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, 2011

Note to Reader

The following information should be read in conjunction with the Company's audited financial statements for the year ended September 30, 2010, together with the notes thereto, prepared by management in accordance with Canadian generally accepted accounting principles and expressed in Canadian Dollars.

Forward-Looking Information

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

Overall Performance

Kivalliq was incorporated as a wholly owned subsidiary of Kaminak Gold Corporation ("Kaminak") on February 13, 2008 as 0816479 BC Ltd. under British Columbia's Company Act. Effective February 20, 2008 0816479 BC Ltd. changed its name to Kivalliq Energy Corp.

The Company became a reporting issuer in Alberta and British Columbia on July 4, 2008 by virtue of a reorganization transaction involving the exchange of securities between Kaminak, the Company and the shareholders of Kaminak. The reorganization transaction involved the acquisition from Kaminak of a 100% interest in Kaminak's uranium properties (Angilak, Baker Lake and Washburn). On July 7, 2008, after completion of its private placements, the Company's shares became publicly trading on the TSX Venture Exchange under the symbol "KIV". Kaminak was incorporated on July 4, 2005 under the Business Corporations Act (British Columbia), and is an exploration stage enterprise focusing on the acquisition, exploration and development of economic mineral properties.

Highlights of the Company's activities for the period ended September 30, 2010:

Corporate

- On February 22, 2010, the Company completed a non-brokered private placement of 10,000,000 non-flow-through units at a price of $0.20 per unit for total gross proceeds of $2,000,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share at a price of $0.35 per share to February 22, 2012.

- On March 8, 2010 the Company announced the acceleration of the share purchase warrants issued in May 2009. Including warrants associated with the May 2009 financing and warrants from previous financing, 11,549,000 warrants were exercised during the period for proceeds of $3,701,200

- On September 16, 2010, the Company completed a non-brokered private placement of 24,800,000 non-flow-through units at a price of $0.25 per unit for gross proceeds of $6,200,000. Each unit sold consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share for a period of 24 months from the date of issuance of the unit, being either July 29, 2012 or September 10, 2012, at a price of $0.35 per share. 24,715,000 warrants were issued at a weighted average price of $0.36

- During the period, the Company issued to the following options:
  - On September 8, 2010, 20,000 options, with an exercise price of $0.40 per share, to a consultant of the Company
  - On April 22, 2010, 1,315,000 stock options, with an exercise price of $0.45 per share, to insiders and consultants of the Company.
  - On January 29, 2010, 715,000 stock options, with an exercise price of $0.30 per share, to insiders and consultants of the Company

- 42,000 options were exercised for proceeds of $7,500 and 56,000 options expired without exercise

- 4,457,500 warrants expired without exercise.

Exploration

- On October 29, 2009, the Company announced high-grade U_3O_8 assay results for 13 holes drilled during the 2009 Program on the historic Lac Cinquante Uranium Deposit in Nunavut. Drilling confirmed high-grade U_30_8 intervals near surface, over significant widths and along roughly one kilometre of strike length. Results from both new and historic drilling show uranium mineralization extends from surface and is open to depth and along strike in both directions.

- A fully winterized field camp was constructed to support expanded operations. Fuel was also mobilized to site to support a nine month drill program to commence in early April 2010.

- On May 8 2010, the Company commenced Phase 1 of a proposed two phase 10,000 metre diamond drill program at the historic Lac Cinquante Uranium Deposit on the Angilak Property in Nunavut. The proposed 2010 program also included prospecting, sampling and drill target identification on the remainder of the 225,000 acre Angilak property.

- On May 27, 2010 the company announced the completion of Phase 1 drilling at Lac Cinquante, totalling 2,375 metres in 13 holes. Drilling included the widest radioactive interval to date and a step-out hole that intersected radioactivity 500 metres west of the historic Lac Cinquante Uranium Deposit.

- The Company engaged consultants to carry out initial technical and baseline studies to support future development and compliant resources estimates.

- On June 24, 2010 the company announced final assays for its 2010 Phase 1 drill program, totalling 2,375 metres in 13 holes at Lac Cinquante . Ten of the 13 holes intersected significant uranium mineralization. Hole 10-LC-003 had the widest and highest grade drill intercept to date, assaying 0.70% U3O8 over 13.98 metres (estimated true width of 7.69 metres), including 1.22 metres at 4.68% U3O8. In addition, step out hole 10-LC-013 identified a new zone 500 metres west of the deposit, assaying 0.21% U3O8 over 1.96 metres.

- On August 10, 2010 the Company mobilized a second drill rig as part of Phase 2 of the ongoing 10,000 metre 2010 diamond drill program at Lac Cinquante. Phase 2 focused on establishing a NI 43-101 compliant uranium resource and also consisted of drilling, prospecting, sampling and field baseline studies.

Highlights of the Company's activities subsequent to the period ended September 30, 2010:

Corporate

- On October 19, 2010, the Company issued 2,870,000 stock options to insiders, consultants and directors of the Company with an exercise price of $0.50 per share

- On December 13, 2010, the Company completed a non-brokered private placement offering ("Offering") of 7,142,857 common shares at a price of $0.70 per common share for total gross proceeds of $5,000,000.

- 1,030,500 options were exercised for gross proceeds of $262,210.

- 1,680,000 warrants were exercised for gross proceeds of $591,750.

Exploration

- On October 26, 2010, the Company announced the completion of Phase 2 drilling and the 2010 Exploration Program on the Angilak Property. The 2010 Program at Angilak 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. Additionally, a new zone with the same geological setting and significant radioactive intervals was drilled 1.8 kilometres west of the Lac Cinquante Main Zone (hole 10-NE-001).

- On December 13, 2010, the Company announced high grade assays results from drill hole 10-NE-001. This new zone is located 1.8 kilometres west of the Lac Cinquante Main Zone and yielded two distinct intervals of significant U3O8 mineralization: 0.83% U3O8 over 1.4 metres and 0.66% U3O8 over 2.4 metres. Since 2009, a total of four exploratory holes have been drilled outside of the Lac Cinquante Main Zone. Two of these (10-NE-001 and 10-LC-013) intersected potentially ore grade intercepts within favourable Lac Cinquante stratigraphy, confirming the potential to extend the Main Zone, or find separate analogous mineralized zones on the Angilak Property.

- On December 14, 2010, the Company announced final assay results from the last 27 holes drilled as part of the 107 hole, 16.600 metre 2010 drill program. Assays reported from the eastern end of the Main Zone represented some of the highest grades reported to date on the property, including 6.86% U3O8 over 0.58 metres. All U3O8 assays from the 2010 drill program have now been reported.
  The prime objective in 2010 was to generate data necessary to deliver the first NI 43-101 mineral resource at Lac Cinquante. New drilling confirmed mineralization at the Main Zone, down to a depth of 275 metres, and expanded mineralization to 1.35 km of strike length. Lac Cinquante remains open in both directions and at depth based on the current drilling.

- On December 16, 2010, the Company announced assay results from the 2010 summer prospecting program on the Angilak Property. Nine priority areas were identified based upon these 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.
  All assay results have been reported from both the 2010 drill program and prospecting campaign. The remainder of 2010 was dedicated to technical and resource modeling analysis with the goal of establishing a NI 43-101 mineral resource by early 2011.

The Company is planning to continue to carry out exploration on the Angilak Property, and 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, 2010 was $1,254,148 or $0.03 per share (2009 - $533,469 ($0.02 per share)). Assets totalled $17,748,825 as at September 30, 2010 (2009 - $5,412,396).

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, 2010 resource property costs totalled $11,622,913 (2009 - $4,054,372) details of the cost break-down are contained in the Consolidated Schedule of Resource Property Costs in the financial statements.

Results of Operations

For the year ended September 30, 2010

During the year ended September 30, 2010, the Company's main task was the 2010 exploration program on its Angilak property. The Company's net loss for this period was largely an influence of the general and administrative expenses incurred to run a TSX Venture Exchange listed company, market the Company to new and existing shareholders, and non-cash based expenses related to stock based compensation from the Black-Scholes calculation or options vesting.

Net loss for the year ended September 30, 2010 was $1,254,148 or $0.03 per share after income tax recovery of $111,800 and including stock based compensation expense of $683,639 (2009 - $533,469 or $0.02 per share including stock-based compensation expense of $77,127). 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.

- Salaries and consulting fees totalled $218,913 (2009 - $212,785), including $80,250 (2009 - $72,000) paid to the Company's President and CEO and $36,000 (2009 - $36,000) paid to the Company's Chairman.

- Professional fees totalled $125,555 (2009 - $106,034), including $30,000 (2009 - $30,000) paid to the Company's corporate secretary, $45,097 (2009 - $28,350) paid for the company's ongoing accounting services, $26,010 (2009 - $26,416) paid for the audit of the Company's financial statements, and $24,449 (2009 - $21,268) paid for ongoing legal services.

- Travel and conference fees totalled $90,504 (2009 - $50,551), including $43,875 (2009 - $32,047) paid for the company's attendance at investor relations conferences and $46,629 (2009 - $18,504) for corporate travel related to the conferences.

- Office and sundry fees totalled $110,324 (2009 - $51,444), including $38,347 (2009 - $12,425) paid to a company controlled by directors and officers of the Company.

The above expenses represented approximately 80% (2009 - 82%) of total operating expenses prior to stock-based compensation.

For the Three Months ended September 30, 2010

Net loss for the period ended September 30, 2010 was $359,917 or $0.01 per share including stock based compensation expense of $32,284 (2009 - $11,941 or $0.00 per share including stock-based compensation expense of $24,456). Aside from stock-based compensation, the largest areas of expenditure during this period were salaries and consulting fees, professional fees, office and sundry and listing and filing fees.

- Salaries and consulting fees totalling $60,521 (2009 - $33,861) were paid to the company's executives for management services

- Professional fees totalled $33,238 (2009 - $26,403) were paid to the company's corporate secretary, the company's controller, and the company's lawyer

- Office and sundry expenses fees totalled $34,055 (2009 - $10,644)
- Listing and filing fees totalled $31,847 (2009 - $3,990)

The above expenses represented approximately 79% (2009 - 86%) of total operating expenses prior to stock-based compensation.

Selected Annual Information:

The following table summarizes selected financial data reported by the Company for the year ended September 30, 2010. 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, 2010	For the year ended or as at September 30, 2009	For the year ended or as at September 30, 2008*
Revenues	Nil	Nil	Nil
Interest and other income	$258	$1,171	$129,574
Loss	$1,254,148	$533,469	$313,156
Basic and diluted loss per share	$0.03	$0.02	$0.02
Total assets	$17,748,825	$5,412,396	$3,987,088
Total long term debt	Nil	Nil	Nil
Shareholders' equity (deficiency)	$15,816,739	$4,971,353	$3,813,775
Share Capital	$13,278,744	$5,017,771	$3,600,252
Contributed Surplus	$4,807,817	$969,256	$635,728
Deficit	$2,269,822	$1,015,674	$482,205
Cash dividends declared per share	Nil	Nil	Nil

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

Summary of Quarterly Results

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

	September 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest and other income	Nil	$228	$12	$18	$8	Nil	$60	$1,103
Net loss	$(359,917)	$(648,263)	$(151,214)	$(94,754)	$(11,941)	$(168,389)	$(194,469)	$(182,552)
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.00)	$(0.00)	$(0.00)	$(0.00)	$(0.01)	$(0.01)
Total assets	$17,748,825	$10,182,711	$8,190,905	$5,181,219	$5,412,396	$4,925,997	$3,483,455	$3,623,624
Shareholders' equity	$15,816,739	$9,324,124	$7,422,261	$4,890,240	$4,971,353	$4,892,512	$3,432,173	$3,606,891
Share capital	$13,278,744	$8,948,063	$6,910,827	$5,017,771	$5,017,771	$5,059,532	$3,662,752	$3,662,752
Contributed Surplus	$4,807,817	$2,285,964	$1,773,074	$982,897	$969,256	$880,595	$668,647	$648,896
Deficit	$2,269,822	$1,833,090	$1,261,640	$1,110,428	$1,015,674	$1,027,615	$859,226	$664,757
Cash dividends declared per 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, 2010, the Company had working capital of $4,691,675 (2009 - $1,143,868).

Cash and cash equivalents totalled $5,222,744 (2009 - $1,170,942) as at September 30, 2010

During the year ended September 30, 2010, the Company spent a total of $6,278,172 (2009 - $1,359,598) on the Company's resource properties, spent $1,360,888 (2009 - $475,163) on the operating activities of the company, and received $11,710,448 (2009 - $1,986,420) from the issuance of shares via private placement and from the exercise of warrants and stock options.

At September 30, 2010, the Company's investment in resource properties, aggregated $11,622,913 (2009 - $4,054,372), made up of the following:

	Acquisition Costs	Exploration Costs	**Cumulative as at September 30, 2010**	Cumulative as at September 30, 2009
Angilak, Nunavut	$ 571,914	$11,050,999	**$ 11,662,913**	$ 4,054,372

At September 30, 2010, share capital totalled $13,278,744 comprised of 87,993,369 issued and outstanding common shares (2009 - $5,017,771 comprised of 41,354,494 issued and outstanding common shares). As a result of the loss for the year of $1,254,148 (2009 - $533,469) the deficit at September 30, 2010 was $2,269,822 (2009 - $1,015,674). With contributed surplus of $4,807,817 (2009 - $969,256), and other comprehensive income of $Nil (2009 - $Nil), the shareholders' equity at September 30, 2010 was $15,816,739 (2009 - $4,971,353).

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.

Exploration Update

General

The Company began preparations for the two phase 2010 program at Angilak early in the year. Construction of a fully winterized field camp was completed in April, 2010. Fuel was mobilized to site and the seven month drill program commenced in April. Up to 10,000 metres drilling was planned at Lac Cinquante, starting with one on-site rig in early April 2010. Drilling targeted historic resource dimensions and the known mineralized envelope and priority targets along the Lac Cinquante trend. The Company also planned an aggressive program of surface exploration on the remainder of the 225,000 acre Angilak property.

Angilak Property, Nunavut

In June 2010, the Company released final assays for its 2010 Phase 1 drill program, totalling 2,375 metres in 13 holes, at the Lac Cinquante Uranium Deposit located in Nunavut, Canada. Ten of the 13 holes intersected significant uranium mineralization. Hole 10-LC-003 had the widest and highest grade drill intercept to date, assaying 0.70% U3O8 over 13.98 metres (estimated true width of 7.69 metres), including 1.22 metres at 4.68% U3O8. In addition, step out hole 10-LC-013 identified a new zone 500 metres west of the deposit, assaying 0.21% U3O8 over 1.96 metres.

On August 10, the Company announced the commencement of Phase 2 drilling by adding a second rig for the remainder of the 2010 program. Between September and December assays were reported for ongoing Phase 2 drilling as they were received. On December 14, the Company released final assay results from the last 27 holes drilled as part of the 107 hole 2010 drill program. Assays reported from the eastern end of the Main Zone represented some of the highest grades reported to date on the property, including 6.86% U3O8 over 0.58 metres.

Final Drill Assay Highlights (December 14):

Drill Hole ID - %U3O8 - True Width (estimate)
10-LC-089 – 6.86% over 0.58 metres
10-LC-090 – 2.25% over 1.05 metres
10-LC-091 – 1.02% over 2.04 metres
10-LC-099 – 3.56% over 0.86 metres
10-LC-101 – 2.77% over 1.62 metres

In addition, assay results from exploratory drill hole 10-NE-001 identified a new zone 1.8 kilometres west of the Lac Cinquante, yielding two distinct intervals of significant U3O8 mineralization: 0.83% U3O8 over 1.4 metres and 0.66% U3O8 over 2.4 metres. Exploratory holes 10-LC-013 and 10-NE-001, drilled during Phase 1 and Phase 2 respectively, intersected potentially ore grade intercepts within similar Lac Cinquante stratigraphy but away from the

Main zone. These exploratory holes demonstrated the potential to extend to the Main Zone, or discover separate analogous uranium zones elsewhere along the 9 kilometre Lac Cinquante Trend.

On December 16 the Company released the last assays from the 2010 program. 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% U308** 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 demonstrate the potential for new discoveries across the Angilak Property.

The 2010 Program at Angilak operated between April to October, achieving and exceeding all goals as initially proposed: new camp construction, delineation and exploratory drilling, property-wide prospecting, plus environmental baseline studies, The prime objective in 2010 was to generate data necessary to deliver the first NI 43-101 mineral resource at Lac Cinquante. The two phase 2010 Drill Program completed 16,600 metres in 107 holes, within the Main Zone and along the Lac Cinquante Trend. New drilling confirmed mineralization at the Main Zone down to a depth of 275 metres, and expanded mineralization to 1.35 km of strike length. Lac Cinquante remains open in both directions and at depth based on the current drilling.

All assay results have been reported from both the 2010 drill program and prospecting campaign. The remainder of 2010 was dedicated to technical and resource modeling analysis with the goal of establishing a NI 43-101 mineral resource by early 2011.

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 2011 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 is at least 1100 metres long and the mineralized portion measuring about 400 metres in length. Mineralization extends 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, Kivalliq is not treating them as such. Kivalliq has not completed any work to verify these estimates, but ongoing exploration programs are designed to evaluate the economic potential of the deposit and environs. It is uncertain if further exploration will result in the deposit being classified a mineral resource or reserve. However, the historical uranium resource estimate is relevant because: it is indicative of a mineralized zone worthy of follow-up exploration as it is based on drilling and surface exploration carried out by what is believed to be knowledgeable explorers in accordance with acceptable industry practices at the time of the estimate. Historic estimates were originally classified as “indicated” and “inferred” reserves, plus a third “possible” category; however, the equivalent categories acceptable under NI 43-101 are not known at this time.

Certain disclosures in this document, including management's assessment of plans and projects and intentions with respect to listings of securities, use of proceeds and future exploration programs, constitute forward-looking statements that are subject to numerous risks, uncertainties and other factors relating to Kivalliq's operations as a mineral exploration company that may cause future results to differ materially from those expressed or implied in such forward-looking statements, including risks as to the completion of the plans and projects. Readers are cautioned not to place undue reliance on forward-looking statements. Kivalliq expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise.

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. A portion of the summer exploration program in 2010 was dedicated to upgrading and advancing many occurrences outside of Lac Cinquante, and across the entire Angilak Property.

Baker Lake (Uranium), Nunavut:

On July 14, 2008, Kivalliq 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 Kivalliq’s back-in right) upon the signing of a joint venture agreement between Pacific Ridge and Aurora Energy Resources Inc. (“Aurora”) and the issuance to Kivalliq of 2,000,000 common shares of Pacific Ridge (received).

Kivalliq is entitled to elect to earn back a 20% interest (the "Back-In Right") by paying Pacific Ridge within 90 days of the delivery by Pacific Ridge to Kivalliq of the Pre-Feasibility study an amount equal to 40% of the expenditures incurred by Pacific Ridge on programs and the Pre-Feasibility Study.

Hunter Exploration Group has a 2% Net Smelter Return interest 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 comprises 197,797 acres (80,048 hectares) located on Victoria Island in Nunavut. No further work is planned at this time, and during the year ended September 30, 2010 costs associated with this property were written off. Permits that make up the Washburn Property expired in January 2011.

Risks and Uncertainties

Exploration Stage Company

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

Mineral Exploration and Development

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

Mining Operations and Insurance

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

No Operating History and Financial Resources

Kivalliq does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. It anticipates that its existing cash resources, following 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 Kivalliq to acquire and explore other mineral interests. Kivalliq has limited financial resources and there is no assurance that sufficient additional funding will be available to it fulfill its obligations or for further exploration and development, on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause Kivalliq to forfeit its interests in some or all of its properties or to reduce or terminate its operations.

Government Regulation

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

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

Competition

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

Title to Property

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

Environmental Risks and Hazards

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

Commodity Prices

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

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

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

Price Volatility

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

Key Executives

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

Potential Conflicts of Interest

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

Dividends

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

Nature of the Securities

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

Proposed Transactions

There are no proposed transactions that should be disclosed.

Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning KIV's general and administrative expenses and resource property costs is provided in the Company's Statement of Loss and Deficit and Schedule of Resource Property Costs contained in its Financial Statements for September 30, 2010, available on www.sedar.com .

Outstanding Share Data

Kivalliq's authorized capital is unlimited common shares without par value. As at January 19, 2011 the following common shares, options and share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares at January 19, 2011	97,851,926		
	4,127,500	$0.35	February 22, 2012
Share Purchase Warrants	1,250,000	$0.45	December 15, 2011
	97,500	$0.45	December 18, 2011
	237,500	$0.45	December 23, 2011
	62,500	$0.45	December 29, 2011
	32,500	$0.45	January 6, 2012
	20,000	$0.45	January 7, 2012
	377,500	$0.45	January 7, 2012
	6,350,000	$0.35	July 28, 2012
	3,600,000	$0.35	July 28, 2012
	2,400,000	$0.35	September 10, 2012
	50,000	$0.35	September 10, 2012
Employee Stock Options	20,000	$0.25	April 7, 2011
	140,000	$0.25	July 21, 2011
	40,000	$0.25	December 7, 2011
	96,000	$0.36	April 2, 2012
	42,000	$0.36	June 18, 2012
	2,345,000	$0.15	November 12, 2013
	150,000	$0.25	August 11, 2014
	676,500	$0.30	January 29, 2015
	1,165,000	$0.45	April 22, 2015
	20,000	$0.40	September 8, 2015
	2,870,000	$0.50	October 19, 2015
Fully Diluted at January 19, 2011	124,021,426		

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 $28,786 (2009 - $23,316), rent of $50,339 (2009 - $29,897), travel and conference charges of $9,900 (2009 - $16,350), office and sundry charges of $38,347 (2009 - $12,425) and investor relations charges of $Nil (2009 - $14,702) to companies controlled by directors and officers of the Company.

During the year the Company paid $116,250 (2009 - $108,000) in consulting fees to directors and officers.

At September 30, 2010, $Nil (2009 - $28,916) was due from Kaminak, $3,578 (2009 - $nil) was due to a company controlled by directors and officers of the Company, and $13,720 (2009 - $7,245) was due to directors and officers of the Company.

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

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

Financial Instruments

Categories of financial assets and liabilities

As at September 30, 2010, the carrying value of the Company's financial instruments approximate their fair value. The carrying value of the Company's financial instruments is classified into the following categories:

	September 30, 2010	September 30, 2009
Held-for-trading	**$ 5,222,744**	**$ 1,170,942**
Receivables	**$ 510,525**	**$ 124,834**
Other financial liabilities	**$ 1,383,786**	**$ 164,943**

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2010, the Company had a cash balance of $5,222,744 (2009 - $1,170,942) to settle current liabilities of $1,383,786 (2009 - $164,943). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2010, the Company had $37,533 (2009 - $25,008) 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.

Recent Developments and Outlook

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

Financial Instruments and Other Instruments

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

Changes in Accounting Policies

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

Conversion to International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian 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, 2011 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, the treatment of asset retirement obligations, 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 includes initial training and education for key finance staff. This phase is currently underway and is expected to be completed by the end of the Company's fiscal quarter ending March 31, 2011, 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:

- Share-based payments – 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.

- Asset retirement obligation – Canadian GAAP requires that the future cost of asset retirement be discounted at the credit adjusted risk-free interest rate with the asset book value being increased by the discounted amount and a liability being recognized in the same amount. The credit adjusted risk-free interest rate is defined as the rate of interest on monetary assets that are essentially free of default risk, adjusted for the effect of the entity's credit standing. On the asset side, the discounted asset retirement amount is amortized over the life of the asset whereas the liability is increased or accreted at the credit adjusted risk-free rate so that, at the end of the project's life, the full liability for the rehabilitation work will have been recorded. Unless the anticipated cost of the asset retirement obligation changes due to more stringent requirements, improved technology or for other reasons, no further adjustment is made to the original asset retirement obligation except for ongoing amortization (asset side) or accretion (liability side).

  In contrast, IFRS requires that the asset retirement obligation must be calculated using a discount rate equal to the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Further, re-measurement must be made at the end of each reporting period to give a best estimate of the obligation and includes recalculating using the discount rate at the balance sheet date. As interest rates fluctuate, the discounted asset retirement obligation will also change causing changes to both the amortization and accretion expense. The effect of these changes may be material. Re-measurement for changes in the interest rate is not a requirement of Canadian GAAP.

- 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 Company has completed a preliminary review of the above areas of potential difference on its information systems and is planning a number of new software implementations as a result. 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 expects to have developed new IFRS-compliant accounting policies and calculated its opening balance sheet under IFRS by the end of its fiscal quarter ending March 31, 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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