

KIVALLIQ ENERGY CORPORATION
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MARCH 31, 2009 AND 2008
Unaudited – Prepared by Management
Canadian Dollars

Notice of Non-review of Interim Financial Statements

The attached interim consolidated financial statements for the six month period ended March 31, 2009 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

Unaudited – Prepared by Management
Canadian Dollars

ASSETS	As at March 31, 2009	As at September 30, 2008
Current		
Cash	\$ 559,758	\$ 936,350
Marketable securities (Note 5)	80,000	180,000
GST receivable	33,709	130,783
Prepaid expenses	166,913	171,322
	840,380	1,418,455
Equipment (Note 6)	52,520	54,342
Resource Property Costs (Note 7) – Schedule	2,590,555	2,514,291
	\$ 3,483,455	\$ 3,987,088
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 51,282	\$ 173,313
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	3,662,752	3,600,252
Contributed Surplus (Note 9)	668,647	635,728
Accumulated Other Comprehensive Income	(40,000)	60,000
Deficit	(859,226)	(482,205)
	3,432,173	3,813,775
	\$ 3,483,455	\$ 3,987,088

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

Unaudited – Prepared by Management
Canadian Dollars

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. These financial statements 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.

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008	For the Six Months Ended March 31, 2009	For the Six Months Ended March 31, 2008
Expenses				
Amortization	\$ 2,933	\$ -	\$ 5,727	\$ 73
Bank charges and interest	44	2,722	118	2,758
Consulting	65,361	12,379	178,570	20,063
Investor relations	16,096	5,558	18,376	7,330
Listing and filing fees	7,995	1,125	9,108	1,163
Office and sundry	23,196	939	27,645	2,329
Professional fees	36,776	6,638	56,690	8,052
Stock-based compensation	19,751	-	32,919	7,027
Transfer agent fees	8,703	-	10,129	-
Travel and conference	13,674	1,527	26,200	5,107
Loss before the undernoted	(194,529)	(30,888)	(365,482)	(53,902)
Other Income and expenses				
Foreign exchange loss	-	-	(12,702)	-
Interest	60	-	1,163	-
	60	-	(11,539)	-
Net Loss For The Period	(194,469)	(30,888)	(377,021)	(53,902)
Deficit - Beginning of Period	(664,757)	(192,063)	(482,205)	(169,049)
Deficit - End of Period	\$ (859,226)	\$ (222,951)	\$ (859,226)	\$ (222,951)
Net Loss For The Period				
	\$ (194,469)	\$ (30,888)	\$ (377,021)	\$ (53,902)
Changes in fair value of investments	-	-	(100,000)	-
Total Comprehensive Loss	\$ (194,469)	\$ (30,888)	\$ (477,021)	\$ (53,902)
Basic and Diluted Loss per Share	\$ (0.01)	N/A	\$ (0.01)	N/A
Weighted Average Number of Shares Outstanding	30,778,744	N/A	30,778,744	N/A

Kivalliq Energy Corporation
(An Exploration Stage Company)
Statement of Cash Flows

Unaudited – Prepared by Management
Canadian Dollars

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	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008	For the Six Months Ended March 31, 2009	For the Six Months Ended March 31, 2008
Cash Flows from Operating Activities				
Net loss for the Period	\$ (194,469)	\$ (30,888)	\$ (377,021)	\$ (53,902)
Items not affected by cash:				
Stock-based compensation	19,751	-	32,919	7,027
Expenses settled for shares	-	-	62,500	-
Amortization	2,933	-	5,727	73
Change in non-cash working capital:				
GST receivable	103,928	-	97,074	-
Prepaid expenses	4,409	-	4,409	-
Accounts payable and accrued liabilities	34,549	-	(113,327)	-
	(28,899)	(30,888)	(287,719)	(46,802)
Cash Flows from Investing Activities				
Resource property costs	(21,454)	-	(84,968)	-
Equipment	(1,850)	-	(3,905)	-
	(23,304)	-	(88,873)	-
Cash Flows from Financing Activities				
Funding by Kaminak Gold Corporation	-	30,888	-	46,802
		30,888	-	46,802
Net Decrease in Cash	(52,203)	-	(376,592)	-
Cash - Beginning of Period	611,961	-	936,350	-
Cash - End of Period	\$ 559,758	\$ -	\$ 559,758	\$ -

**Supplemental Schedule of Non-Cash Investing
and Financing Activities**

Accounts payables included in resource property costs	\$ 11,092	\$ -	\$ 11,092	\$ -
Issuance of shares for property acquisition (Note 2)	\$ -	\$ 195,081	\$ -	\$ 195,081
Issuance of warrant for property acquisition (Note 2)	\$ -	\$ 149,054	\$ -	\$ 149,054
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
(An Exploration Stage Company)
Schedule of Resource Property Costs
Unaudited – Prepared by Management
Canadian Dollars

Schedule

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. These financial statements 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.

	For the Six Months Ended March 31, 2009			For the Year Ended September 30, 2008
	Acquisition Costs	Deferred Exploration Costs	Total	
Mineral Interests				
<i>Angilak, Nunavut</i>				
Acquisition costs – cash	\$ -	\$ -	\$ -	\$ 42,500
Acquisition costs – shares and warrants	-	-	-	27,002
Claim maintenance	50,010	-	50,000	35,333
Recording and staking	14,944	-	14,944	23,401
Assays	-	-	-	541
Field and supplies	-	4,489	4,489	1,423,604
Geological consulting	-	4,128	4,128	302,024
Travel and accommodation	-	2,311	2,311	430,646
	64,954	10,928	75,882	2,285,051
<i>Baker Lake, Nunavut</i>				
Claim maintenance	-	-	-	137
Geological consulting	-	101	101	370
Option receipt – shares	-	-	-	(507)
	-	101	101	-
<i>Washburn, Nunavut</i>				
Recording and staking	75	-	75	-
Claim maintenance	-	-	-	34
Geological consulting	-	206	206	180
	75	206	281	214
Resource Property Costs for the Period	65,029	11,235	76,264	2,285,265
Balance, Beginning of the Period	265,405	2,248,886	2,514,291	229,026
Balance, End of the Period	\$ 330,434	\$ 2,260,121	\$ 2,590,555	\$ 2,514,291

Kivalliq Energy Corporation
(An Exploration Stage Company)
Notes to Financial Statements
March 31, 2009

Unaudited – Prepared by Management
Canadian Dollars

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 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”. The Company is an exploration stage company focusing on the acquisition, exploration and development of resource properties.

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 allowed 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 were 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 these 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.

As part of the property transaction with Nunavut Tunngavik Inc. (“NTI”), (Note 7), the Company agreed to issue to NTI 5% of the total number of warrants issued on the spin out, a total of 479,836.

The Company also completed a non-brokered private placement of 6,400,000 Special Warrants, convertible to common shares of the Company upon Kivalliq obtaining its listing on the TSX:V, at a price of \$0.25 per Special Warrant for gross proceeds of \$1,600,000 in June 2008. These Special Warrants were converted to Kivalliq common shares on July 4, 2008, once the Company had obtained its approval for listing on the TSX:V.

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

	February 26, 2008
<u>Resource property costs</u>	<u>\$ 311,421</u>
Shareholders’ equity has been recorded as follows:	
Share Capital	\$ 176,536
Contributed Surplus	357,836
Deficit	(222,951)
	<u>\$ 311,421</u>

Kivalliq Energy Corporation
(An Exploration Stage Company)
Notes to Financial Statements
March 31, 2009

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2. Spin Out Transaction – Continued

The Company's September 30, 2008 balance sheet includes the historic values that were transferred from Kaminak in February 2008. The Company's Statement of Loss and Deficit for the Period ended March 31, 2008 is the result of a "carve-out" of an allocation of Kaminak's expenses for those Periods. The allocation of Kaminak's general and administrative expenses was calculated on the basis of the ratio of costs deferred by Kaminak on the uranium mineral properties in each Period presented as compared to the costs deferred on all mineral properties in each of these Periods.

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, 2008. In addition, the Company has adopted the following CICA guideline effective October 1, 2008:

Goodwill and Intangible Assets

In February 2008, the AcSB issued Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets" and amended Section 1000, "Financial Statement Concepts" clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

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 January 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.

Kivalliq Energy Corporation
(An Exploration Stage Company)
Notes to Financial Statements
March 31, 2009

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5. Marketable Securities

	March 31, 2009		September 30, 2008	
	Market Value	Cost	Market Value	Cost
Common shares in public company received as resource property payment, representing less than 5% interest in the company	\$ 80,000	\$ 120,000	\$ 180,000	\$ 120,000

6. Equipment

Details are as follows:

	Cost	Accumulated Amortization	Net Book Value March 31, 2009	Net Book Value September 30, 2008
Field equipment	\$ 60,380	\$ 11,472	\$ 48,908	\$ 54,342
Computer equipment	3,905	293	3,612	-
	\$ 64,285	\$ 11,765	\$ 52,520	\$ 54,342

Included in the amortization to March 31, 2008 is \$73 which relates to the allocation of expenses from Kaminak, as disclosed in Note 2.

7. Resource Property Costs:

Details are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at March 31, 2009	Cumulative as at September 30, 2008
Angilak, Nunavut	\$ 310,337	\$ 2,257,664	\$ 2,568,001	\$ 2,492,119
Baker Lake, Nunavut	-	101	101	-
Washburn, Nunavut	20,097	2,356	22,453	22,172
	\$ 330,434	\$ 2,260,121	\$ 2,590,555	\$ 2,514,291

General

The Company acquired from Kaminak, a related party, through the Spin Out Transaction (Note 2) Kaminak's 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 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.

Kivalliq Energy Corporation
(An Exploration Stage Company)
Notes to Financial Statements
March 31, 2009
Canadian Dollars

7. Resource Property Costs: - Continued

Angilak, Nunavut - Continued

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

- Kivalliq will issue NTI 1,000,000 common shares from treasury staged over 36 months beginning only after final TSX-V approval for the spin-out transaction. On July 4, 2008, 250,000 Kivalliq shares were issued.
- 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 (\$50,000 paid December 31, 2008).

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.

Kivalliq Energy Corporation
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8. Share Capital

a) Details as follows:

	Number	Amount
Authorized:		
Unlimited number of common voting shares without par value		
Issued:		
Issued on incorporation	1	\$ 1
Issued for spin out (Note 2)	18,233,761	176,536
Issued for cash – flow-through shares	4,000,000	1,440,672
Issued for resource property (Note 7)	250,000	13,225
Issued for cash – special warrants shares (Note 2)	6,400,000	1,600,000
Issued for cash – warrants exercised	1,894,982	473,746
Transfer from contributed surplus – exercise of warrants (Note 8)	-	56,072
Share issuance costs	-	(160,000)
Balance – September 30, 2008	30,778,744	3,600,252
Issued for services	250,000	62,500
Balance – March 31, 2009	31,028,744	\$ 3,662,752

b) Private Placements:

The Company completed a brokered private placement of 4,000,000 flow-through units at a price of \$0.40 per unit for gross proceeds of \$1,600,000. Each Unit consists of one flow-through common share of Kivalliq and one non-flow-through common share purchase warrant, each whole warrant being exercisable to purchase one common share of Kivalliq at a price of \$0.50 for one year following the closing and \$0.60 in the second year. The agent received a commission equal to 10% of the gross proceeds of the offering, and received 400,000 agent's warrants. Each agent's warrant entitles the holder to acquire one common share at a price of \$0.50 to June 9, 2009 and \$0.60 to June 9, 2010. In accordance with the terms of the private placement and certain provisions of the Income Tax Act (Canada), the Company will renounce for income tax purposes, exploration expenditures of \$1,600,000 to subscribers of the flow through common shares in this private placement, for which the Company will have to incur eligible expenditures by December 31, 2008. At September 30, 2008 the Company had spent all of the flow-through funds raised during the year.

On July 4, 2008, the Company completed the conversion of its non-brokered private placement of 6,400,000 Kivalliq Special Warrants. Each special warrant was converted to a Kivalliq common share upon Kivalliq obtaining its listing on the TSX Venture Exchange ("TSX:V"), at a price of \$0.25 for gross proceeds of \$1,600,000. Each special warrant would have been exchangeable for common shares of Kaminak had the listing not been approved by December 31, 2008.

Kivalliq Energy Corporation
(An Exploration Stage Company)
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March 31, 2009
Canadian Dollars

8. Share Capital - Continued

c) Warrants:

Details as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2007	-	-
Issued	20,396,716	\$0.30
Exercised	(8,294,982)	\$0.25
Expired without exercise	(7,701,734)	\$0.25
Outstanding warrants, March 31, 2009 and September 30, 2008	4,400,000	\$0.50

At March 31, 2009 and September 30, 2008, warrants enabling the holders to acquire common shares as follows:

Expiry Date	Weighted Average Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life in Years
May 14, 2010 ⁽¹⁾	\$0.50/\$0.60	900,000	1.12
June 9, 2010 ⁽²⁾	\$0.50/\$0.60	3,100,000	1.19
June 9, 2010 ⁽³⁾	\$0.50/\$0.60	400,000	1.19
Weighted average of exercise price	\$0.50	4,400,000	1.18

¹ exercisable at \$0.50 to May 14, 2009 and \$0.60 to May 14, 2010

² exercisable at \$0.50 to June 9, 2009 and \$0.60 to June 9, 2010

³ Agents 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 September 30, 2008:

Risk-free interest rate	3.46%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected option life in years	0.63 years

Kivalliq Energy Corporation
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8. Share Capital - Continued

d) Stock Options

Details as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2006 and 2007	-	-
Issued	1,059,200	\$0.27
Outstanding options, September 30, 2008	1,059,200	\$0.27
Issued	2,655,000	\$0.15
Expired	66,000	\$0.25
Outstanding options, March 31, 2009	3,648,200	\$0.18

Expiry Date	Weighted Average Exercise Price	Issued Number of Options	Exercisable Number of Options	Weighted Average Remaining Contractual Life in Years
January 17, 2011	\$0.25	597,200	597,200	1.80
April 7, 2011	\$0.25	20,000	20,000	2.02
April 25, 2011	\$0.29	20,000	20,000	2.07
July 21, 2011	\$0.25	166,000	166,000	2.31
December 7, 2011	\$0.25	40,000	40,000	2.69
April 2, 2012	\$0.36	96,000	96,000	3.01
June 18, 2012	\$0.36	54,000	54,000	3.22
November 12, 2013	\$0.15	2,655,000	663,750	4.62
Weighted average of exercise price	\$0.27	3,648,200	1,656,950	4.00

During the period ended March 31, 2009, the Company granted options to acquire 2,655,000 common shares with a weighted average fair value of \$0.15 per share, which vested during the year, resulting in stock-based compensation expense under the Black-Sholes option pricing model of \$79,006 of which \$32,919 has been recognized to March 31, 2009.

The following weighted average assumptions were used for the valuation of stock options and finders' warrants granted during the period ended March 31, 2009:

Risk-free interest rate	2.75%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected option life in years	5.0 years

Kivalliq Energy Corporation
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8. Share Capital - Continued

d) Stock Options - Continued

During the year ended September 30, 2008, the Company granted options to acquire 1,059,200 common shares with a weighted average fair value of \$0.27 per share, which fully vested during the year, resulting in stock-based compensation expense under the Black-Sholes option pricing model of \$160,859. In addition, the Company was allocated stock-based compensation of \$7,027 from Kaminak as a result of the spin out (Note 2).

The following weighted average assumptions were used for the valuation of stock options and finders' warrants granted during the year ended September 30, 2008:

Risk-free interest rate	3.29%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected option life in years	2.81 years

On June 25, 2008, 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
 - e) 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.
 - f) options issued to employees vest at the discretion of the board of directors.
-

Kivalliq Energy Corporation
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Notes to Financial Statements
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9. Contributed Surplus

Balance consists of:

Balance – September 30, 2007	\$ 398,075
Funding by Kaminak Gold Corporation	46,875
Stock based compensation relating to period prior to spin out	7,027
Transfer of assets	(229,026)
Stock-based compensation on options granted	160,859
Warrants issued for property assignments	134,885
Warrants issued with flow-through shares	141,633
Agent's warrants issued	17,695
Warrants issued to NTI	13,777
Warrants exercised	(56,072)
Balance – September 30, 2008	635,728
Stock-based compensation on options granted	32,919
Balance – March 31, 2009	\$ 668,647

10. Related Party Transactions

Included in the period ending March 31, 2009, are consulting fees of \$1,591, travel and conference charges of \$9,000, and office and sundry charges of \$3,077 to companies controlled by directors and officers of the Company.

During the period ended March 31, 2009, the Company paid \$28,000 in consulting fees to directors and officers.

During the year ended September 30, 2008, Kaminak, a company with common directors and officers transferred its Uranium properties to the Company in exchange for 18,233,761 units of the Company (Note 2).

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.

11. Financial Instruments

Categories of financial assets and liabilities

As at March 31, 2009, the carrying and fair value amounts of the Company's financial instruments are the same. The carrying value of the Company's financial instruments is classified into the following categories:

	March 31, 2009	September 30, 2008
Held for trading	\$ 559,758	\$ 936,350
Available for sale	\$ 80,000	\$ 180,000
Receivables	\$ 33,709	\$ 130,783
Other financial liabilities	\$ 51,282	\$ 173,313

Kivalliq Energy Corporation
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11. Financial Instruments - Continued

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 March 31, 2009, the Company had a cash balance of \$559,758 to settle current liabilities of \$51,282. 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 March 31, 2009, the Company did not have any investments invested 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.

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12. 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.

13. Segmented Information

The current Periods presentation includes the following segments:

	March 31, 2009	September 30, 2008
Net Loss:		
Kivalliq	\$ 377,021	\$ 259,254
From Kaminak ⁽¹⁾	-	53,902
Total Expenditures	\$ 377,021	\$ 313,156
Assets:		
Kivalliq	\$ 3,483,455	\$ 3,675,667
From Kaminak ⁽²⁾	-	311,421
Total Assets	\$ 3,483,455	\$ 3,987,088

1 – Expenditures allocated from Kaminak as per the carve out (refer to Note 2)

2 – Assets acquired from Kaminak as part of the Spin out transaction (refer to Note 2)

The Company operates in one industry, being the acquisition, exploration and development of resource properties. All of the Company's properties are located in Canada.

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14. Subsequent Event

The Company is undertaking a non-brokered private placement offering ("Offering") of 5,000,000 flow-through units ("FT Units") at a price of \$0.20 per unit, and 2,500,000 non-flow-through units ("NFT Units") at a price of \$0.20 per unit, for total gross proceeds of \$1,500,000.

- Each FT Unit sold will consist of one (1.0) flow-through share and one half of one (0.5) non-flow-through common share purchase warrant. Each whole common share purchase warrant will be exercisable into one common share for a period of 24 months from closing at a price of \$0.30 per share in the first 12 months and \$0.60 per share in the subsequent 12 months.
- Each NFT Unit sold will consist of one (1.0) common share and one (1.0) common share purchase warrant. Each whole common share purchase warrant will be exercisable into one common share for a period of 24 months from closing at a price of \$0.30 per share in the first 12 months and \$0.60 per share in the subsequent 12 months.

Both FT and NFT units issued are subject to a four month hold period from the Closing date.

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. Such notice by the Corporation to the holders of the warrants may not be given until 4 months and one day after the Closing.

The Offering is subject to certain conditions, including regulatory acceptance. Finder fees maybe payable on portions of the Offering. Proceeds for the Offering will be used to fund the first phase of the 2009 Exploration Program on the Angilak Project and for general corporate purposes.
