KIVALLIQ ENERGY CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2016 AND 2015

Canadian Dollars

Unaudited – Prepared by Management

Notice of Non-review of Condensed Interim Financial Statements

The attached condensed interim financial statements for the six month period ended March 31, 2016 and 2015 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 condensed interim financial statements.

Kivalliq Energy Corporation
(An Exploration Stage Company)
Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	Notes		March 31, 2016		September 30, 2015
ASSETS					
Current assets:					
Cash and cash equivalents		$	664,059	$	947,553
Marketable securities	3		154,491		165,888
Other receivables	4		9,548		180,311
GST recoverable			17,401		52,933
Prepaid expenses			47,392		128,686
			892,891		1,475,371
Equipment	5		352,825		398,851
Exploration and evaluation assets	6		56,474,923		56,189,150
		$	57,720,639	$	58,063,372
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities		$	82,588	$	284,087
Flow-through share premium liability	7		39,346		127,535
			121,934		411,622
Deferred tax liability			3,568,185		3,478,449
			3,690,119		3,890,071
SHAREHOLDERS' EQUITY					
Share capital	7		59,992,575		59,992,575
Contributed surplus			10,381,746		10,381,746
Accumulated other comprehensive income	3		47,527		57,385
Deficit			(16,391,328)		(16,258,405)
			54,030,520		54,173,301
		$	57,720,639	$	58,063,372

Nature of Operations and Going Concern *(Note 1)*
Commitments *(Notes 6 and 11)*

APPROVED ON MAY 30, 2016 ON BEHALF OF THE BOARD:

"James Paterson", CEO ,Director *"John Robins"* ,Director

- The accompanying notes are an integral part of these condensed interim financial statements -

Kivalliq Energy Corporation

(An Exploration Stage Company)
Condensed Interim Statements of Operations and Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

	Note	Three months ended March 31, 2016	Three months ended March 31, 2015	Six months ended March 31, 2016	Six months ended March 31, 2015
Expenses					
Amortization and depreciation	5	$ 23,013	$ 27,954	$ 46,026	$ 55,906
Bank charges and interest		48	213	189	765
Investor relations		20,297	8,311	54,778	19,253
Listing and filing fees		8,102	10,682	10,395	10,833
Office and sundry		33,136	58,803	74,510	114,418
Professional fees		38,505	1,988	40,789	40,988
Project evaluation		-	880	-	(29,030)
Salaries and consulting fees		87,863	221,686	177,317	512,317
Transfer agent fees		1,379	3,120	3,761	4,412
Travel and conference		23,771	10,209	23,952	37,117
Loss before the undernoted		(236,114)	(343,844)	(431,717)	(766,979)
Other income (expenses)					
Project operator fees		-	-	313	23,645
Interest		3,546	931	4,189	3,441
Other income		100,000	-	100,000	-
Loss on foreign exchange		-	-	(49)	-
Recovery on exploration and evaluation asset	6	-	-	199,408	-
Amortization of flow-through premium liability	7	72,527	15,313	88,189	28,272
Income (loss) before income taxes		(60,041)	(327,600)	(39,667)	(711,621)
Deferred tax (expense) recovery		(65,350)	84,164	(93,256)	161,118
Net loss for the period		(125,391)	(243,436)	(132,923)	(550,503)
Change in fair value of marketable securities		(11,397)	(87,766)	(11,397)	(274,900)
Tax recovery (expense) in OCI from change in fair value of marketable securities		1,539	11,849	1,539	37,112
Total comprehensive loss for the period		$ (135,249)	$ (319,353)	$ (142,781)	$ (788,291)
Basic and diluted loss per common share		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding		216,821,731	196,200,431	216,821,731	196,200,431

- The accompanying notes are an integral part of these condensed interim financial statements -

Kivalliq Energy Corporation

(An Exploration Stage Company)
Condensed Interim Statements of Cash Flows for the Six Months Ended March 31,
(Unaudited – Expressed in Canadian Dollars)

	Notes		2016		2015
Operating Activities					
Net loss for the period		$	(132,923)	$	(550,503)
Items not involving cash:					
Amortization and depreciation	5		46,026		55,906
Deferred tax expense (recovery)			93,256		(161,118)
Amortization of flow-through premium liability	7		(88,189)		(28,272)
Interest income			(4,189)		(3,441)
Changes in non-cash working capital:					
Other receivables			3,715		637,468
GST recoverable			35,532		32,668
Prepaid expenses			81,294		73,905
Accounts payable and accrued liabilities			(40,064)		(150,049)
			(5,542)		(93,436)
Interest received			1,155		3,509
			(4,387)		(89,927)
Investing Activities					
Exploration and evaluation assets			(279,107)		(719,387)
Equipment			-		(1,735)
			(279,107)		(721,122)
Net decrease in cash and cash equivalents			(283,494)		(811,049)
Cash and cash equivalents, beginning of period			947,553		1,067,494
Cash and cash equivalents, end of period		$	664,059	$	256,445

Supplemental Schedule of Non-Cash Investing Activities				
Exploration and evaluation expenditures included in accounts payable	$	37,777	$	120,680
Exploration and evaluation expenditures included in other receivables	$	3,795	$	-
Cash paid for income taxes	$	-	$	-
Cash paid for interest	$	-	$	-

Cash and cash equivalents consist of:		March 31, 2016		September 30, 2015
Cash on hand	$	164,059	$	42,288
Term deposits	$	500,000	$	905,265
	$	664,059	$	947,553

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Kivalliq Energy Corporation
(An Exploration Stage Company)
Condensed Interim Statement of Changes in Shareholders' Equity
(Unaudited – Expressed in Canadian Dollars)

	Share Capital					
	Number of shares	Amount	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
Balance, September 30, 2014	196,200,431	$ 57,925,527	$ 10,016,534	$ (15,168,733)	$ 380,368	$ 53,153,696
Tax recovery in OCI from fair value adjustment on marketable securities in OCI	-	-	-	-	37,112	37,112
Fair value adjustment on marketable securities	-	-	-	-	(274,900)	(274,900)
Loss for the period	-	-	-	(550,503)	-	(550,503)
Balance, March 31, 2015	196,200,431	57,925,527	10,016,534	(15,719,236)	142,580	52,365,405
Balance, September 30, 2015	216,821,731	59,992,575	10,381,746	(16,258,405)	57,385	54,173,301
Tax recovery in OCI from fair value adjustment on marketable securities in OCI	-	-	-	-	1,539	1,539
Fair value adjustment on marketable securities	-	-	-	-	(11,397)	(11,397)
Loss for the period	-	-	-	(132,923)	-	(132,923)
Balance, March 31, 2016	**216,821,731**	**$ 59,992,575**	**$ 10,381,746**	**$ (16,391,328)**	**$ 47,527**	**$ 54,030,520**

- The accompanying notes are an integral part of these condensed interim financial statements -

Kivalliq Energy Corporation

(An Exploration Stage Company)
Schedule of Exploration and Evaluation Assets
(Unaudited – Expressed in Canadian Dollars)

	For the Six Month Period Ended March 31, 2016			For the year ended September 30, 2015
	Acquisition Costs	**Deferred Exploration Costs**	**Total**	Total
Angilak				
Land Administration	$ -	$ 19,155	**$ 19,155**	$ 21,405
Air Support and Transportation	-	(3,612)	**(3,612)**	312,182
Field and General Operations	-	9,112	**9,112**	137,841
Field Contractors and Consultants	-	5,562	**5,562**	232,549
Laboratory Costs	-	(3,258)	**(3,258)**	41,077
Salaries and Wages	-	70,232	**70,232**	227,671
Travel and Accommodation	-	1,430	**1,430**	45,929
Baker Basin				
Land Administration	-	1,452	**1,452**	-
Field Contractors and Consultants	-	-	**-**	60
Salaries and Wages	-	611	**611**	471
Genesis				
Field and General Operations	-	-	**-**	1,873
Field Contractors and Consultants	-	352,600	**352,600**	731
Salaries and Wages	-	9,887	**9,887**	10,129
Option Agreement Payment	-	(200,592)	**(200,592)**	-
Hatchet Lake				
Land Administration	-	-	**-**	46,154
Air Support and Transportation	-	-	**-**	112,473
Field and General Operations	-	-	**-**	13,045
Field Contractors and Consultants	-	(1,445)	**(1,445)**	141,978
Laboratory Costs	-	325	**325**	88,811
Salaries and Wages	-	24,314	**24,314**	109,463
Travel and Accommodation	-	-	**-**	51,978
Exploration and Evaluation Assets for the Period	-	285,773	**285,773**	1,595,820
Balance, Beginning of the Period	$ 1,531,495	$ 54,657,655	**$ 56,189,150**	$ 54,593,330
Balance, End of the Period	$ 1,531,495	$ 54,943,428	**$ 56,474,923**	$ 56,189,150

- The accompanying notes are an integral part of these condensed interim financial statements -

1. Nature of Operations and Going Concern

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 Corporation. The Company is an exploration stage company focusing on the acquisition, exploration and development of resource properties. The Company's head office is located at Suite 1020, 800 West Pender Street, Vancouver, BC, V6C 2V6.

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 traded on the TSX Venture Exchange under the symbol "KIV".

Long-term continuance of the Company's operations is dependent upon achieving profitable operations and obtaining additional equity or debt financing. The recoverability of the carrying values of the Company's resource property interests is dependent upon the existence and discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production from or proceeds from the disposition of resource properties.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

These condensed interim financial statements are unaudited, but in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for fair presentation of the financial position, operations and changes in financial results for the interim periods presented.

2. Significant Accounting Policies and Basis of Presentation

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended September 30, 2015.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of May 30, 2016, the date the Board of Directors approved the statements. Certain of the comparative year figures have been reclassified to conform to the current year's presentation. The condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2015.

(Unaudited – Expressed in Canadian Dollars)

2. Significant Accounting Policies and Basis of Presentation – *Continued*

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9 Financial instruments: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

3. Marketable Securities and Other Comprehensive Income

	Fair value October 1, 2015	Net additions March 31, 2016	Fair value adjustment March 31, 2016	Fair value March 31, 2016
Common shares	$ 165,888	$ -	$ (11,397)	**$ 154,491**
Warrants	-	-	-	**-**
	$ 165,888	$ -	$ (11,397)	**$ 154,491**

	Fair value October 1, 2014	Net additions September 30, 2015	Fair value adjustment September 30, 2015	Fair value September 30, 2015
Common shares	$ 527,457	$ -	$ (361,569)	$ 165,888
Warrants	11,822	-	(11,822)	-
	$ 539,279	$ -	$ (373,391)	$ 165,888

On October 15, 2013, the Company announced a completed private placement purchase of $70,000 in Pacific Ridge Exploration Ltd. (TSX-V: “PEX”) units as part of the acquisition of the Baker Basin Uranium Property from pacific Ridge Exploration Ltd. (See note 6).

The Company announced that, pursuant to a Mining Option Agreement dated July 10, 2014 between Kivalliq and Roughrider Exploration Limited (“Roughrider”) (formerly Westham Resources Corp.), Kivalliq had acquired ownership of 1,969,828 common shares of Roughrider at a cost of $29,547. (See note 6).

Management has determined it appropriate to record these investments as available-for-sale financial assets. The initial investments were recorded at cost. The Company will revalue the investments at each reporting period. Any changes in the fair value of the investments will be recorded in other comprehensive income (“OCI”) until the investments are sold or otherwise disposed, at which point any gains and losses recorded to date will be recognized through profit or loss.

(Unaudited – Expressed in Canadian Dollars)

4. Other Receivables

		March 31, 2016		September 30, 2015
Government of Saskatchewan (note 6)	**$**	**-**	$	173,876
Roughrider Exploration Ltd.		**3,795**		-
Due from related parties (note 8)		**-**		3,764
Other miscellaneous receivables		**5,753**		2,671
	$	**9,548**	$	180,311

The Roughrider receivable as at March 31, 2016 is for exploration and evaluation expenses incurred by the Company as part of the exploration program on the Genesis Property (note 6).

The other receivables balance as at September 30, 2015 pertains primarily to costs eligible for recuperation from the Government of Saskatchewan for a deficiency deposit on the Hatchet Lake property (note 6) which was received during the three months ended December 31, 2015.

5. Equipment

	Furniture & Equipment	**Computer Equipment**	**Field Equipment**	**Leasehold Improvements**	**Total**
Cost					
Balance at September 30, 2015	$ 31,595	$ 33,116	$ 937,263	$ 58,513	$ 1,060,487
Additions	-	-	-	-	-
Balance at March 31, 2016	$ 31,595	$ 33,116	$ 937,263	$ 58,513	$ 1,060,487
Accumulated depreciation					
Balance at September 30, 2015	$ 19,637	$ 23,075	$ 567,858	$ 51,066	$ 661,636
Depreciation	1,196	1,507	36,940	6,383	46,026
Balance at March 31, 2016	$ 20,833	$ 24,582	$ 604,798	$ 57,449	$ 707,662
Net book value at March 31, 2016	**$ 10,762**	**$ 8,534**	**$ 332,465**	**$ 1,064**	**$ 352,825**

	Furniture & Equipment	**Computer Equipment**	**Field Equipment**	**Leasehold Improvements**	**Total**
Cost					
Balance at September 30, 2014	$ 31,595	$ 29,827	$ 937,263	$ 58,513	$ 1,057,198
Additions	-	3,289	-	-	3,289
Balance at September 30, 2015	$ 31,595	$ 33,116	$ 937,263	$ 58,513	$ 1,060,487
Accumulated depreciation					
Balance at September 30, 2014	$ 16,647	$ 19,216	$ 475,507	$ 38,299	$ 549,669
Depreciation	2,990	3,859	92,351	12,767	111,967
Balance at September 30, 2015	$ 19,637	$ 23,075	$ 567,858	$ 51,066	$ 661,636
Net book value at September 30, 2015	**$ 11,958**	**$ 10,041**	**$ 369,405**	**$ 7,447**	**$ 398,851**

(Unaudited – Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets

Details are as follows:

	Acquisition Costs	Exploration Costs	**Cumulative as at March 31, 2016**	Cumulative as at September 30, 2015
Angilak, Nunavut	$ 1,280,371	$ 53,965,370	**$ 55,245,741**	$ 55,147,120
Baker Basin, Nunavut	205,000	83,175	**288,175**	286,112
Genesis Property, Saskatchewan and Manitoba	-	353,911	**353,911**	192,016
Hatchet Lake, Saskatchewan	46,124	540,972	**587,096**	563,902
Total	$ 1,531,495	$ 54,943,428	**$ 56,474,923**	$ 56,189,150

General

The Company has the Angilak Property and the Baker Basin Property in Nunavut Territory, Canada, the Genesis Property in the Provinces of Saskatchewan and Manitoba, Canada, and the Hatchet Lake Property in Saskatchewan, Canada.

Angilak, Nunavut

The Angilak Property was acquired from Kaminak, a related party, through the reorganization transaction (Note 1). The Angilak Property is comprised of a central Inuit Owned Land parcel surrounded by adjacent and contiguous mineral claims on Federal Crown lands in Nunavut.

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 Inuit Owned Lands in good standing, Kivalliq has or will complete the following:

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

- 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 Inuit Owned Lands are not subject to royalty obligations to the Government of Canada, but instead are 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 is to pay annual advanced royalty payments to NTI in the sum of $50,000 annually (2008 – 2014 paid). On December 4, 2015, NTI has allowed the Company to defer the annual advance royalty payment due on December 31, 2015 to December 31, 2019.

6. Exploration and Evaluation Assets - *Continued*

Baker Basin, Nunavut

On October 15, 2013, the Company announced the acquisition of the Baker Basin Uranium Property in Nunavut Territory through a transaction with PEX.

The Baker Basin Property is located south of the hamlet of Baker Lake, Nunavut Territory, Canada. Kivalliq acquired 100% of Pacific Ridge's ownership interest in the Baker Basin Uranium Property through payment of 600,000 shares of Kivalliq, $55,000 in cash and a $70,000 private placement purchase of PEX units.

Genesis, Saskatchewan and Manitoba

On July 10, 2014, the Company signed a Mining Option Agreement with Roughrider on the Genesis Property. Roughrider can acquire up to an 85% interest in the Genesis Property in exchange for 3,939,656 common shares, $1,000,000 cash, and $5,000,000 in exploration expenditures over four years. Upon acquisition of an 85% interest in the Genesis Property by Roughrider, Kivalliq's remaining 15% interest in the project will be carried through to completion of a bankable feasibility study and a recommendation from the board of Roughrider to proceed to commercial production. Kivalliq will be project operator for at least the first two years of the agreement. Pursuant to the Mining option Agreement, Kivalliq acquired ownership of 1,969,828 common shares of Roughrider.

On August 7, 2014, Kivalliq commenced Phase 1 2014 exploration program on its Genesis Property, which was fully funded by Roughrider and operated by Kivalliq. A summary of the results from the Phase 1 program was provided in a news release dated December 1, 2014. In the six month period ended March 31, 2016, Kivalliq spent $10,975 (2015 - $407,783) of exploration and evaluation expenses that have been subsequently billed to Roughrider for reimbursement, along with project operator fees of $328 (2015 - $23,645), of which $3,795 is receivable as at March 31, 2016 (September 30, 2015 - $nil).

On December 22, 2015, the Company and Roughrider announced their mutual agreement to amend the Option Agreement for the Genesis Property such that Roughrider will pay Kivalliq the sum of $400,000 immediately in exchange for a one-year extension to all phased of the agreement, and a commensurate reduction in minimum exploration expenditures. Details of the planned amendments to the Roughrider-Kivalliq option agreement include the following key points:

1. Roughrider will pay Kivalliq the sum of $400,000 on signing of the amendment (received).
2. The final cash payment of $175,000 due August 31, 2017 to earn its 50% interest may be settled in common shares of Roughrider.
3. The Phase 1 period for Roughrider to complete its obligations to earn 50%, as per the Roughrider-Kivalliq Option Agreement is extended by a full year from August 31, 2016, to August 31, 2017, except for the payment of 1,969,828 Roughrider shares to Kivalliq which, consistent with the Option Agreement, will remain due by August 31, 2016.
4. Based upon an approved budget and work plan, Kivalliq agrees to fund $400,000 of exploration work on the Genesis Property between December 2015 and April 2016. If this exploration work is not completed on or before August 31, 2016, future cash/share payments and expenditures required by Roughrider will be reduced by 15%, while the unspent portion of Kivalliq's $400,000 exploration work commitment remains as an exploration spend commitment in 2016.
5. Roughrider's minimum Phase 1 exploration expenditures are reduced by $400,000 to $2,100,000.

6. Exploration and Evaluation Assets - *Continued*

6. The subsequent two year period in which Roughrider, at its option, can increase its share in the Genesis Property from 50% to 85% is also extended by a year from August 31 2018 to August 31 2019.

Of the $400,000 received, $200,592 was recorded to exploration and evaluation assets to bring the Genesis carrying value down to $nil as of December 31, 2015. The remaining $199,408 was recorded to recovery on exploration and evaluation asset in the statement of operations and comprehensive loss in the first quarter ended.

Hatchet Lake, Saskatchewan

On February 10, 2015, Kivalliq announced it had acquired 100% of the Hatchet Lake Uranium Property ("Hatchet Lake Property") from Rio Tinto Exploration Canada Inc. and Rio Tinto Canada Uranium Corporation ("Rio Tinto") on the following terms:

- Kivalliq made a cash payment upon execution of the agreement of $220,000, subject to all claims being in good standing as of the closing date;
- Rio Tinto transferred a 100% interest in the Hatchet Lake Property to Kivalliq;
- Kivalliq granted Rio Tinto a 2% net smelter return ("NSR") royalty on the Hatchet Lake Property, with Kivalliq holding a buy-down right of 0.5% for $750,000 (in the event Kivalliq exercises its buy-down right Rio Tinto's remaining royalty will be a 1.5% NSR royalty).

Due to the Company's exploration expenditures on the property during fiscal 2015, the Company recouped a $173,876 deficiency deposit previously placed on the property by Rio Tinto.

The Hatchet Lake Property encompasses six claims adjacent to the north-eastern margin of the Athabasca Basin in Saskatchewan northwest of Kivalliq's Genesis Property.

7. Share Capital

As at March 31, 2016, there were an unlimited number of common voting shares without par value authorized.

a) Private Placements

No shares were issued during the six months ended March 31, 2016.

On April 30, 2015, Kivalliq closed a financing in the amount of $2,779,119 by issuing 10,152,134 flow through ("FT") units at a price of $0.15 per FT unit and 10,469,166 non-flow-through ("NFT") units at a price of $0.12 per NFT unit. The FT and NFT units each consist of one common share and one-half of one non-transferable, non-flow-through common share purchase warrant. Each whole warrant will be exercisable into a non-flow-through common share of Kivalliq for a period of 24 months from the closing date at an exercise price of $0.18 per warrant share.

The warrants attached to this issuance have been valued at $338,143 based upon the Black-Scholes Method using the following assumptions noted below.

(Unaudited – Expressed in Canadian Dollars)

7. Share Capital – *Continued*

a) Private Placements - *Continued*

Risk-free interest rate	0.44%
Expected dividend yield	0%
Share price	$0.14
Expected stock price volatility	68%
Average expected warrant life	2 years

In aggregate, the financing was subject to the following finders' fees: $79,801 of cash commission and other fees and 691,224 finder's warrants with a strike price of $0.18 exercisable for a period of two years from the date of this private placement. Kivalliq has recorded the fair value of these finder warrants as share issuance costs. The finder's warrants attached to this issuance have been valued at $27,069 based upon the Black-Scholes Method using the assumptions noted above.

For all valuation models, the risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed warrant life. The expected volatility is based on the Company's historical prices. The expected average warrant is the average expected period to exercise, based on the historical activity patterns for warrants.

b) Warrants

The changes in warrants issued are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2014	18,301,597	$0.47
Issued	11,001,872	$0.18
Expired	(550,900)	$0.50
Outstanding warrants, September 30, 2015 and March 31, 2016	**28,752,569**	**$0.36**

At March 31, 2016, 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
April 4, 2016	$0.50	15,149,333	0.01
July 5, 2016	$0.28	1,150,000	0.26
August 1, 2016	$0.28	1,436,364	0.34
August 1, 2016	$0.28	15,000	0.34
April 20, 2017	$0.18	5,076,066	1.05
April 20, 2017	$0.18	288,004	1.05
April 28, 2017	$0.18	5,234,582	1.08
April 28, 2017	$0.18	403,220	1.08
Weighted average of exercise price and remaining contractual life	**$0.36**	**28,752,569**	**0.44**

Subsequent to period end, 15,149,333 warrants expired unexercised.

(Unaudited – Expressed in Canadian Dollars)

7. Share Capital – *Continued*

c) Stock Options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan vest over time at the discretion of the board of directors and expire no later than five years from the date of issuance. Exercise prices on options granted under the plan cannot 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 common share must be at least $0.10.

The changes in stock options issued are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2014	19,615,000	$0.37
Cancelled	(10,740,000)	$0.47
Outstanding options, September 30, 2015	8,875,000	$0.25
Cancelled	(480,000)	$0.36
Expired	(130,000)	$0.50
Outstanding options, March 31, 2016	**8,265,000**	**$0.24**

At March 31, 2016 the following stock options were outstanding:

Expiry Date	Weighted Average Exercise Price	Issued Number of Options	Vested and Exercisable Number of Options	Weighted Average Remaining Contractual Life in Years
January 25, 2017	$0.50	275,000	275,000	0.82
September 25, 2017	$0.45	225,000	225,000	1.49
September 12, 2019	$0.22	7,795,000	7,795,000	3.45
Weighted average of exercise price and remaining contractual life	**$0.24**	**8,265,000**	**8,265,000**	**3.31**

The Company did not grant any stock options during the six month period ended March 31, 2016 and did not record any share-based compensation during this period.

d) Flow-through Share Premium Liability

		March 31, 2016		September 30, 2015
Balance, beginning of period	**$**	**127,535**	$	81.600
Premium attributed to flow-through shares issued		**-**		288.605
Reduction of liability due to expenditures incurred		**(88,189)**		(242,670)
Balance, end of period	**$**	**39,346**	$	127,535

(Unaudited – Expressed in Canadian Dollars)

8. Related Party Transactions

Key management compensation

Key management consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits. The aggregate value of compensation with key management for the six month period ended March 31, 2016 was $162,271 (2015 - $351,880) and was comprised of the following:

		Six months March 31, 2016		Six months March 31, 2015
Wages, salaries and consulting fees	**$**	**154,479**	$	336,065
Non-cash benefits		**7,792**		15,815
Total remuneration	**$**	**162,271**	$	351,880

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

During the six month period ended March 31, 2016, the Company reimbursed $58,647 (2015 - $172,087) to recover the direct costs of rent, salaries, and office and administration expenses incurred by Aurora Mineral Resource Group ("AMRG"), a company controlled by John Robins. These costs reimbursed are not subject to any mark-up or fees as AMRG was set up for the express purpose of maximizing administrative efficiencies. As of February 1, 2016, AMRG no longer had any related party transactions with the Company.

During the six month period ended March 31, 2016, the Company reimbursed companies with common directors and key management $67,924 (2015 - $24,725), of which $48,915 (2015 - $nil) was for the termination of previous employees, and $19,009 (2015 - $24,725) was for travel and office costs incurred on behalf of the Company.

During the six month period ended March 31, 2016, the Company incurred expenses on behalf of companies with common directors of $nil (2015 - $35,364) for exploration costs.

The balance receivable from related parties at March 31, 2016 was $nil (September 30, 2015 - $3,764).

The balance payable to related parties at March 31, 2016 was $nil (September 30, 2015 - $49,103) and such payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms. These balances are recorded on the statement of financial position under accounts payable and accrued liabilities.

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

9. Financial Instruments

Categories of financial assets and liabilities

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The fair value of the Company's cash and cash equivalents, other receivables, GST recoverable, and accounts payable and accrued liabilities approximate carrying value which is the amount recorded on the statement of financial position due to their short term nature. The Company's marketable securities, under the fair value hierarchy, are based on both level one (shares) and level three (warrants) inputs.

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 cash and cash equivalents, other receivables, marketable securities and GST recoverable. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, marketable securities, other receivables and GST recoverable is remote as they relate to deposits and interest receivable from major financial institutions, related party balances, marketable securities held with a major brokerage firm and GST recoverable from the Government of Canada, and other balances which have been subsequently collected. The maximum credit risk as at March 31, 2016 was $845,499 (September 30, 2015 - $1,346,685).

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, 2016, Kivalliq had a cash and cash equivalents balance of $664,059 (September 30, 2015 - $947,553) to settle accounts payable and accrued liabilities of $82,588 (September 30, 2014 – $284,087). All of Kivalliq's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that Kivalliq has sufficient funds to meet its obligations as they become due.

9. 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, 2016 Kivalliq had $500,000 (September 30, 2015 – $905,265) 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. The Company maintains certain investments in marketable securities which are measured at fair value, being the closing price of each equity investment at the balance sheet date. We are exposed to changes in share prices which would result in gains and losses being recognized in total comprehensive loss. A 10% fluctuation in the price of the Company's marketable securities would increase/decrease comprehensive loss by $15,449 as at March 31, 2016 (September 30, 2015 - $16,589).

10. 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 exploration and evaluation assets 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.

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 six month period ended March 31, 2016. The Company is not subject to externally imposed capital requirements.

(Unaudited – Expressed in Canadian Dollars)

11. Commitments

The Company has entered into agreements for the rental of office space that require minimum payments in the aggregate as follows:

Fiscal 2016	4,416
Total Commitments	**$ 4,416**

Also, as part of the agreement pertaining to Angilak Property, Kivalliq is committed to paying annual royalty fees of $50,000 to NTI. On December 4, 2015, NTI allowed the Company to defer the annual advance royalty payment due on December 31, 2015 to December 31, 2019.

12. Segment Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company's equipment and exploration and evaluation assets are located in Canada.

13. Subsequent Events

Subsequent to period end, 15,149,333 warrants expired unexercised.