

KIVALLIQ ENERGY CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED MARCH 31, 2015 AND 2014

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 periods ended March 31, 2015 and 2014 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 Statements of Financial Position

(Expressed in Canadian Dollars)
Unaudited – Prepared by Management

ASSETS	Notes	As at March 31, 2015	As at September 30, 2014
Current			
Cash and cash equivalents		\$ 256,445	\$ 1,067,494
Marketable securities	3	264,379	539,279
Other receivables	4	536	638,072
GST recoverable		10,143	42,811
Prepaid expenses		67,254	141,159
		598,757	2,428,815
Equipment	5	453,358	507,529
Exploration and Evaluation Assets (Schedule)	6	55,065,649	54,593,330
		\$ 56,117,764	\$ 57,529,674
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 392,512	\$ 789,629
Flow-through share premium liability	7	53,329	81,600
		445,841	871,229
Deferred Tax Liability		3,306,518	3,504,749
		3,752,359	4,375,978
SHAREHOLDERS' EQUITY			
Share Capital	7	57,925,527	57,925,527
Contributed Surplus		10,016,534	10,016,534
Accumulated Other Comprehensive Income	3	142,580	380,368
Deficit		(15,719,236)	(15,168,733)
		52,365,405	53,153,696
		\$ 56,117,764	\$ 57,529,674

Nature of Operations and Going Concern *(Note 1)*
 Commitments *(Notes 6 and 11)*
 Subsequent Events *(Notes 7 and 13)*

APPROVED ON MAY 26, 2015 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 Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Three month periods ended March 31		Six month periods ended March 31		
	2015	2014	2015	2014	
Expenses					
Amortization and depreciation	5	\$ 27,952	\$ 34,122	\$ 55,906	\$ 68,246
Bank charges and interest		213	690	765	1,166
Investor relations		8,311	12,629	19,253	26,744
Listing and filing fees		10,682	10,632	10,833	12,157
Office and sundry		58,803	60,875	114,418	117,077
Professional fees		1,988	2,914	40,988	59,857
Project evaluation		880	25,950	(29,030)	152,847
Salaries and consulting fees		221,686	218,704	512,317	529,243
Transfer agent fees		3,120	3,528	4,412	8,008
Travel and conference		10,209	65,801	37,117	105,777
Loss before the undernoted		(343,844)	(435,845)	(766,979)	(1,081,122)
Other income (expenses)					
Project operator fees	6	-	-	23,645	-
Interest		931	9,719	3,441	18,093
Loss on foreign exchange		-	(169)	-	(192)
Amortization of flow-through premium liability	7	15,313	-	28,272	-
Loss before income taxes		(327,600)	(426,295)	(711,621)	(1,063,221)
Deferred tax recovery		84,164	112,490	161,118	294,225
Loss for the period		(243,436)	(313,805)	(550,503)	(768,996)
Change in fair value of marketable securities	3	(87,766)	32,822	(274,900)	4,822
Tax recovery in OCI from change in fair value of marketable securities	3	11,849	-	37,112	-
Total comprehensive loss for the period		\$ (319,353)	\$ (280,983)	\$ (788,291)	\$ (764,174)
Basic and diluted loss per common share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		196,200,431	191,027,703	196,200,431	190,717,483

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Kivalliq Energy Corporation

(An Exploration Stage Company)

Condensed Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Share Capital				Accumulated other comprehensive loss	Total shareholders' equity
	Number of shares	Amount	Contributed surplus	Deficit		
Balance, September 30, 2013	189,067,703	\$ 56,671,834	\$ 8,727,682	\$ (12,580,955)	-	\$ 52,818,561
Issued						
Share issuance - property acquisition	600,000	150,000	-	-	-	150,000
Exercise of options	1,360,000	204,000	-	-	-	204,000
Fair value of options exercised	-	40,470	(40,470)	-	-	-
Fair value adjustment on marketable securities	-	-	-	-	4,822	4,822
Loss for the period	-	-	-	(768,996)	-	(768,996)
Balance, March 31, 2014	191,027,703	\$ 57,066,304	\$ 8,687,212	\$ (13,349,951)	4,822	\$ 52,408,387
Issued						
Private placement - shares and w warrants (note 7 (a))	5,172,728	1,022,046	115,954	-	-	1,138,000
Flow-through share premium	-	(155,182)	-	-	-	(155,182)
Share issuance costs - cash	-	(9,157)	-	-	-	(9,157)
Share issuance costs - w warrants	-	(715)	715	-	-	-
Stock-based compensation	-	-	1,212,653	-	-	1,212,653
Fair value adjustment on marketable securities	-	-	-	-	434,910	434,910
Tax benefit on share issuance costs	-	2,231	-	-	-	2,231
Tax expense in OCI from fair value adjustment on marketable securities in OCI	-	-	-	-	(59,364)	(59,364)
Loss for the period	-	-	-	(1,818,782)	-	(1,818,782)
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

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

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

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

	Three month periods ended March 31		Six month periods ended March 31	
	2015	2014	2015	2014
Cash Flows from (used in) Operating Activities				
Net loss for the period	\$ (243,436)	\$ (313,805)	\$ (550,503)	\$ (768,996)
Adjustments for:		-		
Amortization and depreciation	27,952	34,122	55,906	68,246
Deferred tax recovery	(84,164)	(112,490)	(161,118)	(294,225)
Amortization of flow-through premium liability	(15,313)	-	(28,272)	-
Interest income	(931)	(9,719)	(3,441)	(18,093)
Changes in non-cash working capital:				
Other receivables	31,105	8,906	637,468	29,953
GST recoverable	(14,067)	(422)	32,668	25,232
Prepaid expenses	28,752	23,760	73,905	120,242
Accounts payable and accrued liabilities	178,647	(19,006)	(150,049)	(50,357)
	(91,455)	(388,654)	(93,436)	(887,998)
Interest received	1,051	16,383	3,509	18,093
	(90,404)	(372,271)	(89,927)	(869,905)
Cash Flows used in Investing Activities				
Exploration and evaluation assets	(323,225)	(386,124)	(719,387)	(782,643)
Equipment	-	-	(1,735)	-
Marketable securities	-	-	-	(70,000)
	(323,225)	(386,124)	(721,122)	(852,643)
Cash Flows from Financing Activities				
Issuance of share capital, net of issuance costs	-	-	-	204,000
Net decrease in cash and cash equivalents	(413,629)	(758,395)	(811,049)	(1,518,548)
Cash and cash equivalents - Beginning of period	670,074	2,204,726	1,067,494	2,964,879
Cash and cash equivalents - End of period	\$ 256,445	\$ 1,446,331	\$ 256,445	\$ 1,446,331

Supplemental Schedule of Non-Cash Investing Activities	March 31, 2015	September 30, 2014
Exploration and evaluation expenditures included in account payable	\$ 120,680	\$ 367,748

Cash and cash equivalents consist of:	March 31, 2015	September 30, 2014
Cash on deposit	\$ 256,445	623,249
Other investments	-	444,245
	\$ <u>256,445</u>	<u>1,067,494</u>
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

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Kivalliq Energy Corporation
(An Exploration Stage Company)
Schedule of Exploration and Evaluation Assets
(Expressed in Canadian Dollars)
Unaudited – Prepared by Management

	For the Six Month Period Ended March 31, 2015			For the year ended September 30, 2014
	Acquisition Costs	Deferred Exploration Costs	Total	Total
Angilak				
Land Administration	\$ 50,000	\$ 37,531	\$ 87,531	\$ 117,926
Air Support and Transportation	-	8,521	8,521	51,123
Field and General Operations	-	29,468	29,468	99,709
Field Contractors and Consultants	-	2,545	2,545	552,850
Laboratory Costs	-	(5,196)	(5,196)	104,334
Salaries and Wages	-	97,575	97,575	150,275
Travel and Accommodation	-	7,099	7,099	57,057
Baker Basin				
Land Administration	-	-	-	208,016
Field Contractors and Consultants	-	-	-	12,704
Salaries and Wages	-	-	-	64,861
Genesis				
Staking and Land Administration	-	-	-	119,475
Air Support and Transportation	-	-	-	7,000
Field and General Operations	-	1,873	1,873	1,735
Field Contractors and Consultants	-	731	731	82,318
Travel and Accommodation	-	-	-	839
Salaries and Wages	-	6,966	6,966	122,463
Option Agreement Payment	-	-	-	(154,547)
Hatchet Lake				
Land Administration	220,000	-	220,000	-
Field Contractors and Consultants	-	570	570	-
Salaries and Wages	-	14,636	14,636	-
Exploration and Evaluation Assets for the Period				
	270,000	202,319	472,319	1,598,138
Balance, Beginning of the Period				
	1,499,843	53,093,487	54,593,330	52,995,192
Balance, End of the Period				
	\$ 1,769,843	\$ 53,295,806	\$ 55,065,649	\$54,593,330

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

Kivalliq Energy Corporation

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the three and six month periods ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

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 Corp. 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.

Kivalliq Energy Corporation

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the three and six month periods ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

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, 2014.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of May 26, 2015, 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, 2014.

3. Marketable Securities and Other Comprehensive Income

	Fair value October 1, 2014	Net additions March 31, 2015	Fair value adjustment March 31, 2015	Fair value March 31, 2015
Common shares	\$ 527,457	\$ -	\$ (263,078)	\$ 264,379
Warrants	11,822	-	(11,822)	-
	\$ 539,279	\$ -	\$ (274,900)	\$ 264,379

	Fair value October 1, 2013	Net additions September 30, 2014	Fair value adjustment September 30, 2014	Fair value September 30, 2014
Common shares	\$ -	\$ 99,547	\$ 427,910	\$ 527,457
Warrants	\$ -	\$ -	\$ 11,822	\$ 11,822
	\$ -	\$ 99,547	\$ 439,732	\$ 539,279

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.

Kivalliq Energy Corporation

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the three and six month periods ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

4. Other Receivables

	March 31, 2015		September 30, 2014	
Roughrider Exploration Ltd.	\$	-	\$	532,131
Due from related parties (note 8)		536		86,628
Other miscellaneous receivables		-		19,313
	\$	536	\$	638,072

The other receivables balance at September 30, 2014 pertains primarily to the receivable from Roughrider for exploration and evaluation expenses incurred by the Company as part of Phase 1 of the 2014 exploration program on the Genesis Property. Phase 1 was fully funded by Roughrider and operated by Kivalliq. See note 6 for details.

5. Equipment

	Furniture & Equipment		Computer Equipment		Field Equipment		Leasehold Improvements		Total	
Cost at September 30, 2014	\$	31,595	\$	29,827	\$	937,263	\$	58,513	\$	1,057,198
Current period additions		-		1,735		-		-		1,735
Cost at March 31, 2015		31,595		31,562		937,263		58,513		1,058,933
Accumulated depreciation at September 30, 2014		16,647		19,216		475,507		38,299		549,669
Current period depreciation		1,495		1,852		46,176		6,383		55,906
Accumulated depreciation at March 31, 2015		18,142		21,068		521,683		44,682		605,575
Net book value at March 31, 2015	\$	13,453	\$	10,494	\$	415,580	\$	13,831	\$	453,358
Cost at September 30, 2013	\$	31,595	\$	29,827	\$	937,263	\$	58,513	\$	1,057,198
Current year additions		-		-		-		-		-
Cost at September 30, 2014		31,595		29,827		937,263		58,513		1,057,198
Accumulated depreciation at September 30, 2013		12,910		14,668		360,068		25,533		413,179
Current year depreciation		3,737		4,548		115,439		12,766		136,490
Accumulated depreciation at September 30, 2014		16,647		19,216		475,507		38,299		549,669
Net book value at September 30, 2014	\$	14,948	\$	10,611	\$	461,756	\$	20,214	\$	507,529

Kivalliq Energy Corporation

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the three and six month periods ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

6. Exploration and Evaluation Assets

Details are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at March 31, 2015	Cumulative as at Sept 30, 2014
Angilak, Nunavut	\$ 1,344,843	\$ 53,011,166	\$ 54,356,009	\$ 54,128,466
Baker Basin, Nunavut	205,000	80,581	285,581	285,581
Genesis Property, Saskatchewan and Manitoba	-	188,853	188,853	179,283
Hatchet Lake, Saskatchewan	220,000	15,206	235,206	-
Total	\$ 1,769,843	\$ 53,295,806	\$ 55,065,649	\$ 54,593,330

General

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

Kivalliq Energy Corporation

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Notes to Condensed Interim Financial Statements

For the three and six month periods ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

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

Kivalliq's 100% owned Genesis Property commences 25 kilometres northeast of Cameco's Eagle Point uranium mine and extends 90 kilometres to the northeast along this strategic trend to the Manitoba border. Following the initial acquisition announced January 13, 2014, an additional 17 claims were staked in Saskatchewan and Manitoba. The Genesis Property comprises 53 claims totaling 495,883 acres (200,677 ha).

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 20% of the issued and outstanding shares of Roughrider on a post-transaction/post-financing basis, \$1 million in cash payments, and \$5 million 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. As a result of this acquisition, Kivalliq owns 10% of the issued and outstanding capital of Roughrider. In order to earn the initial 50% interest in the Genesis Property, Roughrider must issue to Kivalliq an additional 1,969,828 common shares, being an additional 10% of Roughrider's issued shares, on a non-diluted basis, plus cash payments, on or before August 31, 2016 in order to earn the initial 50% interest in the Genesis Property. The shares issued to Kivalliq are subject to a 12-month hold period.

On August 7, 2014, Kivalliq announced the commencement of the 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, 2015, Kivalliq spent \$407,783 (2014 - \$nil) of exploration and evaluation expenses that have been subsequently billed to Roughrider for reimbursement, along with project operator fees of \$23,645 (2014 - \$nil), of which \$nil remains receivable as at March 31, 2015 (September 30, 2014 - \$532,131).

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Notes to Condensed Interim Financial Statements

For the three and six month periods ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

6. Exploration and Evaluation Assets - Continued

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).

The Hatchet Lake Property encompasses 13,711 hectares (33,880.6 acres) in six claims adjacent to the north-eastern margin of the Athabasca Basin in Saskatchewan and three and a half kilometres to the northwest of Kivalliq’s Genesis Property.

7. Share Capital

As at March 31, 2015, there were an unlimited number of common voting shares without par value authorized.

a) Private Placements

On August 1, 2014, Kivalliq closed a private placement of 5,172,728 units at a price of \$0.22 per unit for total gross proceeds of \$1,138,000. Each unit consisted of one flow-through common share and one-half of one common share purchase warrant. Each 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 \$0.28 per common share.

The warrants attached to this issuance have been valued at \$115,954 based upon the Black-Scholes Method using the following assumptions noted below.

Risk-free interest rate	1.09%
Expected dividend yield	0%
Share price	\$0.28
Expected stock price volatility	66%
Average expected warrant life	2 years

In aggregate, the financing was subject to the following finders' fees: \$9,157 of cash commission and other fees and 15,000 finder’s warrants with a strike price of \$0.28 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 warrants attached to this issuance have been valued at \$715 based upon the Black-Scholes valuation model using the following assumptions noted below.

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Notes to Condensed Interim Financial Statements

For the three and six month periods ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

7. Share Capital – Continued

a) Private Placements - Continued

Risk-free interest rate	1.09%
Expected dividend yield	0%
Share price	\$0.28
Expected stock price volatility	66%
Average expected warrant life	2 years

On October 14, 2013, Kivalliq acquired a uranium exploration property in the prospective Baker Lake Basin of Nunavut Territory, Canada. As part of the purchase agreement, the Company issued 600,000 common shares at a price of \$0.25 per share.

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

Details as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2013	17,420,219	\$0.50
Issued	2,601,364	\$0.28
Expired	(1,719,986)	\$0.46
Outstanding warrants, September 30, 2014 and March 31, 2015	18,301,597	\$0.47

At March 31, 2015, 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 5, 2015 ¹	\$0.50	550,900	0.01
April 5, 2016 ²	\$0.50	15,149,333	1.02
July 5, 2016	\$0.28	1,150,000	1.27
August 1, 2016	\$0.28	1,436,364	1.34
August 1, 2016	\$0.28	15,000	1.34
Weighted average of exercise price and remaining contractual life	\$0.47	18,301,597	1.03

¹ Subsequent to March 31, 2015, 550,900 warrants expired without exercise.

² These warrants had an original expiry date of April 5, 2015 but in March 2015 were granted an extension for 12 months

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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, 2013	14,150,000	\$0.44
Issued	8,060,000	\$0.22
Exercised	(1,360,000)	\$0.15
Cancelled	(1,235,000)	\$0.42
Outstanding options, September 30, 2014	19,615,000	\$0.37
Cancelled	(10,720,000)	\$0.47
Outstanding options, March 31, 2015	8,895,000	\$0.25

At March 31, 2015 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
September 8, 2015	\$0.40	20,000	20,000	0.44
October 19, 2015	\$0.50	130,000	130,000	0.55
January 25, 2017	\$0.50	450,000	450,000	1.82
September 25, 2017	\$0.45	310,000	310,000	2.49
September 12, 2019	\$0.22	7,985,000	7,985,000	4.45
Weighted average of exercise price and remaining contractual life	\$0.25	8,895,000	8,895,000	4.19

The Company did not grant any stock options during the six month period ended March 31, 2015. During the year ended September 30, 2014, Kivalliq granted options to acquire 8,060,000 common shares with a weighted average exercise price of \$0.22 per common share and a weighted average fair value of \$0.15 per option. Share-based compensation expense under the Black-Scholes option pricing model of \$1,212,653 was recorded in relation to options vested during the year.

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7. Share Capital – Continued

c) Stock Options – Continued

The fair value of stock options for all options issued during 2014 was estimated at the grant date based on the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.58%
Expected dividend yield	0%
Share price	\$0.22
Expected stock price volatility	87%
Average expected option life	5 years

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

d) Flow-through Share Premium Liability

	March 31, 2015	September 30, 2014
Balance, beginning of period	\$ 81,600	\$ -
Premium attributed to flow-through shares issued	-	155,182
Reduction of liability due to expenditures incurred	(28,271)	(73,582)
Balance, end of period	\$ 53,329	\$ 81,600

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, 2015 was \$351,880 (2014 - \$412,363) and was comprised of the following:

	Six month period ended March 31, 2015	Six month period ended March 31, 2014
Wages, salaries and consulting fees	\$ 336,065	\$ 394,056
Non-cash benefits	15,815	18,307
Total remuneration	\$ 351,880	\$ 412,363

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8. Related Party Transactions – Continued

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

During the six month period ended March 31, 2015, the Company reimbursed \$172,087 (2014 - \$162,240) 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.

During the six month period ended March 31, 2015, the Company reimbursed companies with common directors and key management \$24,725 (2014 - \$96,843) for travel and office costs incurred on behalf of the Company.

During the six month period ended March 31, 2015, the Company incurred expenses on behalf of companies with common directors of \$35,364 (2014 - \$nil) for exploration costs.

The balance receivable from related parties at March 31, 2015 was \$536 (September 30, 2014 - \$86,628).

The balance payable to related parties at March 31, 2015 was \$64,071 (September 30, 2014 - \$22,060) 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.

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9. Financial Instruments - Continued

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, 2015 was \$531,503 (September 30, 2014 - \$2,287,656).

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, 2015, Kivalliq had a cash and cash equivalents balance of \$256,445 (September 30, 2014 - \$1,067,494) to settle accounts payable and accrued liabilities of \$392,512 (September 30, 2014 - \$789,629). 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.

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, 2015 Kivalliq had \$nil (September 30, 2014 - \$444,245) in term deposits.

(b) Foreign currency risk

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

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9. Financial Instruments - Continued

(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 \$26,438 as at March 31, 2015 (September 30, 2014 - \$53,928).

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, 2015. The Company is not subject to externally imposed capital requirements.

11. Commitments

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

Fiscal 2015	\$ 31,069
Fiscal 2016	38,650
Total Commitments	\$ 69,719

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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

On April 30, 2015, Kivalliq announced closing of the financing in the amount of \$2,779,119 by issuing an aggregate of 20,621,300 units in two separate tranches, as follows:

- \$1,522,820 gross proceeds by issuing 10,152,134 flow through ("FT") units, at the price of \$0.15 per FT unit (See Kivalliq news release April 20, 2015);
- \$1,256,299 gross proceeds by issuing 10,469,166 non-flow-through ("NFT") units, at the price of \$0.12 per NFT unit (See Kivalliq news release April 30, 2015).
- 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.
- All warrants issued under the placement will be subject to an acceleration clause, whereby, if the weighted average trading price of Kivalliq's shares on the TSX Venture Exchange is at a price equal to or greater than \$0.30 for a period of 20 consecutive trading days, Kivalliq will have the right to accelerate the expiry date of the warrants. Kivalliq will give written notice to the holders of the warrants that the warrants will expire within 30 days of the date of notice to the warrant holders. Such notice by Kivalliq to the holders of the warrants may not be given until four months and one day after the closing date.