In addition the company confirmed that radioactivity at the Western Extension is within a mineralized shear zone that starts 450 meters to the west of the Lac Cinquante Main Zone and that 37 of 45 holes drilled into the zone intersected anomalous radioactivity between 30 and 250 metres vertical depth along a strike length of 550 metres.

Financing and Corporate

- On October 19, 2010, John Robins was appointed Chairman of the Company’s board of directors, while Dr. Robert Carpenter remained in the role of a director. Jim Paterson, a director since 2008, assumed the role of Chief Executive Officer and Jeff Ward was promoted to President after serving as the Company’s Vice-President, Exploration, for the past 2 years. The Company issued 2,870,000 stock options to insiders, consultants and directors of the Company with an exercise price of $0.50 per common share

- On November 3, 2010, the Company appointed Mr. Andrew Berry as Vice President, Operations and Mr. Christopher Twells as Chief Financial Officer (“CFO”).

- On December 20, 2010, the Company closed a non-brokered private placement of 7,142,857 flow-through common shares at a price of $0.70 per flow-through common share for gross proceeds of $5,000,000. Finder’s fees of $120,000 were paid in cash.

- On March 7, 2011, the Company announced a proposed $20,000,000 financing, consisting of a brokered private placement of up to 14 million flow-through common shares at a price of $0.90 per flow-through common share to raise approximately $12.5 million. In addition, the Company announced its plans to undertake a non-brokered private placement financing for up to 10,000,000 common shares at $0.78 per common share, for gross proceeds of $7.8 million.

- On March 23, 2011, due to extreme volatility in the global uranium sector, the Company amended the financing terms previously announced on March 7, 2011 and proposed a $11.7 Million financing. The revised terms of the brokered financing consisted of selling 11,120,000 flow-through common shares at a price of $0.60 per flow-through common share to raise $6,672,000. The Company also granted the underwriters an over-allotment option to purchase up to 2,780,000 additional flow-through common shares at $0.60 per flow-through common share, for additional proceeds of up to $1,668,000. In addition, the Company proposed to conduct a non-brokered private placement financing for up to 10,000,000 common shares at a price of $0.50 per common share for gross proceeds of $5,000,000. A portion of the non-brokered private placement was to be subject to finders’ fees.

- On March 30, 2011, the Company announced the closing of the brokered financing, consisting of 12,333,600 flow-through common shares at $0.60 per flow-through common share for gross proceeds of $7,400,160. The Underwriters received cash commissions and advisory fees of $444,010 and 370,008 broker warrants at an exercise price of $0.90 per common share for a period of 24 months from closing.

- On March 31, 2011, the Company closed $4,275,000 of the previously announced non-brokered private placement, issuing 8,550,000 common shares. Finders' fees payable were a cash commission of $254,000 and 249,000 finders' warrants at an exercise price of $0.50 per common share for a period of 24 months from closing.

- On April 5, 2011, the Company closed the remaining $875,000 of the previously announced non-brokered private placement, issuing 1,750,000 common shares. Finder's fees payable were a cash commission of $61,526 and 60,000 finders warrants at an exercise price of $0.50 per common share for a period of 24 months from closing.

- During the year, 1,558,700 options were exercised for gross proceeds of $595,792 and 3,035,000 warrants were exercised for gross proceeds of $1,482,423. During the year, 14,000 options expired without exercise.

Subsequent Events

Highlights of the Company's activities subsequent to the period ended September 30, 2011:

- 140,000 options were exercised for gross proceeds of $32,500, 600,000 warrants were exercised for gross proceeds of $210,000 and 2,042,500 warrants were cancelled.

- On October 3, 2011, the Company provided an update from property-wide exploratory reverse circulation ("RC") and diamond drilling proximal to and along strike of the structure hosting the high grade Lac Cinquante Uranium Deposit.

- On October 5, 2011, the Company's board of directors named Mr. Jonathan Singh as Kivalliq's interim CFO. Mr. Singh replaced Mr. Twells in this role.

- During October 2011 the Company announced the successful completion of the field component of the 2011 exploration program at the Angilak Property and provided assay results from diamond drilling at both the Western and Eastern Extensions.

- During December 2011, the Company provided additional assay results from both the Western and Eastern Extensions. In the Western Extension, six of seven holes reported high grade uranium mineralization at vertical depths from 193 to 327 meters; the deepest intersected on the property to date.

- During January 2012, the Company provided assay results from exploration diamond drill holes in 2011 and from the 2011 prospecting program that highlight the polymetallic potential of mineralization on the Angilak Property.

- On January 17, 2012, the Company announced a revised NI 43-101 compliant Inferred Mineral Resource Estimate of 1,779,000 tonnes grading 0.69% U_3O_8, totalling 27.13 million lbs U_3O_8 (15.2 lbs U_3O_8/tonne) at a 0.2% U_3O_8 cut-off. A technical report describing the Inferred Mineral Resource Estimate will be filed on SEDAR within 45 days of the January 17 release date.

Operational Summary

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

The Company's loss from operations for the year ended September 30, 2011 was $2,210,409 or $0.02 per common share (2010 - $1,254,148 and $0.03 per common share). Assets totalled $37,273,177 as at September 30, 2011 (September 30, 2010 - $17,748,825).

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 year from one year to the next and typically cannot be predicted in advance. As at September 30, 2011 resource property costs totalled $27,882,471 (September 30, 2010 - $11,622,913) and 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 year ended September 30, 2011</u>

During the year ended September 30, 2011, the Company's management focused on the exploration program of the Angilak Property. The Company's net loss for this period was largely an influence of the general and administrative expenses incurred to maintain its TSX Venture Exchange listing, to promote the Company to new and existing shareholders, and non-cash based expenses related to stock based compensation from the Black-Scholes calculation on options vesting.

Net loss for the year ended September 30, 2011 was $2,210,409 or $0.02 per common share after income tax recovery of $429,687 and including stock based compensation expense of $1,498,932 (2010 - $1,254,148 or $0.03 per common share after income tax recovery of $111,800 and including stock-based compensation expense of $683,639). Aside from stock-based compensation, the largest areas of expenditure during this year were salaries and consulting fees, professional fees, travel and conference fees and office and sundry fees.

	Note	2011	2010	Increase (Decrease)	
Bank charges and interest		$ 6,472	$ 3,301	$ 3,171	96%
Depreciation	1	76,223	18,347	57,876	315%
Investor relations	2	143,617	31,995	111,622	349%
Listing and filing fees		55,819	53,204	2,615	5%
Office and sundry	3	164,470	110,324	54,146	49%
Professional fees	4	195,469	125,555	69,914	56%
Salaries and consulting fees	5	359,145	218,913	140,232	64%
Stock-based compensation	6	1,498,932	683,639	815,293	119%
Transfer agent fees		20,206	30,412	(10,206)	(34%)
Travel and conference	7	191,124	90,504	100,620	111%
		2,711,477	1,366,194	1,345,283	98%
Interest income	8	72,759	258	72,501	28,101%
Loss on foreign exchange		(1,378)	(12)	(1,366)	(11,383%)
Loss before income taxes		2,640,096	1,365,948	1,274,148	93%

Notes:

1. Depreciation has increased from $18,347 to $76,223 due to significant additions to field equipment made during the year.
2. Investor relation fees have increased from $31,995 to $143,617 due to increased advertising and promotional expenses to increase investor awareness in 2011.
3. Office and sundry expense has increased from $110,324 to $164,470 due to increased work related to expansion of 2011 work program.
4. Professional fees have increased from $125,555 to $195,469 due to increased accounting work and audit fees.
5. Salaries and consulting fees have increased from $218,913 to $359,145 as a result of increased personnel required for the expanded 2011 work program. In addition, new executives (CEO, President and CFO) were appointed for the Company.
6. Stock-based compensation increased from $683,639 to $1,498,932 due to a larger number of stock options granted and vested in the current year.
7. Travel and conference increased from $90,504 to $191,124 due to increased travel related to conferences and road shows.
8. Interest income increased from $258 to $72,759 as a result of the Company having higher cash balances for a longer period of time.

For the Three Months ended September 30, 2011

Net loss for the period ended September 30, 2011 was $95,399 or $0.00 per common share including stock based compensation expense of $13,594 (three months ended September 30, 2010 - $359,917 or $0.01 per common share including stock-based compensation expense of $32,284). Aside from stock-based compensation, the largest areas of expenditure during this period were salaries and consulting fees, investor relations, office and sundry and travel and conference.

	Note	Three Months Ended 2011	2010	Increase (Decrease)	
Bank charges and interest		$ 6,472	$ 3,301	$ 3,171	96%
Depreciation	1	41,030	6,787	34,243	505%
Investor relations	2	45,163	6,996	38,167	546%
Listing and filing fees	3	9,105	31,847	(22,742)	(71%)
Office and sundry	4	52,562	33,014	19,548	59%
Professional fees		30,463	33,238	(2,775)	(8%)
Salaries and consulting fees	5	103,438	60,521	42,917	71%
Stock-based compensation	6	13,594	32,284	(18,690)	(58%)
Transfer agent fees		7,491	13,287	(5,796)	(44%)
Travel and conference	7	44,282	12,937	31,345	242%
		353,600	234,212	119,388	51%
Interest income	8	72,542	-	72,542	100%
Gain (loss) on foreign exchange		(267)	10	(277)	(2,770%)
Loss before income taxes		281,325	234,202	47,123	20%

Notes:

1. Depreciation has increased from $6,787 to $41,030 due to significant additions to field equipment made during the year.
2. Investor relation fees have increased from $6,996 to $45,163 due to increased advertising and promotional expenses to increase investor awareness in 2011.
3. Listing and filing fees have decreased from $31,847 to $9,105 due to the timing of private placements. A private placement was made in the fourth quarter of 2010 while none was made in the fourth quarter of 2011.
4. Office and sundry expense has increased from $33,014 to $52,562 due to increased work related to expansion of 2011 work program.
5. Salaries and consulting fees have increased from $60,521 to $103,438 as a result of increased personnel required for the expanded 2011 work program. In addition, new executives (CEO, President and CFO) were appointed for the Company.
6. Stock-based compensation decreased from $32,284 to $13,594 due to the timing of the vesting of stock options.
7. Travel and conference increased from $12,937 to $44,282 due to increased travel related to conferences and road shows.
8. Interest income increased from $nil to $72,542 as a result of the Company having higher cash balances for a longer period of time.

Selected Annual Information:

The following table summarizes selected financial data reported by the Company for the year ended September 30, 2011. 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, 2011	For the year ended or as at September 30, 2010	For the year ended or as at September 30, 2009
Revenues	Nil	Nil	Nil
Interest and other income	$72,759	$258	$1,171
Loss	$2,210,409	$1,254,148	$533,469
Basic and diluted loss per common share	$0.02	$0.03	$0.02
Total assets	$37,273,177	$17,748,825	$5,412,396
Total long term debt	Nil	Nil	Nil
Shareholders' equity (deficiency)	$32,288,975	$15,816,739	$4,971,353
Share capital	$30,916,649	$13,278,744	$5,017,771
Contributed surplus	$5,852,557	$4,807,817	$969,256
Deficit	$4,480,231	$2,269,822	$1,015,674
Cash dividends declared per common share	Nil	Nil	Nil

Summary of Quarterly Results

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

	September 30, 2011	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	September 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest and other income	$72,542	Nil	Nil	$217	Nil	$228	$12	$18
Net loss	(95,399)	$(220,230)	$(258,509)	(1,636,271)	$(359,917)	(648,263)	(151,214)	(94,754)
Basic and diluted loss per common share	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.01)	(0.00)	(0.00)
Total assets	37,273,177	36,688,999	33,381,523	21,856,847	17,748,825	10,182,711	8,190,905	5,181,219
Shareholders' equity	32,288,975	32,180,066	31,452,729	21,267,862	15,816,739	9,324,124	7,422,261	4,890,240
Share capital	30,916,649	30,664,439	29,740,738	19,230,394	13,278,744	8,948,063	6,910,827	5,017,771
Contributed surplus	5,852,557	5,900,458	5,876,592	5,943,561	4,807,817	2,285,964	1,773,074	982,897
Deficit	$4,480,231	$4,384,831	$4,164,601	$3,906,093	$2,269,822	$1,833,090	$1,261,640	$1,110,428
Cash dividends declared per common share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Liquidity and Capital Resources

The Company is in the exploration stage and therefore has no regular cash flow. At September 30, 2011, the Company had working capital of $4,909,370 (September 30, 2010 - $4,691,674).

Cash and cash equivalents totalled $7,213,622 as at September 30, 2011 (September 30, 2010 - $5,222,744).

During the year ended September 30, 2011, the Company spent a total of $13,793,727 (2010 - $6,278,172) on the Company's resource properties, spent $1,672,590 (2010 – $1,360,888) on the operating activities of the company, and received $18,062,999 (2010 - $11,710,448) from the issuance of shares via private placement and from the exercise of warrants and stock options.

During the three months ended September 30, 2011, the Company spent a total of $7,847,955 (three months ended September 30, 2010 - $3,303,189) on the Company's resource properties, spent $265,798 (three months ended September 30, 2010 - $1,280,659) on the operating activities of the company and received $30,001 (three months ended September 30, 2010 - $7,204,801) from the issuance of shares via private placement and from the exercise of warrants and stock options.

At September 30, 2011, the Company's investment in resource properties, aggregated $27,882,471 (September 30, 2010 - $11,622,913), made up of the following:

	Acquisition Costs	Exploration Costs	**Cumulative as at September 30, 2011**	Cumulative as at September 30, 2010
Angilak Property, Nunavut	$ 836,032	$27,046,439	**$ 27,882,471**	$ 11,662,913

At September 30, 2011, share capital totalled $30,916,649 comprised of 122,613,526 issued and outstanding common shares (September 30, 2010 - $13,278,744 comprised of 87,993,369 issued and outstanding common shares). As a result of the loss for the year of $2,210,409 (2010 - $1,254,148) the deficit at September 30, 2011 was $4,480,231 (September 30, 2010 - $2,269,822). With contributed surplus of $5,852,557 (September 30, 2010 - $4,807,817, the shareholders' equity at September 30, 2011 was $32,288,975 (September 30, 2010 - $15,816,739).

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 to raise additional funds if necessary to undertake its planned exploration activities. Actual funding requirements may vary from those planned due to a number of factors, including the results of exploration activity and market conditions.

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 resource properties.

Exploration Update

General - Angilak Property, Nunavut

On June 1, 2009, Kivalliq announced completion of a 600 line kilometre ground geophysical survey on the Angilak Property. Results from the survey identified the prominent VLF-EM (Very Low Frequency Electromagnetic) anomaly associated with the Lac Cinquante Uranium Deposit and a 9 kilometre long trend of parallel VLF-EM conductors.

In August and early September 2009 Kivalliq completed 1,745 metres of diamond drilling in 16 holes. Fourteen of these evaluated the Lac Cinquante Deposit, one tested an exploration target and one hole was lost due to poor drilling conditions. On October 29, 2009, the Company released final assays for the 2009 drill program. Significant uranium mineralization was intersected along 900 metres of strike length and to a vertical depth of 125 metres in 13 of the holes drilled at Lac Cinquante.

On March 8, 2010, the company announced an aggressive exploration program at Angilak comprising new camp construction, 10,000 metres of delineation and exploratory diamond drilling, property-wide prospecting, and environmental baseline studies. The prime objective in 2010 was to generate data necessary to deliver the first NI 43-101 compliant mineral resource at Lac Cinquante.

The 2010 Program at Angilak operated from April to October. The two phase drilling program completed 16,600 metres in 107 holes within the Lac Cinquante Main Zone and along the Lac Cinquante Trend. On May 27, the company announced that step-out hole 10-LC-013 intersected a 2.0 metre wide radioactive zone, 500 metres west and along trend from the Lac Cinquante. Between June and December 2010 assays were reported from the ongoing drilling program as they were received. On December 13 assay results from exploratory drill hole 10-NE-001 were released that identified a new zone 1.8 kilometres west of Lac Cinquante, yielding two distinct intervals of significant U_3O_8 mineralization: 0.83% U_3O_8 over 1.4 metres and 0.66% U_3O_8 over 2.4 metres. On December 14, 2010 the Company released final assay results from the 16,600 metre, 107 hole, 2010 drill program.

Drilling in 2010 confirmed mineralization at the Lac Cinquante Main Zone to a vertical depth of 275 metres along a strike length of 1.35 kilometres. Assays from the eastern end of the Main Zone represented some of the highest grades reported from the property, including 6.86% U_3O_8 over 0.6 metres. Upon completion of the program the Lac Cinquante Main Zone remained open at depth and along strike in both directions. Exploratory holes 10-LC-013 and 10-NE-001 demonstrated the potential to extend the Main Zone along strike, or discover separate analogous uranium zones elsewhere along the 9 kilometre Lac Cinquante Trend.

On December 16, final results were reported from the 2010 summer prospecting program at Angilak, which ran for an eight week period between July and September. Nine priority areas were identified based on mapping and assay results from 290 grab samples. Of the 290 samples collected: 151 represent insitu source rock and historic trenches, the remaining 139 samples represent glacial float such as cobbles and boulders in till. Over 17% returned values in excess of 1% U_3O_8 and several samples returned high grade values in silver, molybdenum, copper and gold. Results from the 2010 prospecting program expanded areas of interest identified by previous operators, discovered new radioactive showings, and demonstrated the potential for new discoveries across the Angilak Property.

Lac Cinquante Inferred Mineral Resource Estimate

On February 7, 2011 the Company received a summary report that describes an Inferred Mineral Resource Estimate of 810,000 tonnes grading 0.79% U_3O_8 , totaling 14.15 million lbs U_3O_8 (17.5 lbs U_3O_8/tonne) at a 0.2%U_3O_8 cut-off grade. The Mineral Resource estimate for Lac Cinquante was prepared under the direction of Robert Sim P.Geo., of SIM Geological Inc. A resource model was generated using drill sample assay results from the Company's 2009 and 2010 field seasons (up to October 31, 2010), and interpretation of a geological model relating to spatial distribution of uranium. Three additional metals: silver (g/t), molybdenum (%) and copper (%) were also estimated within the resource model. Lac Cinquante is considered to be an early stage project, therefore little is known about its potential mining or metallurgical characteristics. However, the resource is considered to exhibit reasonable prospects for economic extraction, and the base case cut-off threshold of 0.2% U_3O_8 is considered appropriate based on its location and other assumptions derived from deposits of similar type and scale. The technical report was filed on SEDAR on March 24, 2011. This first 43-101 compliant mineral resource estimate for the Lac Cinquante uranium deposit was a major milestone for the Company and provides the Company with a strong base from which to build additional uranium resources in 2011.

2011 Exploration Program

On February 15, 2011 the Company announced a two phase 2011 exploration program at the Angilak Property. The Company announced plans to drill 20,000 metres of NQ core with two diamond drill rigs and 15,000 metres of RC drilling on exploration targets with a light weight RC fly rig. The Company also announced plans to conduct extensive airborne and ground geophysical surveying programs and an aggressive prospecting campaign. The Board of Directors approved a two-phased, $17 million exploration program at Angilak for the 2011 season. The first phase commenced in March 2011 with the mobilization of crews and equipment to the existing Nutaaq camp. The Company commenced drilling in April with two diamond drill rigs, one RC rig, and also conducted ground geophysical surveys. The Company commenced the second phase of the proposed exploration program at Angilak in July.

Blaze Zone

Drilling commenced in early April on the Blaze Zone, the name given to the site of 2010 exploration drill hole 10-NE-001. On June 20, 2011, the Company announced high grade U-Cu-Ag-Mo assays from the first 10 of 19 holes drilled at the Blaze Zone, demonstrating the potential for additional uranium discoveries at Angilak. Drill Hole 11-BZ-010, intersected 1.01% U3O8 over 25.4 metres (estimated true width of 4.0 metres) with significant Cu, Ag and Mo values. On August 11, 2011, the Company reported additional high-grade assays from the Blaze Zone. Assays from holes 11-BZ-011 through 019 returned significant U-Cu-Ag-Mo mineralization. Holes 11-BZ-016, 017 and 019 intersected, 0.63% U3O8 over 5.6 metres, 0.45% U3O8 over 8.4 metres, and 0.60% U3O8 over 6.3 metres respectively. Blaze is defined by several fracture zones with veining, breccia and associated hematite alteration that variably crosscut metavolcanic host rocks. The first 19 holes drilled at Blaze have identified significant U-Cu-Ag-Mo mineralization over 100 metres of strike length and to a vertical depth of 160 metres. The Blaze Zone remains open along strike and to depth.

Lac Cinquante Main Zone

On August 25 2011 the company announced results from 20 additional holes drilled at the Lac Cinquante Main Zone during 2011. All holes reported intersected the Lac Cinquante Main Zone mineralization between 82.9 and 261.7 metres depth. High grade assays from Lac Cinquante Main Zone, include 1.19% U3O8, 3.39% Cu, 0.56% Mo, 46.5 g/t Ag over 1.3 metres in hole 11-LC-001 and 5.69% U3O8 over 0.2 metres at 241.6 metres down hole in 11-LC-008.

Western Extension

On July 21 2011, the Company announced the discovery of the Lac Cinquante Western Extension. Sixteen of the first 17 drill holes at Western Extension intersecting a radioactive shear zone along a strike length of 200 metres and to a depth 250 metres Drilling at Western Extension targeted a northwest trending VLF EM conductor exhibiting a response similar to that of the Lac Cinquante deposit

Final drill hole results from the Western Extension were announced on December 15 2011. A total of 9,468 metres of coring in 54 diamond drill holes tested a northwest trending VLF EM conductor. Drilling from 17 set-ups spaced on 50 metre drill sections intersected radioactive intervals down to depths of 250 metres vertically. Two additional set-ups, spaced 100 metres apart, targeted below the original fences and intersected mineralization down to 327 metres vertically.

Mineralization at the Western Extension starts 450 metres to the west and along strike of the Lac Cinquante main zone. Mineralization is similar to that found at Lac Cinquante, but is structurally hosted in altered basalt rather than a tuffaceous unit. Radioactive intervals are associated with sheared, chlorite-carbonate altered basalt with minor brecciation and sulphides. Hematized quartz-carbonate veining is common. 43 of 54 holes drilled at the Western Extension intersected uranium mineralization between 30 and 327 metres vertical depth. Drilling in 2011 increased the strike length of the Western Extension to 550 metres, so that it encompasses 2010 exploration hole 10-LC-013 (See June 24, 2010 news release). The Western Extension remains open along strike and to depth.

Eastern Extension

On August 17 the company announced the discovery of the Lac Cinquante Eastern Extension. Located approximately 450 metres east of the Lac Cinquante inferred resource area, the Eastern Extension discovery was made by testing a northwest trending linear VLF EM conductor similar to Lac Cinquante, using six RC holes drilled from three set-ups.

Final drill hole results from the Eastern Extension were announced on December 19 2011. A total of 6,143 metres of coring in 44 diamond drill holes tested a northwest trending VLF EM conductor. Drilling from 13 set-ups spaced on 50 metre drill sections intersected radioactive intervals down to depths of 257 metres vertically. The Eastern Extension has a drilled strike length of 550 metres and starts approximately 400 metres to the east, and along strike, of the Lac Cinquante main zone resource area. 37 of 44 diamond drill holes on the Eastern Extension intersected uranium mineralization. Mineralization is very similar to that found at Lac Cinquante and is primarily hosted in the same hematite-carbonate-chlorite-graphite altered tuff unit. Uranium is associated with quartz-carbonate veining, breccia and sulphides in the sheared host rock.

The Kivalliq team considers both the Western Extension and Eastern Extension zones to be part of the same northwest–southeast trending geological structure which hosts the high grade Lac Cinquante uranium resource.

Background on the Angilak Property, Nunavut

Since the mid 1970's, exploration in the Yathkyed Lake area has been referenced by several names (i.e. LGT, Yathkyed, Lac Cinquante); however going forward, the Company collectively refers to all land holdings as the Angilak Property. The Angilak Property is a combination of two land tenures totalling 224,686 acres (90,930 hectares); Inuit Owned Land parcel RI-30 and 90 adjacent claims staked on Federal Crown land.

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

Kivalliq Energy Corporation was the first company in Canada to have a comprehensive agreement to explore on Inuit Owned Land for uranium. As part of this landmark partnership, NTI receives shares in the Company and can elect to have a participating interest in the project, or collect royalties upon completion of a feasibility study. The Company also makes advance royalty payments to NTI annually and has already completed specific work programs required by 2012. The agreement not only applies to privately-held Inuit Owned Land, but also extends to the 90 adjacent claims on Crown Land. Exploration work to date on Crown Land will keep all claims in good standing until at least October 2012 and beyond.

Lac Cinquante

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

Pan Ocean Oil Ltd. (and later Aberford Resources) conducted 19,000 metres of drilling and spent over $13 million on the property between 1975 and 1982. In corporate reports dated 1985 and 1986, Abermin Corp. published indicated and inferred reserves at Lac Cinquante (LGT) of 11.6 million pounds of uranium oxide grading in excess of 1% U_3O_8, plus an additional 8.8 million pounds in a possible category (not compliant with National Instrument 43-101**). It appears little to no uranium exploration was carried out after 1982.

The 1986 CIMM report described the deposit as a vein-type hydrothermal system which resembles the classical veins of the Beaverlodge District in Saskatchewan. Mineralization consists of a steeply dipping series of fractures and veins, 1 to 3 metres wide, which contain variable amounts of pitchblende and sulphide minerals accompanied by hematite, carbonate, albite and silica alteration. The host structure was reported to be at least 1100 metres long and the mineralized portion measuring about 400 metres in length. Mineralization was encountered extending from surface to at least 265 metres depth and remains to be fully delineated.

** The quoted disclosure of historical resource estimates for the Lac Cinquante Uranium Deposit was prepared by Aberford Resources Ltd in 1982, Abermin Corporation in 1986, and referenced by other subsequent sources. It was prepared prior to the implementation of National Instrument 43-101 (NI 43-101) and should not be relied upon since it does not comply with NI 43-101 Standards of Disclosure for Mineral Projects. A Qualified Person has not classified the historical estimates as current mineral resources or reserves, and therefore, the Company is not treating them as such. Historic estimates were originally classified as "indicated" and "inferred" reserves, plus a third "possible" category.

Additional Mineral Occurrences and Trends

Structurally hosted, vein-like uranium mineralization observed at Lac Cinquante represents one of many different types of mineralization observed on the Angilak Property. In the early 1990's, Leeward Capital and associated companies used historical data to carry out smaller diamond exploration programs in the region. WMC initiated a similar program in 1995 targeting IOCG deposits and diamonds in the broader Angikuni basin area.

Research by the Company determined that the Angilak Property is host to over 150 historic mineral showings, in addition to the historic Lac Cinquante Uranium Deposit. In 2007 and 2008, Kaminak geologists and independent geological consultants visited and sampled approximately 25 of these showings. This work confirmed historic assays, located new showings and identified several property-wide trends. Encouraging results for U, Ag, Cu, Au and rare earths were obtained, suggesting that the property has good potential for a range of other deposit types including; lode gold, IOCG and other uranium-associated mineralization. Kivalliq news release of December 16, 2010 detailed the results from the 2010 prospecting program. Nine priority areas were identified based upon results, including assays from 290 grab samples collected from in-situ rock sources and glacial float material, over an eight week period from July through September 2010. Of the samples collected, 17% returned values in excess of 1% U308. In addition, several samples returned high grade values in silver, molybdenum, copper and gold.

The Company built on the success garnered in 2010 to execute another prospecting program in 2011. Results from the 2011 prospecting program were released in January 2012.

Baker Lake Uranium Project, Nunavut:

On July 14, 2008, the Company signed an amending agreement with Pacific Ridge Exploration Ltd. ("Pacific Ridge"), whereby, Pacific Ridge acquired a 100% interest in the Baker Lake Uranium Project located in the Kivalliq District of central Nunavut (subject to the Company'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 the Company of 2,000,000 common shares of Pacific Ridge (received).

The Company 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 the Company 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 and Shear Minerals Ltd. has a 8.5% Net Profits Interest. The agreement pertains to all commodities other than diamonds.

Subsequent to an exploration program in early 2009, and Aurora's amalgamation with Fronteer Development Group, Pacific Ridge was advised that Aurora no longer wished to participate in further exploration. Claims that comprise the Baker Lake Project are in good standing until at least October 2012.

Washburn Uranium Project, Nunavut:

The Washburn Uranium Property is located on Victoria Island in Nunavut. During the year ended September 30, 2010, costs associated with this property were written off and prospecting permits are no longer in good standing. No further work is planned by the Company on the Washburn Property.

Risks and Uncertainties

Exploration Stage Company

The Company 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 the Company's properties will only follow upon obtaining satisfactory exploration results. There can be no assurance that the Company's existing or future exploration programs will result in the discovery of commercially viable mineral deposits. Further, there can be no assurance that even if an economic deposit of minerals is located, that it can be commercially mined.

Mineral Exploration and Development

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

Mining Operations and Insurance

Mining operations generally involve a high degree of risk. The Company'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. The Company 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

The Company does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. It anticipates that its existing cash resources, following any proposed private placements, will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to prove economic deposits and to bring such deposits to production. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company 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 the Company 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 the Company, 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 the Company will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which the Company may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to the Company'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. The Company 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. The Company'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 the Company will be able to compete successfully with others in acquiring such prospects.

Title to Property

Some of the Company's properties are held in the names of others. The Company has taken precautions to ensure that legal titles to its property interests are properly recorded. There can be no assurance that the Company 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 the Company'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 the Company may lose all or part of its interest in the properties to which such defects relate.

Environmental Risks and Hazards

All phases of the Company'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 the Company holds interests or on properties that will be acquired which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Commodity Prices

The price of the Company'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 the Company'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 the Company'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 the Company'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 the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly.

Key Executives

The Company 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 the Company 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 the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. The Company does not currently carry any keyman life insurance on any of its executives. The directors and officers of the Company only devote part of their time to the affairs of the Company.

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

The Company 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 the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company 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 September 30, 2011, available on www.sedar.com .

Outstanding Share Data

The Company's authorized capital is unlimited common shares without par value. As at January 24, 2012 the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at January 24, 2012	123,353,526		
Share Purchase Warrants	3,007,500	$0.35	February 22, 2012
	9,150,000	$0.35	July 28, 2012
	2,450,000	$0.35	September 10, 2012
	370,008	$0.90	March 30, 2013
	249,000	$0.50	March 31, 2013
	60,000	$0.50	April 5, 2013
Employee Stock Options	96,000	$0.36	April 2, 2012
	38,000	$0.36	June 18, 2012
	2,025,000	$0.15	November 12, 2013
	150,000	$0.25	August 11, 2014
	533,500	$0.30	January 29, 2015
	1,165,000	$0.45	April 22, 2015
	20,000	$0.40	September 8, 2015
	2,860,000	$0.50	October 19, 2015
	75,000	$0.77	February 22, 2016
Fully Diluted at January 24, 2012	145,602,534		

Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

Transactions with Related Parties

Included in the current year are consulting fees of $54,372 (2010 - $28,786) included within salaries and consulting fees, travel and conference charges of $39,233 (2010 - $9,900), office and sundry charges of $102,903 (2010 - $88,686), investor relations charges of $5,000 (2010 - $Nil), accounting fees of $32,332 (2010 - $10,384) included within professional fees and resource property costs of $19,747 (2010 - $Nil) to companies controlled by directors and officers of the Company.

During the year the Company paid $214,350 (2010 - $116,250) in consulting fees to directors and officers included within salaries and consulting fees and paid $85,300 (2010 - $62,049) in accounting and secretary fees included in professional fees.

At September 30, 2011, $58,491 (September 30, 2010 - $Nil) was due from Kaminak and $187,792 (September 30, 2010 - $Nil) was due from a company controlled by directors and officers of the Company. These amounts are included in other receivables. At September 30, 2011, $30,042 (September 30, 2010 - $3,578) was due to a company controlled by directors and officers of the Company and $80,414 (September 30, 2010 - $13,720) was due to directors and officers of the Company. These amounts are included in accounts payable and accrued liabilities.

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

The amounts due to and from related parties are non-interest bearing with no fixed terms of repayment.

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.

Commitments

As disclosed in Note 9 of the audited financial statements for the year ended September 30, 2011, the Company has entered into agreements for the rental of office space that require minimum payments in the aggregate as follows:

Fiscal 2012	$ 59,962
Fiscal 2013	59,276
Fiscal 2014	59,276
Fiscal 2015	59,276
Fiscal 2016	34,578
Total Commitments	**$ 272,368**

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

Financial Instruments and Other Instruments

Categories of financial assets and liabilities

The Company's financial instruments consist of cash and cash equivalents, HST recoverable, other receivables, 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.

As at September 30, 2011, the carrying value of the Company's financial instruments approximate their fair value due to their short term nature. The carrying value of the Company's financial instruments is classified into the following categories:

	September 30, 2011	September 30, 2010
Held-for-trading	**$ 7,213,622**	$ 5,222,744
Receivables	**$ 1,399,215**	$ 510,525
Other financial liabilities	**$ 3,901,303**	$ 1,383,786

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 as receivables relate to interest receivable from a major financial institution, related party balances HST recoverable from the Government of Canada, and other balances which have been subsequently collected.

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, 2011, the Company had a cash and cash equivalents balance of $7,213,622 (September 30, 2010 – $5,222,744) to settle current liabilities of $3,901,303 (September 30, 2010 - $1,383,786). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that the Company has sufficient funds to meet its obligations as they become due.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2011, the Company had $5,934,500 (September 30, 2010 - $37,533) in term deposits.

(b) Foreign currency risk

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

(c) Price risk

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

Critical Accounting Estimates

The Company's accounting policies are presented in note 2 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 resource property costs;
- the useful lives for depreciation of equipment; and
- the valuation of stock-based compensation expense.

Resource property costs

The Company records its interest in resource 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 to operations.

Management of the Company reviews and evaluates the carrying value of each resource 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 resource 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 resource 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 resource 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 valuation model to estimate a value for these options. This model requires 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.

Changes in Accounting Policies

The Company has not made any changes in accounting policy during the period.

Conversion to International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's existing generally accepted accounting principles ("GAAP"). This 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, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011.

The Company completed a preliminary IFRS transition assessment which highlighted several key areas of difference between existing Canadian GAAP and IFRS, specifically, presentation of financial statements, impairment of assets and share-based payments.

The Company developed an IFRS project plan assigning responsibilities and outlining the proposed timing of execution of key IFRS conversion projects. The Company's IFRS project plan stipulates several project phases. The first phase included initial training and education for key finance staff. This phase is complete, with key members of the IFRS project team attending external courses, as well as conducting self-study training.

The next phase of the Company's IFRS project was the "impact assessment" phase, whereby the project team reviewed each of the significant areas of difference highlighted by the initial diagnostic. In this phase, the project team determined the potential qualitative differences between Canadian GAAP and IFRS and assessed the impact of these differences on the Company's accounting policies, information systems, internal controls over financial reporting and other business processes. To-date, the Company has identified the following key areas of potential difference with respect to the accounting for:

- Stock-based compensation – Canadian GAAP allows the preparer to choose from two options, namely a) treating all options granted at a particular date and with the same terms and conditions as one pool (pooling method) and b) treating options with different vesting dates as different grants (vesting method). The cost of such options is calculated according to Black-Scholes for both methods. For the pooling method, the total expense is amortized on a straight line basis over the longest vesting period of all of the options in the pool resulting in equal charges to income over the period. The vesting method looks at each vesting tranche and the expense associated with that particular vesting tranche and amortizes that in a straight line. This second method front end loads the expense so that although available, this method is rarely used under Canadian GAAP. Under IFRS, the vesting method is the only method that may be used.

- Impairment of assets – IAS 36, Impairment of Assets ("IAS 36"), uses a one-step approach for testing and measuring asset impairments with asset carrying values being compared to the higher of value in use and fair value less costs to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are used to compare against the asset's carrying value to determine if impairment exists. This may result in more frequent write-downs in the carrying value of assets under IFRS since asset carrying values that were previously supported under Canadian GAAP based on undiscounted cash flows may not be supported on a discounted cash flow basis under IFRS. However, under IAS 36, previous impairment losses may be reversed where circumstances change such that the impairment has been reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses.

- Mineral property costs – The Company has evaluated its existing policy for exploration cost accounting and does not expect any of the differences between IFRS and Canadian GAAP to impact its accounting for exploration costs.

On changing to IFRS, the Company will be eligible to make elections under the standard for the transition to IFRS, namely IFRS 1 – First Time Adoption. In some cases, the changes that would otherwise have been retrospective are, with election, applicable from the date of transition and prospectively; in a number of other cases, there is a mandatory approach to deal with the effects of the changes. Where an election is available, the Company is currently reviewing the selection of a suitable option. Typically, IFRS requires significantly more disclosure than is the case under current Canadian GAAP, particularly with respect to the notes to the financial statements. The Company, as part of the Plan, will be reviewing its data collection and reporting systems to ensure that the requisite information will be available and reliable.

The above changes are not expected to have a significant impact on the Company's information and data systems, business processes, internal controls over financial reporting, disclosure controls and business activities.

The Company has completed the majority of its impact assessment phase. The next project phase consists of developing new IFRS-compliant accounting policies, implementation of these policies, calculating the Company's opening balance sheet under IFRS as at October 1 2010, related testing and additional training as required. The Company is prepared to adopt IFRS effective October 1, 2011.

Approval

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

Additional Information

Additional information can be obtained by contacting:

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