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

Containing information up to and including May 22, 2012

Introduction

Kivalliq Energy Corporation ("Kivalliq" or the "Company") is a uranium exploration company based in Vancouver, Canada, with a focus on the exploration of uranium properties located in Nunavut 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 interim management and discussion and analysis ("MD&A) focuses on significant factors that affected Kivalliq during the six months ended March 31, 2012, and to the date of this report. The MD&A supplements but does not form part of, the condensed interim financial statements of the Company and the notes thereto for the three and six months ended March 31, 2012 and 2011. Consequently, the following discussion and analysis should be read in conjunction with the condensed interim financial statements and the notes thereto for the three and six months ended March 31, 2012 and 2011.

Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or 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 March 31, 2013; the plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; prices and price volatility for uranium; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond 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 updates with respect to those or other forward-looking statements, unless required by law.

Highlights of the Company's activities for the six months ended March 31, 2012:

Exploration

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

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

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

- On December 15 and 19, 2011, the Company provided additional assay results from the Western Extension and Eastern Extension zones.

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

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

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

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

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

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

Financing and Corporate

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

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

- On January 19 and 25, 2012, the Company issued an aggregate of 5,700,000 options to employees, consultants and directors of the Company with an exercise price of $0.50 per common share.

- On February 21, 2012, the Company closed a non-brokered private placement of 13,127,444 non-flow-through common shares at a price of $0.45 per common share and 6,845,000 flow-through common shares at a price of $0.52 per common share for gross proceeds of $9,466,750.

- During the six months ended March 31, 2012, 160,000 options and 6,407,500 warrants were exercised for gross proceeds of $2,281,125 and 385,000 options and 2,042,500 warrants were cancelled.

Subsequent Events

Highlights of the Company's activities subsequent to the period ended March 31, 2012:

- Subsequent to March 31, 2012, 96,000 options expired without exercise

- On May 7, 2012, the Company announced a brokered bought deal financing of 13 million flow-through common shares at a price of $0.50 per flow-through common share and 7.78 million non-flow-through common shares at a price of $0.45 per non-flow-through common share for total gross proceeds of $10,001,000. The underwriters have been granted the option to purchase up to an additional $2,000,000 of the offering in any combination of flow-through shares and/or non-flow-through common shares, exercisable in whole or in part at any time up to 48 hours before the closing of the offering.

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 six months ended March 31, 2012 was $2,450,971 or $0.02 per common share (six months ended March 31, 2011 - $2,070,216 and $0.02 per common share). Assets totalled $46,251,735 as at March 31, 2012 (September 30, 2011 - $37,273,177).

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 exploration and evaluation assets will vary in a fiscal year from one year to the next and typically cannot be predicted in advance. As at March 31, 2012 exploration and evaluation assets totalled $32,099,689 (September 30, 2011 - $27,882,471) and details of the cost break-down are contained in the Consolidated Schedule of Exploration and Evaluation Expenditures in the condensed interim financial statements.

Results of Operations

For the Three Months ended March 31, 2012

Net loss for the three months ended March 31, 2012 was $2,283,458 or $0.02 per common share including stock based compensation expense of $1,643,650 (three months ended March 31, 2011 - $467,449 or $0.00 per common share including stock-based compensation expense of $13,810). Aside from stock-based compensation, the largest areas of expenditure during this period were salaries and consulting fees, investor relations, and office and sundry expenses.

		Three Months Ended March 31			
	Note	2012	2011	Increase (Decrease)	
Amortization and depreciation	1	$ 38,733	$ 12,639	$ 26,094	206%
Bank charges and interest		2,425	829	1,596	193%
Investor relations	2	68,026	29,602	38,424	130%
Listing and filing fees	3	48,084	13,987	34,097	244%
Office and sundry	4	58,267	48,043	10,224	21%
Professional fees		58,722	67,378	(8,656)	(13%)
Salaries and consulting fees	5	144,806	75,903	68,903	91%
Stock-based compensation	6	1,643,650	13,810	1,629,840	11802%
Transfer agent fees		4,274	4,771	(497)	(10%)
Travel and conference	7	56,331	78,346	(22,015)	(28%
		2,123,318	345,308	1,778,010	515%
Interest income	8	17,179	-	17,179	100%
Loss on foreign exchange		(1,077)	(504)	(573)	(114%)
Tax expense	9	(9,882)	-	(9,882)	(100%)
Amortization of flow-through premium liability	10	292,733	-	292,733	100%
Flow-through share issuance expense	10	-	(93,705)	93,705	100%
Loss before income taxes		$ (1,824,365)	$ (439,517)	$ (1,384,848)	(315%)

Notes:

1. Amortization and depreciation has increased from $12,639 to $38,733 due to significant additions to field equipment made during the past year.
2. Investor relation fees have increased from $29,602 to $68,026 as a result of increased promotional activity, including new investor relations fees to the Windward Agency.
3. Listing and filing fees have increased from $13,987 to $48,084 due to the timing of private placements. A private placement was made in the current quarter while none was made in the second quarter of 2011.
4. Office and sundry expenses have increased from $48,043 to $58,267 due to increased work related to expansion of 2012 work program. Also, the Q2 2012 balance includes rent at a larger office space.

5. Salaries and consulting fees have increased from $75,903 to $144,806 as a result of increased personnel required for the expanded 2012 work program. In addition, new executives and management personnel were appointed by the Company.
6. Stock-based compensation increased from $13,810 to $1,643,650 due to the timing of the vesting of stock options.
7. Travel and conference fees decreased from $78,346 to $56,331 due to the timing of conferences and trips taken. The majority of costs were incurred in Q1 2012 and Q2 in 2011.
8. Interest income increased from $nil to $17,179 as a result of the Company having higher cash balances for a longer period of time.
9. Tax expense is Part XII.VI tax paid relating to flow-through expenditures renounced prior to funds being spent.
10. Amortization of flow-through premium liability and flow-through share issuance expense relate to the requirement under IFRS to isolate the premium on flow-through shares issued, as well as the share issuance costs related to the premium. These are expensed or amortized over the period the flow-through funds are spent.

<u>For the Six Months ended March 31, 2012</u>

Net loss for the six months ended March 31, 2012 was $2,450,971 or $0.02 per common share including stock based compensation expense of $1,650,069 (six months ended March 31, 2011 - $2,070,216 or $0.02 per common share including stock-based compensation expense of $1,430,041). Aside from stock-based compensation, the largest areas of expenditure during this period were salaries and consulting fees, investor relations, and office and sundry expenses.

	Note	Six Months Ended March 31 2012	2011	Increase (Decrease)	
Amortization and depreciation	1	$ 69,832	$ 17,614	$ 52,218	296%
Bank charges and interest		3,548	3,167	381	12%
Investor relations	2	109,156	75,757	33,399	44%
Listing and filing fees		48,237	44,832	3,405	8%
Office and sundry	3	121,154	73,751	47,403	64%
Professional fees		111,684	95,654	16,030	17%
Salaries and consulting fees	4	324,715	171,130	153,585	90%
Stock-based compensation	5	1,650,069	1,430,041	220,028	15%
Transfer agent fees		5,521	8,954	(3,433)	(38%)
Travel and conference	6	121,320	106,530	14,790	14%
		2,565,236	2,027,430	537,806	27%
Interest income	7	30,848	217	30,631	14116%
Loss on foreign exchange		(1,858)	(743)	(1,115)	(150%)
Tax expense	8	(9,882)	-	(9,882)	(100%)
Amortization of flow-through premium liability	9	292,733	-	292,733	100%
Flow-through share issuance expense	9	-	(93,705)	93,705	100%
Loss before income taxes		$ (2,253,395)	$ (2,121,661)	$ (131,734)	(6%)

Notes:

1. Amortization and depreciation has increased from $17,614 to $69,832 due to significant additions to field equipment made during the past year.
2. Investor relation fees have increased from $75,757 to $109,156 as a result of increased promotional activity, including new investor relations fees to the Windward Agency.
3. Office and sundry expenses have increased from $73,751 to $121,154 due to increased work related to expansion of 2012 work program. Also, the balance includes rent at a larger office space.
4. Salaries and consulting fees have increased from $171,130 to $324,715 as a result of increased personnel required for the expanded 2012 work program. In addition, new executives and management personnel were appointed by the Company.
5. Stock-based compensation increased from $1,430,041 to $1,650,069 due to the timing of the vesting of stock options.
6. Travel and conference fees increased from $106,530 to $121,320 due to increased travel related to conferences and road shows over the period.
7. Interest income increased from $217 to $30,848 as a result of the Company having higher cash balances for a longer period of time.
8. Tax expense is Part XII.VI tax paid relating to flow-through expenditures renounced prior to funds being spent.
9. Amortization of flow-through premium liability and flow-through share issuance expense relate to the requirement under IFRS to isolate the premium on flow-through shares issued, as well as the share issuance costs related to the premium. These are expensed or amortized over the period the flow-through funds are spent.

Summary of Quarterly Results

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

	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010
	IFRS	IFRS	CGAAP	CGAAP	IFRS	IFRS	CGAAP	CGAAP
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest and other income	17,179	$13,669	$72,542	$217	Nil	$217	Nil	$228
Net loss	(2,283,458)	$(167,513)	$(18,133)	$(1,436,174)	(467,449)	$(1,602,768)	$(359,917)	$(648,263)
Basic and diluted loss per common share	$(0.02)	$(0.00)	$(0.00)	$(0.00)	$(0.00)	$(0.02)	$(0.01)	$(0.01)
Total assets	$46,251,735	$34,315,040	$37,273,177	$36,688,999	$33,381,523	$21,856,847	$17,748,825	$10,182,711
Shareholders' equity	$41,275,032	$30,888,969	$31,017,563	$30,742,521	$31,220,933	$21,267,862	$15,816,739	$9,324,124
Share capital	$42,939,981	$31,047,302	$30,991,994	$30,649,784	$29,726,083	$19,230,394	$13,278,744	$8,948,063
Contributed surplus	$6,626,981	$5,850,139	$5,866,528	$5,915,562	$5,881,501	$5,956,671	$4,854,430	$2,285,964
Deficit	$8,291,930	$6,008,472	$5,840,959	$5,822,825	$4,386,651	$3,919,203	$2,316,435	$1,833,090
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 March 31, 2012, the Company had working capital of $10,883,348 (September 30, 2011 - $4,909,369).

Cash and cash equivalents totalled $12,885,730 as at March 31, 2012 (September 30, 2011 - $7,213,622).

During the six months ended March 31, 2012, the Company spent a total of $6,134,354 (2011 - $1,864,531) on the Company's exploration and evaluation assets and other investing activities, received $372,724 from (2011 – spent $1,782,508 on) the operating activities of the company, and received $11,433,738 (2011 - $17,184,024) from the issuance of shares via private placement and from the exercise of warrants and stock options.

At March 31, 2012, the Company's investment in exploration and evaluation assets, aggregated $32,099,689 (September 30, 2011 - $27,882,471), made up of the following:

	Acquisition Costs	Exploration Costs	**Cumulative as at March 31, 2012**	Cumulative as at September 30, 2011
Angilak Property, Nunavut	$966,474	$31,133,215	**$32,099,689**	$ 27,882,471

At March 31, 2012, share capital totalled $42,939,981 comprised of 149,153,470 issued and outstanding common shares (September 30, 2011 - $30,991,994 comprised of 122,613,526 issued and outstanding common shares). As a result of the loss for the six months ended March 31, 2012 of $2,450,971 (year ended September 30, 2011 - $3,524,524) the deficit at March 31, 2012 was $8,291,930 (September 30, 2011 - $5,840,959). With contributed surplus of $6,626,981 (September 30, 2011 - $5,866,528), the shareholders' equity at March 31, 2012 was $41,275,032 (September 30, 2011 - $31,017,563).

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 exploration and evaluation assets.

Exploration Update

General - Angilak Property, Nunavut

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

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

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

Drilling in 2010 comprised 16,600 metres in 107 holes and confirmed mineralization at the Lac Cinquante Main Zone to a vertical depth of 275 metres along a strike length of 1.35 kilometres. Upon completion of the program the Lac Cinquante Main Zone remained open at depth and along strike in both directions. Exploratory holes 10-LC-013 and 10-NE-001 demonstrated the potential to extend the Main Zone along strike, or discover separate analogous uranium zones elsewhere within the property

On February 7, 2011 the Company received a summary report prepared under the direction of Robert Sim P.Geo., of SIM Geological Inc. that described an Inferred Mineral Resource Estimate of 810,000 tonnes grading 0.79% U_3O_8, totaling 14.15 million lbs U_3O_8 (17.5 lbs U_3O_8/tonne) at a 0.2% U_3O_8 cut-off grade. The Mineral Resource estimate was generated using drill sample assay results from the Company's 2009 and 2010 field seasons (up to October 31, 2010), 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.

On February 15, 2011 the Company announced a $17 million 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.

Lac Cinquante - Inferred Mineral Resource Estimate

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

Proposed 2012 Exploration Program

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

The first phase of 2012 exploration commenced with the mobilization of crews and equipment to the Nutaaq camp in March. Kivalliq is fully funded to drill from March to June with two diamond drill rigs and one RC rig starting in May, and to carry out ground geophysical surveys until break-up in June. The second phase of the proposed exploration program at Angilak will begin in July, pending results and market conditions, and may include a third diamond drill rig, continued RC drilling and geophysical, geological, geochemical and engineering surveys in the field.

The following summarizes both the first and second phase of the proposed 2012 exploration campaign:

- 26,000 metres of core drilling focused on expanding the Lac Cinquante resource and testing new zones discovered in the immediate vicinity of this deposit
- 9,000 metres of RC drilling to test multiple target areas property-wide and untested conductors within close proximity of the Lac Cinquante deposit
- Ground geophysical surveys consisting of gravity, magnetics and electro-magnetics
- Continued prospecting to advance high-priority target areas defined by the 2011 program and identify new targets on a property wide scale
- Ongoing modeling, geological, metallurgical, environmental and archeological studies;
- Continued emphasis on community consultation
- Engineering studies focused on expanding infrastructure to support future programs
- Update to the current Lac Cinquante Inferred Resource by Q2 2013.

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 252,820 acres (102,312.6 hectares); Inuit Owned Land parcel RI-30 and 101 adjacent claims staked on Federal Crown land.

Following the introduction of a Uranium policy by Nunavut Tunngavik Inc. ("NTI") in September 2007, Kaminak 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 archives; however, a researcher from the Geological Survey of Canada (GSC) published a description of the deposit geology in the mid-1980's based on a study of outcropping surface mineralization and diamond drill core (CIMM Special Paper #33, p. 263 to 285, 1986).

Pan Ocean 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 lbs of uranium oxide grading in excess of 1% U_3O_8, plus an additional 8.8 million lbs in a possible category (not compliant with National Instrument 43-101**).

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.

** 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. 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 several showings. Prospecting and exploratory drilling by Kivalliq in 2010 and 2011 has advanced several target areas including the Blaze/Spark, Pulse, VGR, Yat, Forte, Force and BIF zones, where grab samples from surface showings and boulders, and samples from diamond drilling, have returned high grade uranium, silver, molybdenum, copper and lead values.

Baker Lake Uranium Project, Nunavut

On July 14, 2008, 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.

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, and political unrest. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. 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, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. There can be no assurance, however, that 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 its 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 title 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 operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has 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 certain of the officers of the Company 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 the 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 exploration and evaluation assets is provided in the Company's Statement of Loss and Deficit and Schedule of Exploration and Evaluation Expenditures contained in its Condensed Interim Financial Statements for March 31, 2012, available on www.sedar.com .

Outstanding Share Data

The Company's authorized capital is unlimited common shares without par value. As at May 22, 2012 the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at May 22, 2012	149,153,470		
Share Purchase Warrants	6,350,000	$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
	179,383	$0.50	February 21, 2014
	146,820	$0.55	February 21, 2014
Employee Stock Options	28,000	$0.36	June 18, 2012
	2,025,000	$0.15	November 12, 2013
	150,000	$0.25	August 11, 2014
	513,500	$0.30	January 29, 2015
	1,040,000	$0.45	April 22, 2015
	20,000	$0.40	September 8, 2015
	2,610,000	$0.50	October 19, 2015
	75,000	$0.77	February 22, 2016
	3,350,000	$0.50	January 19, 2017
	2,350,000	$0.50	January 25, 2017
Fully Diluted at May 22, 2012	171,120,181		

Off Balance Sheet Arrangements

The Company does not utilize off balance sheet arrangements.

Transactions with Related Parties

Key management personnel compensation

Key management personnel consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits. The aggregate value of compensation with key management personnel for the six month period ending March 31, 2012 was $1,368,656 (2011 - $1,362,434) and was comprised of the following:

		Period ending March 31, 2012		Period ending March 31, 2011
Wages, salaries and consulting fees	**$**	**409,650**	$	251,030
Stock based compensation		**946,505**		1,097,741
Non-cash benefits		**12,501**		13,663
Total remuneration	**$**	**1,368,656**	$	1,362,434

Related party transactions

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

During the six months ended March 31, 2012, the Company reimbursed $208,027 (2011 - $107,692) of rent, salaries, and office and administration expenses incurred by companies controlled by directors of the Company.

During the six months ended March 31, 2012, the Company reimbursed companies with common directors and key management personnel $110,268 (2011 - $35,182) for travel and office costs incurred on behalf of the Company.

The balance receivable from related parties at March 31, 2012 was $10,126 (September 30, 2011 - $308,270).

The balance payable to related parties at March 31, 2012 was $151,213 (September 30, 2011 - $110,455) and such payables are unsecured, non interest bearing and are expected to be repaid under normal trade terms.

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

Recent Developments and Outlook

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 10 of the condensed interim financial statements for the three and six months ended March 31, 2012, the Company has entered into agreements for the rental of office space that require minimum payments in the aggregate as follows:

Fiscal 2012	$	27,258
Fiscal 2013		59,276
Fiscal 2014		59,276
Fiscal 2015		59,276
Fiscal 2016		34,578
Total Commitments	**$**	**239,984**

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 March 31, 2012, the carrying value of the Company's financial instruments approximate their fair value due to their short term nature.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. 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 March 31, 2012, the Company had a cash and cash equivalents balance of $12,885,730 (September 30, 2011 - $7,213,622) to settle accounts payable and accrued liabilities of $2,342,184 (September 30, 2011 – $3,901,304). 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 March 31, 2012, the Company had $7,044,518 (September 30, 2011 – $5,934,500) 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 December 31, 2011 condensed interim financial statements. The preparation of 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 exploration and evaluation assets;
- the useful lives for depreciation of equipment; and
- the valuation of stock-based compensation expense.

Exploration and evaluation assets

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

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

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

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

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

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

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

Stock-based compensation expense

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

International Financial Reporting Standards

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date for the Company is July 1, 2010. The current quarter is the Company's second reporting period under IFRS.

The Company has now substantially completed its IFRS changeover plan, with just the post implementation phase remaining.

Notes 2 and 12 to the December 31, 2011 condensed interim financial statements provide more detail on key Canadian GAAP to IFRS differences, accounting policy decisions and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), optional exemptions for significant or potentially significant areas that have had an impact on the Company's financial statements on transition to IFRS or may have an impact in future periods.

Transitional Financial Impact

As a result of accounting policy choices selected and changes that were required to be made under IFRS, the Company has recorded a reduction in shareholders' equity of $1,271,411 as at September 30, 2011. A full reconciliation of this adjustment is included in the condensed interim financial statements for the three and six months ended March 31, 2011. The table below outlines adjustments to shareholders' equity on adoption of IFRS at March 31, 2011 for comparative purposes. In accordance with IFRS 1, the Company was required to maintain estimates and assumptions in existence at July 1, 2010 including but not limited to metal prices, discount rates, capital and operating costs.

	March 31, 2011
Total shareholders' equity as reported under Canadian GAAP	$31,452,729
Increase (decrease) net of tax in respect of:	
Flow-through shares	(231,796)
Total shareholders' equity as reported under IFRS	$31,220,933

Comprehensive Income Impact

As a result of accounting policy choices selected and changes that were required to be made under IFRS, the Company has recorded a decrease in total comprehensive income of $208,940 and $175,437 for the three and six months ended March 31, 2011, respectively.

The following is a summary of the adjustments to comprehensive income for the three and six months ended March 31, 2011 under IFRS (all of which are outlined in the notes to the condensed interim financial statements):

	3 months ended March 31, 2011	6 months ended March 31, 2011
Total comprehensive loss as reported under Canadian GAAP	$(258,509)	$(1,894,779)
Increase (decrease) net of tax in respect of:		
Share-based compensation	8,201	41,704
Flow-through shares	(217,141)	(217,141)
Total comprehensive loss as reported under IFRS	$(467,449)	$(2,070,216)

Cash Flow impact

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

Information Technology and Systems

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

Post-Implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. It has been noted that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. In particular, there may be additional new or revised IFRS's or Interpretations issued by the

International Financial Reporting Interpretations Committee ("IFRIC") in relation to financial instruments and leases. The International Accounting Standards Board is also currently working on an extractive industries project, which could significantly impact the financial statements of the Company primarily in the areas of capitalization of exploration costs and disclosures. Processes are in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRS's and IFRIC Interpretations will be evaluated as they are drafted and published.

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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