KIVALLIQ ENERGY CORPORATION

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2010 AND 2009

Canadian Dollars

Unaudited – Prepared by Management

Notice of Non-review of Interim Financial Statements

The attached interim consolidated financial statements for the six month period ended March 31, 2010 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these interim financial statements.

Kivalliq Energy Corporation
(An Exploration Stage Company)
Balance Sheets

Canadian Dollars
Unaudited – Prepared by Management

ASSETS		**As at March 31, 2010**		As at September 30, 2009
Current				
Cash	**$**	3,212,986	$	1,170,942
Due from related party *(Note 9)*		28,916		28,916
Receivables		10,000		6,059
GST receivable		115,865		89,859
Prepaid expenses		64,948		13,035
		3,432,715		1,308,811
Equipment *(Note 5)*		52,006		49,213
Resource Property Costs *(Note 6) – Schedule*		4,706,184		4,054,372
	$	8,190,905	**$**	5,412,396
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	176,504	**$**	164,943
Future Income Tax Liability *(Note 12)*		592,140		276,100
		768,644		441,043
SHAREHOLDERS' EQUITY				
Share Capital *(Note 7)*		6,910,827		5,017,771
Contributed Surplus *(Note 8)*		1,773,074		969,256
Deficit		(1,261,640)		(1,015,674)
		7,422,261		4,971,353
	$	8,190,905	**$**	5,412,396

Nature of Operations (Note 1)

ON BEHALF OF THE BOARD:

"John Robins", President & CEO, Director

"James Paterson", Director

Kivalliq Energy Corporation

(An Exploration Stage Company)

Statements of Loss and Deficit and Comprehensive Loss

Canadian Dollars

Unaudited – Prepared by Management

	For the three months ended March 31, 2010	For the three months ended March 31, 2009	**For the six months ended March 31, 2010**	For the six months ended March 31, 2009
Expenses				
Amortization	**$ 4,497**	$ 2,933	**$ 7,352**	$ 5,727
Bank charges and interest	**229**	44	**303**	118
Investor relations	**14,630**	16,096	**18,072**	18,376
Listing and filing fees	**20,507**	7,995	**20,507**	9,108
Office and sundry	**27,860**	23,196	**33,882**	27,645
Professional fees	**46,815**	36,776	**62,765**	56,690
Salaries and consulting fees	**19,664**	65,361	**64,644**	178,570
Stock-based compensation *(Note 7)*	**42,016**	19,751	**55,657**	32,919
Transfer agent fees	**4,436**	8,703	**6,636**	10,129
Travel and conference	**26,146**	13,674	**44,118**	26,200
Loss before the undernoted	**(209,800)**	(194,529)	**(313,936)**	(365,482)
Other income (expenses)				
Interest	**12**	60	**30**	1,163
Gain (loss) on foreign exchange	**(22)**	-	**(22)**	(12,702)
Income (loss) before income taxes	**(206,810)**	(194,469)	**(313,928)**	(377,021)
Future income tax recovery *(Note 12)*	**55,596**	-	**67,960**	-
Net loss for the period	**(151,214)**	(194,469)	**(245,968)**	(377,021)
Deficit - beginning of period	**(1,110,426)**	(664,757)	**(1,015,672)**	(482,205)
Deficit – end of period	**$ (1,261,640)**	$ (859,226)	**$ (1,261,640)**	$ (859,226)
Net loss for the period	**$ (151,214)**	$ (194,469)	$ (245,968)	$ (377,021)
Changes in fair value of marketable securities	**-**	-	-	(100,000)
Total comprehensive loss for the period	**$ (151,214)**	$ (194,469)	$ (245,968)	$ (477,021)
Basic and diluted loss per share	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding	**46,064,463**	30,778,744	**43,683,599**	30,778,744

Kivalliq Energy Corporation

(An Exploration Stage Company)

Statement of Cash Flows

Canadian Dollars
Unaudited – Prepared by Management

	For the three months ended March 31, 2010	For the three months ended March 31, 2009	**For the six months ended March 31, 2010**	For the six months ended March 31, 2009
Cash Flows from Operating Activities				
Net loss for the period	**(151,212)**	(194,469)	**$ (245,966)**	$ (377,021)
Items not affected by cash:				
Amortization	**4,497**	2,933	**7,352**	5,727
Stock-based compensation	**42,016**	19,751	**55,657**	32,919
Expenses settled for shares	**-**	-	**-**	62,500
Changes in non-cash working capital:				
Receivables	**(10,000)**	-	**(3,941)**	-
GST receivable	**(20,880)**	103,928	**(26,006)**	97,074
Prepaid expenses	**(45,733)**	4,409	**(51,913)**	4,409
Accounts payable and accrued liabilities	**10,832**	34,549	**11,561**	(113,327)
FIT Liability	**328,404**	-	**316,040**	-
	157,924	(28,899)	**62,784**	(287,719)
Cash Flows from Investing Activities				
Resource property costs	**(360,722)**	(21,454)	**(651,812)**	(84,968)
Equipment	**(6,568)**	(1,850)	**(10,145)**	(3,905)
	(367,290)	(23,304)	**(661,957)**	(88,873)
Cash Flows from Financing Activities				
Issue of share capital, net	**2,641,217**	-	**2,641,217**	-
	2,641,217	-	**2,641,217**	-
Net Increase in Cash	**2,431,851**	(52,203)	**2,042,044**	(376,592)
Cash – Beginning of Period	**781,135**	611,961	**1,170,942**	936,350
Cash - End of Period	**3,212,986**	559,758	**$ 3,212,986**	$ 559,758
Supplemental Schedule of Non-Cash Investing and Financing Activities				
Accounts payables included in resource property costs	**$ 141,584**	$ 11,092	**$ 141,584**	$ 11,092
Shares issued for consulting fees	**$ -**	$ -	**$ -**	$ 62,500
Cash paid during the period for interest	**$ -**	$ -	**$ -**	$ -
Cash paid during the period for income taxes	**$ -**	$ -	**$ -**	$ -

Kivalliq Energy Corporation

Schedule

(An Exploration Stage Company)

Schedule of Resource Property Costs

Canadian Dollars

Unaudited – Prepared by Management

	For the Six Months Ended March 31, 2010			For the Year Ended September 30, 2009
	Acquisition Costs	Deferred Exploration Costs	**Total**	
Mineral Interests				
Angilak, Nunavut				
Acquisition costs – shares and warrants	$ -	$ -	**$ -**	**77,500**
Claim maintenance	-	14,864	**14,864**	**50,010**
Recording and staking	63,076	-	**63,076**	**23,061**
Airborne Geophysics	-	-	**-**	**5,420**
Assays	-	43,257	**43,257**	**6,000**
Field and supplies	-	231,066	**231,066**	**465,208**
Geological consulting	-	137,220	**137,220**	**203,267**
Travel and accommodation	-	162,329	**162,329**	**731,787**
	63,076	588,736	**651,812**	**1,562,253**
Baker Lake, Nunavut				
Geological consulting	-	-	**-**	**101**
	-	-	**-**	**101**
Washburn, Nunavut				
Recording and staking	-	-	**-**	**75**
Geological consulting	-	-	**-**	**206**
	-	-	**-**	**281**
Resource Property Costs for the Year	63,076	588,736	**651,812**	**1,562,635**
Write Down of Resource Property Costs	-	-	**-**	**(22,554)**
Balance, Beginning of the Year	395,954	3,658,418	**4,054,372**	**2,514,291**
Balance, End of the Year	$ 459,030	$ 4,247,154	**$ 4,706,184**	**$ 4,054,372**

1. Nature of Operations

Kivalliq Energy Corporation ("Kivalliq" or "the Company") was incorporated as a wholly owned subsidiary of Kaminak Gold Corporation ("Kaminak") on February 13, 2008 as 0816479 BC Ltd. under British Columbia's Company Act. Effective February 20, 2008, 0816479 BC Ltd. changed its name to Kivalliq Energy Corp. The Company is an exploration stage company focusing on the acquisition, exploration and development of resource properties.

The Company became a reporting issuer in Alberta and British Columbia on July 4, 2008 by virtue of a reorganization transaction involving the exchange of securities between Kaminak, the Company and the shareholders of Kaminak. The reorganization transaction involved the acquisition from Kaminak of a 100% interest in Kaminak's Uranium properties (Angilak, Baker Lake and Washburn). On July 7, 2008, after completion of its private placements, the Company's shares became publicly trading on the TSX Venture Exchange under the symbol "KIV".

2. Spin Out Transaction

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

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

	February 26, 2008
Resource property costs	$ 311,421

Shareholders' equity has been recorded as follows:

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

3. Significant Accounting Policies

These interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements do not include all disclosures required by Canadian Generally Accepted Accounting Principles for annual financial statements and accordingly, the interim financial statements should be read in conjunction with the audited financial statements and notes thereto of the Company as at September 30, 2009.

4. Future Accounting and Reporting Changes

a) International Financial Reporting Standards ("IFRS")

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

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

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

5. Equipment

Details are as follows:

		Cost		Accumulated Amortization		**Net Book Value March 31, 2010**
Field equipment	$	60,380	$	21,254	**$**	**39,126**
Computer equipment		8,998		2,042		**6,956**
Computer software		7,899		1,975		**5,924**
	$	77,276	$	25,271	**$**	**52,006**

Details are as follows:

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

6. Resource Property Costs:

Details are as follows:

		Acquisition Costs		Exploration Costs		**Cumulative as at March 31, 2010**		Cumulative as at September 30, 2009
Angilak, Nunavut	$	459,030	$	4,247,154	**$**	**4,706,184**	**$**	**4,054,372**

General

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

Angilak, Nunavut

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

Kaminak signed an Exploration Agreement ("EA") with Nunavut Tunngavik Inc. ("NTI") whereby Kaminak was granted a 100% interest in the minerals within privately owned Inuit Owned Lands. This parcel is located directly adjacent to Kaminak's "Angilak (formerly Yathkyed) IOCG Project" which is comprised of staked claims located on Federal Crown land.

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

- Kivalliq will issue NTI 1,000,000 (500,000 shares issued) common shares from treasury staged over 36 months beginning only after final TSX:V approval for the spin-out transaction.

6. Resource Property Costs: - *Continued*

Angilak, Nunavut *- Continued*

- Upon completion of a feasibility study on any portion of the property, NTI has the option of taking either a 25% participating interest or a 7.5% net profits royalty in the specific area subject to the feasibility study. These terms will include any feasibility study on Kivalliq's adjacent Yathkyed property.

Upon completion of a National Instrument 43-101 compliant report that outlines a measured resource of at least 12 million pounds of uranium, Kivalliq will pay NTI a cash sum of $1,000,000.

As a consequence of the land claims settlement, the property is not subject to royalty obligations to the Government of Canada, but instead is subject to an underlying 12% net profits royalty payable on all minerals to NTI. During periods of positive operating revenue, gross uranium revenue shall be calculated as 130% of the value of the product. Starting December 31, 2008, Kivalliq will pay annual advanced royalty payments to NTI in the sum of $50,000 annually. (Paid 2008 and 2009)

Baker Lake (Uranium), Nunavut:

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

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

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

Washburn, Nunavut

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

7. Share Capital

a) Details as follows:

	Number	Amount
Authorized:		
Unlimited number of common voting shares without par value		
Common Shares Issued:		
Balance – September 30, 2008	30,778,744	$ 3,600,252
Issued for services	250,000	10,000
Flow-through income tax renunciation (Note 12)	-	(400,000)
Private placement – May 2009	2,745,000	458,321
Private placement - flow-through – May 2009	5,180,000	952,509
Private placement – flow-through - August 2009	2,000,000	459,609
Issued for finders fees and share issuance costs	150,750	2,787
Issued for resource property (Note 6)	250,000	77,500
Share issuance costs	-	(143,207)
Balance – September 30, 2009	41,354,494	5,017,771
Private placement – February 2010	10,000,000	1,111,205
Issued on warrant exercise	3,586,500	1,188,508
Issued on option exercise	40,000	8,871
Flow-through income tax renunciation (Note 12)	-	(384,000)
Returned to treasury	(2,125)	(553)
Share issuance costs	-	(30,975)
Balance – March 31, 2010	54,978,869	$ 6,910,827

b) Private Placements:

2010

On February 22, 2010, the Company closed a private placement of 10,000,000 Units at a price of $0.20 per unit for gross proceeds of $2,000,000. Each unit sold consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share for a period of 24 months from closing at a price of $0.35 per share. Finder's fees of $55,750 were paid in cash. The units issued are subject to a four month hold period from the Closing date.

The warrants attached to this issuance have been valued at $888,795 based upon the average of the residual method and the Black-Scholes Method using the following assumptions noted below:

Risk-free interest rate	1.38%
Expected dividend yield	0%
Expected stock price volatility	201%
Average expected warrant life in years	2 years

7. Share Capital - *Continued*

b) Private Placements: - *Continued*

2009

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

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

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

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

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

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

7. Share Capital - *Continued*

b) Private Placements: - *Continued*

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

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

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

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

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

7. Share Capital - *Continued*

b) Private Placements: - *Continued*

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

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

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

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

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

7. Share Capital - *Continued*

c) Warrants:

The fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for the warrants granted to March 31, 2010:

Risk-free interest rate	1.38%
Expected dividend yield	0%
Expected stock price volatility	201%
Average expected warrant life in years	2 years

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

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

Details as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2008	4,400,000	$0.50
Issued	7,176,500	$0.30
Outstanding warrants, September 30, 2009	11,576,500	$0.42
Issued	10,000,000	$0.35
Exercised	(3,586,500)	$0.30
Outstanding warrants, March 31, 2010	17,990,000	$0.42

7. Share Capital - *Continued*

c) Warrants - *Continued*:

At March 31, 2010, warrants enabling the holders to acquire common shares as follows:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
May 14, 2010	$0.60	900,000	0.12
June 9, 2010	$0.60	3,100,000	0.19
June 9, 2010(1)	$0.60	400,000	0.19
April 7, 2010(2)	$0.30	1,000,000	0.02
April 7, 2010(1,4)	$0.20	200,000	0.02
April 7, 2010(3)	$0.30	1,132,500	0.02
April 7, 2010(1,3)	$0.30	57,500	0.02
August 20, 2011(5)	$0.35/$0.65	1,000,000	1.39
August 20, 2011(1,6)	$0.25/$0.35	200,000	1.39
February 22, 2012	$0.35	10,000,000	1.90
Weighted average of exercise price	**$0.42**	**17,990,000**	**1.38**

[1] Agents warrants
[2] originally exercisable at $0.30 to May 14, 2010 and $0.60 to May 14, 2011, accelerated per warrant agreement to April 7, 2010
[3] exercisable at $0.30 to May 27, 2010 and $0.60 to May 27, 2011, accelerated per warrant agreement to April 7, 2010
[4] exercisable at $0.20 to May 14, 2011 for units which include one common share and one warrant exercisable at $0.30 to May 14, 2010 and $0.60 to May 14, 2011, accelerated per warrant agreement to April 7, 2010
[5] exercisable at $0.35 to August 20, 2010 and $0.65 to August 20, 2011
[6] exercisable at $0.25 to August 20, 2011 for units which include one common share and one warrant exercisable at $0.35 to August 20, 2010 and $0.65 to August 20, 2011

d) Stock Options

During the six months ended March 31, 2010, the Company granted options to acquire 715,000 common shares. Stock based compensation expense using Black Scholes option pricing model was $55,657 (2009 – $32,919)

Details as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2009	3,778,200	0.18
Issued	715,000	0.30
Exercised	(76,000)	0.19
Outstanding options, March 31, 2010	**4,417,200**	**$ 0.20**

7. Share Capital - *Continued*

d) Stock Options – *Continued:*

Expiry Date	Weighted Average Exercise Price	Issued Number of Options	Vested and Exercisable Number of Options	Weighted Average Remaining Contractual Life in Years
January 17, 2011	$0.25	577,200	577,200	0.80
April 7, 2011	$0.25	20,000	20,000	1.02
July 21, 2011	$0.25	156,000	156,000	1.31
December 7, 2011	$0.25	40,000	40,000	1.69
April 2, 2012	$0.36	96,000	96,000	2.01
June 18, 2012	$0.36	48,000	48,000	2.22
November 12, 2013	$0.15	2,615,000	2,615,000	3.62
August 11, 2014	$0.25	150,000	75,000	4.37
January 29, 2015	$0.30	715,000	-	4.84
Weighted average of exercise price	**$0.20**	**4,417,200**	**3,771,367**	**3.31**

During the six months ended March 31, 2010, the Company granted options to acquire 715,000 common shares with a weighted average exercise price of $0.30 per share, of which none vested during the period, resulting in stock-based compensation expense under the Black-Sholes option pricing model of $34,960. The weighted average fair value of the options granted was $0.26 per option.

The following weighted average assumptions were used for the valuation of stock options granted to March 31, 2010:

Risk-free interest rate	2.45%
Expected dividend yield	0%
Expected stock price volatility	203%
Average expected option life in years	5 years

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

The following weighted average assumptions were used for the valuation of stock options granted during the year ended September 30, 2009

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

7. Share Capital - *Continued*

d) Stock Options - *Continued*

On April 20, 2010, the Company adopted a stock option plan with the following terms:

i) Options granted can not be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange and the minimum exercise price per share must be at least $0.10.

ii) At the time of the grant:

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

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

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

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

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

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

8. Contributed Surplus

Balance consists of:

Balance – September 30, 2008	$	635,728
Stock-based compensation on options granted		77,127
Warrants issued with flow-through shares – May 2009		83,491
Warrants issued with non-flow-through shares – May 2009		90,679
Warrants issued with flow-through shares – August 2009		40,391
Agent's warrants issued		59,361
Warrant issuance costs		(17,521)
Balance – September 30, 2009		969,256
Stock-based compensation on options granted		230,454
Warrants exercised		(113,988)
Options exercised		(1,871)
Warrants issued with shares – February 2010		888,795
Warrant issuance costs		(24,775)
Balance – March 31, 2010	**$**	**1,947,871**

9. Related Party Transactions

Included in the current period are consulting fees of $15,144 (2009 - $1,591), travel and conference charges of $9,900 (2009 - $9,000) and office and sundry charges of $28,434 (2009 - $3,077) to companies controlled by directors and officers of the Company.

During the period the Company paid $44,500 (2009 - $42,000) in consulting fees to directors and officers.

At March 31, 2010 and September 30, 2009, $28,916 was due from Kaminak.

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.

10. Financial Instruments

Categories of financial assets and liabilities

As at March 31, 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:

	March 31, 2010	September 30, 2009
Held-for-trading	**$ 3,212,986**	**$ 1,170,942**
Receivables	**$ 154,781**	**$ 124,834**
Other financial liabilities	**$ 176,054**	**$ 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 receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had a cash balance of $3,212,986 (September 30, 2009 – $1,170,942) to settle current liabilities of $176,054 (September 30, 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.

10. Financial Instruments - *Continued*

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, 2010, the Company did not have any investments in investment-grade short-term deposit certificates.

(b) Foreign currency risk

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

(c) Price risk

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

11. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity as well as cash, receivables and current liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There were no changes in the Company's approach to capital management during the period ended March 31, 2010. The Company is not subject to externally imposed capital requirements.

12. Income Taxes

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

	For the Six Months Ended March 31, 2010	For the Year Ended September 30, 2009
Loss before income taxes	**$ (104,725)**	$ (657,369)
Statutory Canadian federal and provincial tax rates	**30.125%**	30.125%
Expected tax recovery	**(31,548)**	(198,032)
Non deductible (deductible) expenses		
Stock-based compensation	**69,424**	23,235
Amortization	**2,215**	3,579
Loss on sale of marketable securities	**-**	9,832
Share issuance costs	**(9,458)**	(15,558)
Unrecognized benefit of non-capital losses	**(346,673)**	53,044
Future income tax recovery	**(316,040)**	(123,900)
Renunciation of flow-through shares	**384,000**	-
Future income tax recovery (net)	**$ 55,596**	$ (123,900)

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

	March 31, 2010	September 30, 2009
Future income tax asset (liability)		
Equipment	**$ 6,836**	$ 4,480
Resource property costs	**(813,873)**	(429,873)
Non-capital loss carry-forwards	**149,465**	105,648
Share issuance costs	**65,432**	43,645
Future income tax liability	**$ (592,140)**	$ (276,100)

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse. For 2009 and 2010 this rate is estimated to be 25%.

The Company has available for deduction against future taxable income in Canada, non-capital losses of approximately $423,000. These losses, if not utilized, will expire through 2030. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

12. Income Taxes - *Continued*

During the year ended September 30, 2009, the Company issued 7,180,000 common shares on a flow-through basis for gross proceeds of $1,412,118. The flow-through agreement requires the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. Future income taxes of $384,000 of the exploration expenditures to be renounced to shareholders were applied against share capital.

13. Subsequent Event

On April 22, 2010, the Company issued 1,315,000 stock options to insiders and consultants of the Company with an exercise price of $0.45 per share.

957,500 warrants expired without exercise.

2,432,500 warrants were exercised for gross proceeds of $709,750.