

Uraniumletter INTERNATIONAL

the international independent information and advice bulletin for uranium resource investments

Special Situation – January 2012

www.kivalliqenergy.com



Kivalliq Energy Corp. (Cdn\$ 0.47)

TSX.V	: KIV
H+L prices (12 months)	: Cdn\$ 0.92 – 0.20
Net issued shares	: 123.2 million
Fully diluted shares	: 147.6 million
Market capitalization	: Cdn\$ 58.0 million

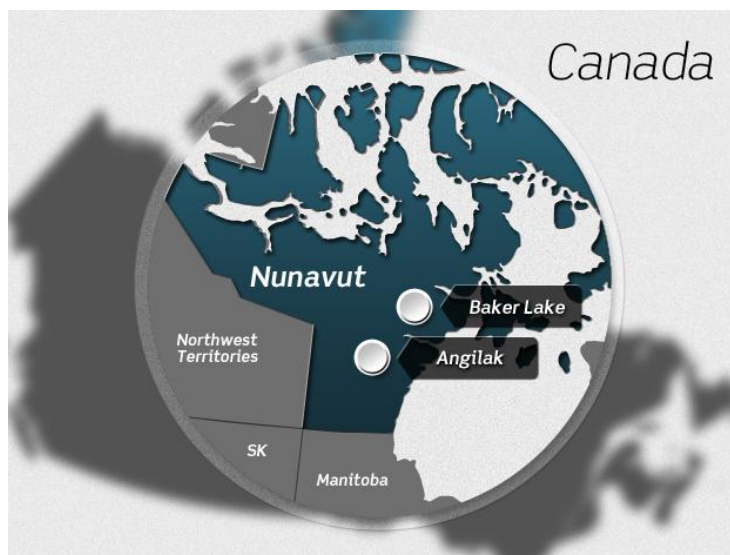
First price target: Cdn\$ 1.00

Company Profile

Kivalliq Energy Corp. (“Kivalliq”) is the first uranium exploration and development company in Canada to sign a comprehensive agreement with the Inuit of Nunavut to explore for uranium on Inuit owned lands in **Nunavut**.

Kivalliq’s flagship project, the 225,000 acre **Angilak Property** in Nunavut, hosts the high-grade **Lac Cinquante Deposit**, along with 9 additional high priority target areas.

Since acquiring the Angilak Property in 2008, the Company has invested approximately Cdn\$ 30 million conducting systematic exploration.



On January 17, 2012, Kivalliq announced that it had received a summary report from SIM Geological that describes an increase of the Inferred Mineral Resource estimate by 92% to 1.78 million tonnes grading 0.69%, totaling 27.13 million pounds U₃O₈ at a 0.2% U₃O₈ cut/off grade.

The strong increase in the Inferred Mineral Resource from the 2010 estimate is primarily attributed to the addition of the Eastern and Western Extensions, situated near surface, adjacent to and along strike of the Lac Cinquante Main Zone.

Overview of projects

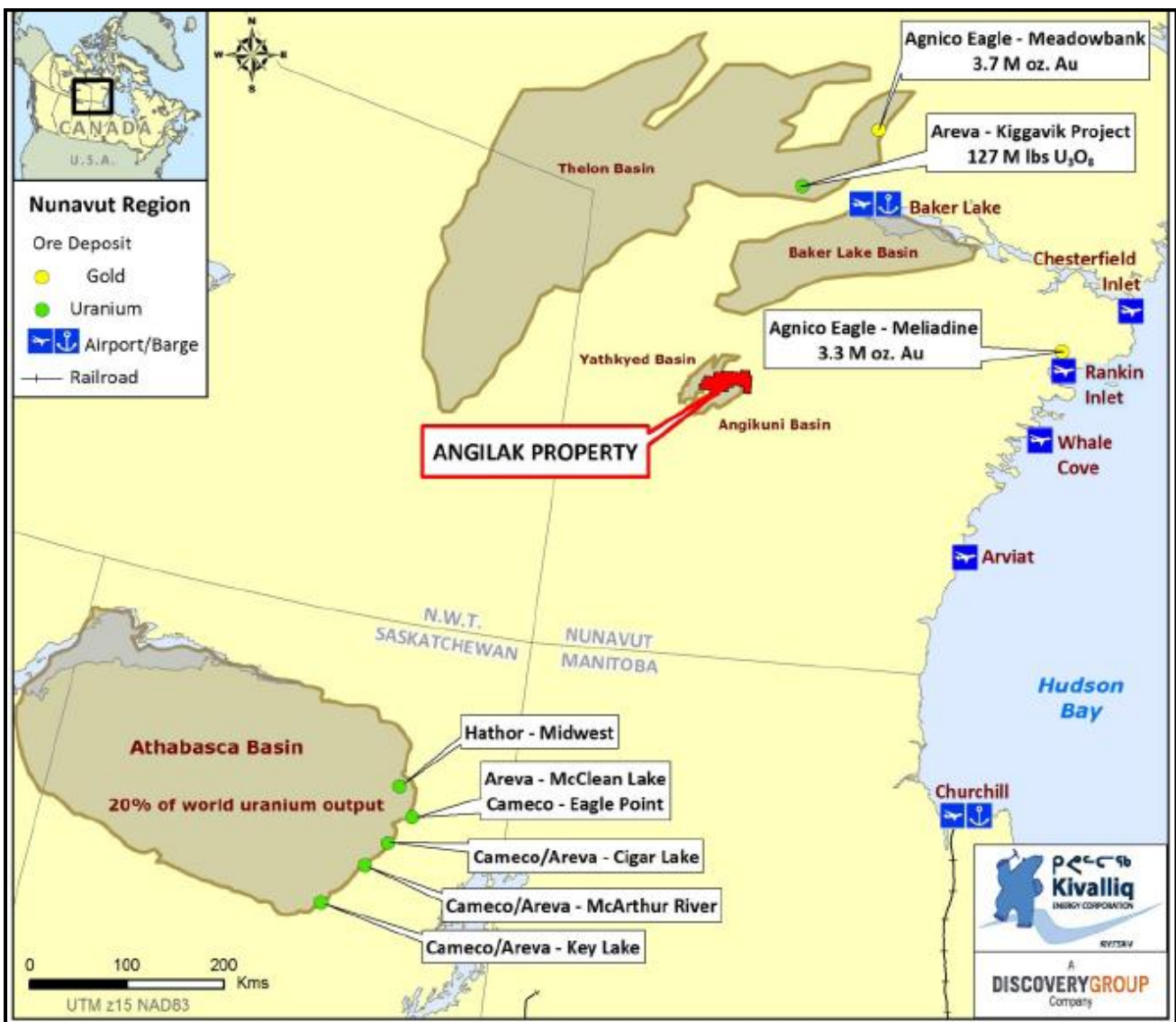
➤ Angilak Property – Lac Cinquante Deposit, Nunavut

Kivalliq's 225,000 acre Angilak Project hosts the high-grade Lac Cinquante Deposit, along with multiple high priority target areas.

These include the Blaze/Spark, Pulse and Joule Zones. These zones, discovered through drilling in 2010 and 2011, are all located within a 3.0 kilometre radius of the Lac Cinquante Deposit.

Since acquiring the Angilak Property in 2008, the Company has invested Cdn\$ 30 million consisting of systematic exploration, including ground and air borne geophysics, geological mapping, prospecting and approximately 48,000 metres of RC and diamond drilling

The Lac Cinquante Deposit is Canada's highest grade uranium deposit outside of the Athabasca Basin and contains significant quantities of silver, molybdenum and copper.



2011 Exploration program overview

In 2011 Kivalliq completed a highly successful, \$17 million exploration program at Angilak. The exploration season commenced in March 2011 with the mobilization of crews and equipment to the existing Nutaaq camp and was completed by October 2011.

The key components of the 2011 exploration campaign were:

- Revised Inferred NI 43-101 resource of 27.13 m lbs at 0.69% U_3O_8 - announced January 17, 2012
- 23,849 metres of diamond drilling in 153 holes focused on expanding the Lac Cinquante resource and testing new mineralized target areas
- 6,411 metres in reverse circulation (“RC”) drilling in 88 holes, testing 25 target areas and identifying new areas for follow-up in 2012
- 5,470 line kilometres of airborne magnetic, electromagnetic and radiometric surveying
- 1,640 line kilometres of ground magnetic, VLF electromagnetic and gravity surveys
- Prospecting, mapping and soil geochemical surveys to advance known and new target areas
- Ongoing modeling, geological and environmental studies

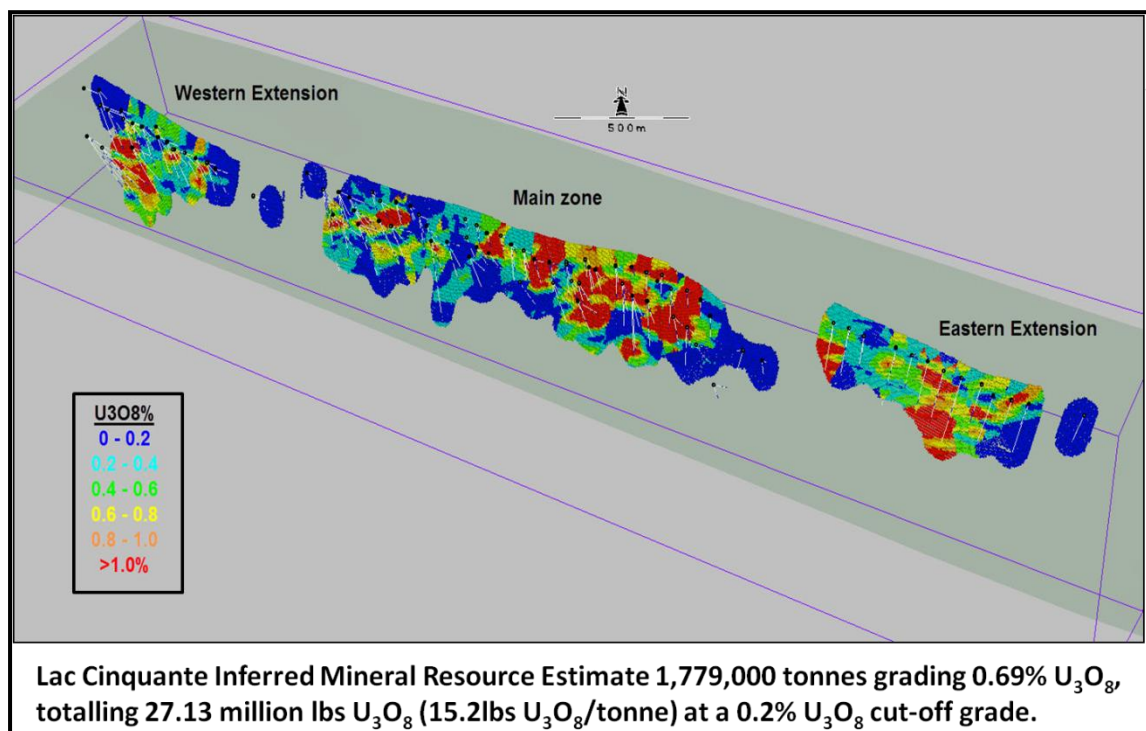
The 2011 drill program totaled 23,849 metres in 153 diamond drill holes and an additional 6,411 metres in 88 exploratory holes using a reverse circulation (RC) drill rig. Of the 88 RC holes drilled last year, 45 holes generated anomalous radioactivity greater than 500 cps. Diamond drilling largely focused on resource expansion east and west of the high grade Lac Cinquante deposit and exploratory drilling at the **Blaze Zone**. Kivalliq considers both the Western Extension and Eastern Extension zones to be part of the same northwest-southeast trending geological structure which hosts the high grade Lac Cinquante uranium resource.

Kivalliq also undertook an aggressive targeting campaign, with results and interpretation pending from: 5,470 line kilometres of DIGHEM airborne magnetic, electromagnetic and radiometric surveying; 1,640 line kilometres of ground magnetic, VLF electromagnetic and gravity surveys; and a prospecting program which entailed the collection of 273 rock grab samples and 342 soil geochemical samples.

Lac Cinquante Resource

► Main Zone

The updated Mineral Resource estimate for Lac Cinquante was prepared under the direction of Robert Sim, P.Geo., of SIM Geological. A resource model was generated using core sample assay results from the Lac Cinquante Main, Eastern Extension and Western Extension Zones. All assay and geological information was derived from work conducted by Kivalliq as part of the 2009, 2010 and 2011 exploration programs and available at December 31, 2011.



At a base case cut-off grade of 0.2% U₃O₈, an Inferred Mineral Resource is estimated at 1,779,000 tonnes averaging 0.69% U₃O₈, containing 27.13 million pounds U₃O₈. For evaluation purposes, three additional metals: silver (g/t), molybdenum (%) and copper (%) have also been estimated within the resource model.

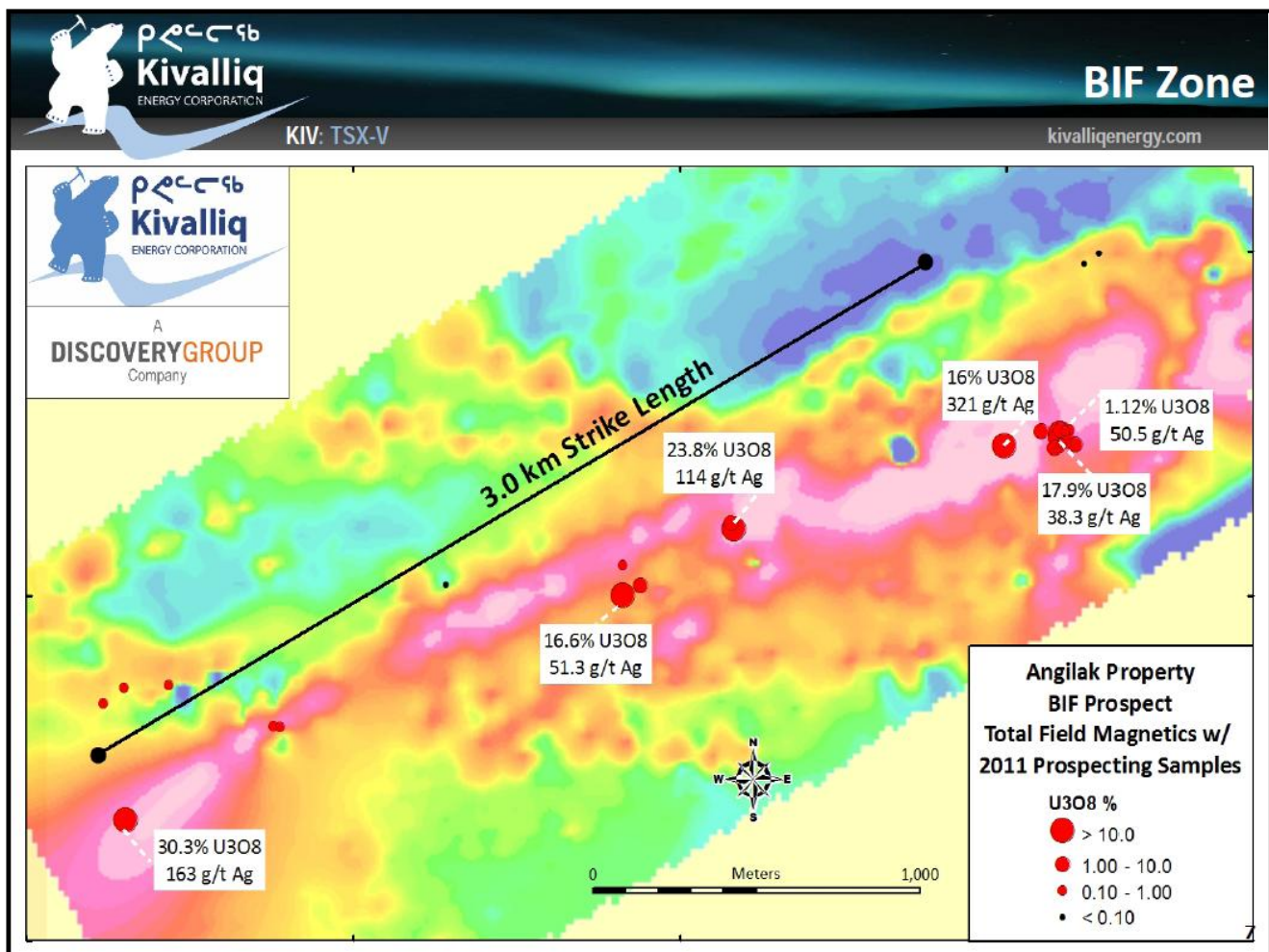
Inferred Mineral Resource Estimate for the Lac Cinquante Deposit by Zone - 0.2% U₃O₈ Cut-off (January 2012)

Zone	Tonnes (T x 1000)	U ₃ O ₈ (%)	Ag (g/t)	Mo (%)	Cu (%)	U ₃ O ₈ (Mlbs)	Ag (oz x 1000)	Mo (Mlbs)	Cu (Mlbs)
Main	923	0.79	13.3	0.22	0.15	16.06	393.0	4.57	3.13
Western Extension	598	0.57	19.0	0.04	0.38	7.54	365.4	0.59	4.97
Eastern Extension	258	0.62	20.8	0.18	0.32	3.53	172.8	1.02	1.82
Total	1779	0.69	16.3	0.16	0.25	27.13	931.1	6.17	9.92

In October 2011, Kivalliq announced that three zones discovered by RC drilling within 3 kilometres of the Lac Cinquante resource area were corroborated by diamond drilling: **Eastern Extension, Pulse Zone and Spark Zone**.

Two priority targets tested warrant diamond drilling in 2012, based on similarities to the geological and geophysical signatures of "unconformity related" targets **YAT Zone** and **Spark Zone**.

Over 22 targets were tested by RC drilling property wide in 2011, with 45 of 88 RC holes drilled generating anomalous greater than 500 cps.



On October 25, 2011, Kivalliq provided assay results from diamond drilling at the **Western Extension**, located 450 metres along the strike and west of the Lac Cinqante Deposit.

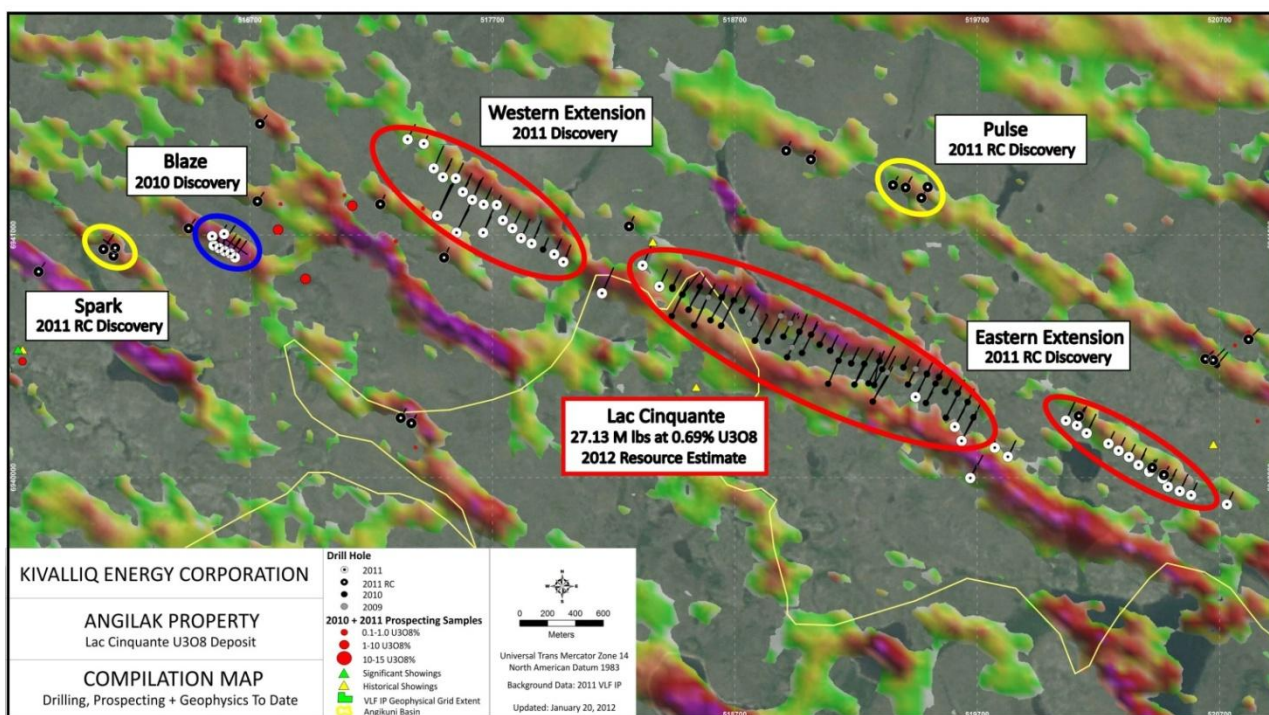
Highlights include:

- 2.02% U₃O₈, 19.7 g/t Ag, 1.42% Cu, over 0.8 meters in 11-LC-109
- 1.21% U₃O₈, 190.4 g/t Ag, 0.87% Cu, over 0.8 metres in 11-LC-120
- 0.98% U₃O₈, 14.3 g/t Ag, 0.29% Cu, over 1.1 meters in 11-LC-115
- 0.83% U₃O₈, 37.3 g/t Ag, 0.44% Cu, over 1.5 meters in 11-LC-119

The high grade values from these intervals, including the deepest intersected on the Angilak Property to date, clearly demonstrate the growth potential at depth, The Western Extension strike length is 500 metres; future drilling will test along strike and to depth. High-grade uranium and polymetallic assay results from the Western Extension continue to add significant value to the Lac Cinqante trend.

Kivalliq’s 2011 drill results on exploration targets demonstrate the potential to identify additional mineralized zones near the resource area and verify the success of The Company’s targeting techniques on previous untested conductive trends parallel to the Lac Cinqante.

On December 19, 2011, Kivalliq provided assay results from diamond drilling at the **Eastern Extension**, located 400 metres along strike and east of the Lac Cinqante Deposit. Disclosed results were from the final 20 of 44 core holes drilled in total at the Eastern Extension.



Highlights include:

- 6.01% U₃O₈, 8.2 g/t Ag, 0.22% Cu, 0.14% Mo over 0.3 metres in 11-LC-099
- 2.69% U₃O₈, 34.8 g/t Ag, 2.04% Cu, 0.27% Mo over 0.6 metres in 11-LC-102
- 1.39% U₃O₈, 10.8 g/t Ag, 0.03% Cu, 0.18% Mo over 0.9 metres in 11-LC-078
- All 44 holes drilled at Eastern Extension have now been reported

On January 10, 2012, Kivalliq provided assay results from `1,732 metres of diamond drilling in 14 holes conducted at the **Blaze/Spark, Pulse and Joule Zones**.

Exploration Drilling Highlights are:

- 0.62% U₃O₈, 1.6 g/t Ag, 0.01% Cu, over 0.7 metres in 11-523-001 (Pulse)
- 0.44% U₃O₈, 12.8 g/t Ag, 0.59% Cu, over 2.3 metres in 11-523-002 (Pulse)
- 0.21% U₃O₈, 7.5 g/t Ag, 0.03% Cu, over 3.4 metres in 11-523-002 (Pulse)
- 0.43% U₃O₈, 16.3 g/t Ag, 0.27% Cu, over 7.6 meters in 11-BZ-020 (Blaze)
- 0.90% U₃O₈, 17.0 g/t Ag, 0.25% Cu, over 2.1 meters in 11-BZ-021 (Blaze)
- 0.49% U₃O₈, 12.3 g/t Ag, 0.03% Cu, over 1.5 meters in 11-BZ3-001 (Spark)

These results demonstrate the Company's success at identifying a growing number of mineralized targets near the resource area.

Lac Cinquante remains open along strike to the east, west and at depth, demonstrating potential to increase the size of the resource of the Deposit. In 2010, step-out drill hole 10-LC-013 intersected 0.21% U₃O₈ over 1.96 metres, approximately 500 metres west of the resource drilling.

This hole was later determined to be part of the Western Extension Zone, and now forms part of the updated resource estimate for Lac Cinquante. Drill hole intercepts from 30 to 327 metres vertically at the Western Extension Zone were incorporated into the resource estimate.

Management

John Robins, P.Geo. – Chairman, is a professional geologist with over 25 years of experience as an independent exploration geologist and entrepreneur. A 1984 graduate of the University of British Columbia with a Bachelor of Science in Geology, he initially worked as a self employed prospector and geologist in BC and Northern Canada. In 1988, Mr. Robins founded Hunter Exploration Group, one of Canada's most successful private exploration companies. He has also been active in starting several successful public exploration and development companies culminating in 2005 with his co-founding of the Discovery Group of Companies. Mr. Robins also sits on the Boards of several successful publically traded exploration companies. His experience in everything from grass roots exploration to production is complemented by his success in the capital markets and financing activities.

Jim Paterson , B.Comm. - CEO, Director, B.Comm., has over 14 years of corporate experience with several North American publicly traded companies, participating in acquisitions, joint-ventures, spin-outs, reverse transactions and IPO's. Since January 2010, Jim has been involved as an executive or as an active director of companies which have raised in excess of \$125 million in equity financings. Mr. Paterson founded, was President & CEO, and Director of Corsa Capital – a company which acquired and capitalized coal mining assets in the USA. He also serves as a director of Kaminak Gold, Niblack Mineral Development, and Indicator Minerals. – all mineral exploration companies listed on the TSX Venture Exchange.

Dr. Rob Carpenter, Ph.D., P.Geo. – Director, is one of the founders behind Kaminak Gold and Kivalliq and is a practicing professional geologist. He has been involved in all aspects of precious and base metal exploration for over 16 years. Dr. Carpenter has more than ten years of experience with BHP-Billiton, Placer Dome, and WMC Resources, focusing primarily on early stage exploration projects throughout Canada, Australia and the United States. While with WMC Resources, he spent time on gold and nickel projects throughout North America. More recently, he spent three years with the Federal Department of Indian and Northern Affairs of Canada. After his federal government employment, Dr. Carpenter served as Senior Exploration Geologist for Committee Bay Resources and the Hunter Exploration Group for two years.

Jim Dawson, M.Sc., P.Eng. – Director, serves as President of Dawson Geological Consulting, a geological consulting company. He has been a Professional Consulting Geologist for over thirty years, and has been a Director of Public Companies In the Mineral Resource Industry for almost twenty years. Also, he has managed his own consulting geological firm for many years.

As a partner with Kerr, Dawson & Associates from 1972 to 1985, he participated in the discovery of the Blackdome Mine, Frasergold and Taurus Properties in British Columbia and the Big Horn Mine in Arizona. He has been an Independent Director of Minefinders and has been a Director of Member of Technical Advisory Board of Kaminak Gold and served as a Director of Great Southern Enterprises. Mr. Dawson was part of the original Pan Ocean team which made the discovery of the Lac Cinquante U-Mo Occurrence in 1975.

Garth Kirkham, BSc, P.Geo, P.Geoph – Director, completed his degree with majors in Geophysics, Geology and Mathematics. Mr. Kirkham is the past-Chair and President of the Mineral Deposits Division of the Geological Association of Canada along with being on Councilor. Now after 25 years of 3D computer modeling for the geosciences, he is currently heading Kirkham Geosystems which provides consulting services to the environmental, mining, geotechnical and oil & gas industries. He is also the Vice President and Chair of the Technical Advisory Committee for GeoScience BC.

Dale Wallster – Director, is a geologist and a prospector with over 30 years experience in North American mineral deposit exploration, with a focus on the targeting and discovery of unconformity-related uranium deposits since 2002. He was president and founder of Roughrider Uranium Corp., a company acquired by Hathor Exploration Limited in 2006 for its 1,000,000 acres of strategically located uranium properties in the Athabasca Basin. Dale and his team are widely credited in the mineral exploration sector for the discovery of the Hathor's Roughrider deposit. In January 2012, Hathor became a wholly-owned subsidiary of Rio Tinto as part of a CAD\$650 million acquisition. Kivalliq will benefit greatly from Dale's guidance at a board level.

Jonathan Singh, BAccS, CGA – CFO, has over 17 years of experience in the various areas of tax, financial reporting, internal audit and treasury, for both publicly traded resource companies and public practice accounting firms. Previously, Mr. Singh held various financial roles in the mineral resource industry, including serving as corporate controller for Magma Energy. (a predecessor to Alterra Power Corp.) and Silver Standard Resources, as well as working in the tax group for KPMG.

Andrew Berry - VP Operations, holds a technical diploma in exploration geology from Sir Sandford Fleming College in Ontario. He has more than 25 years experience with surface and underground programs exploring and developing precious metal, base metal and diamond deposits in Canada, South America and Africa. Mr. Berry was an integral member of Flanagan McAdam and the Muscocho Group, developing mining projects in Ontario, British Columbia and the Yukon. As Project Manager with Ashton Mining of Canada and Stornoway Diamond, he gained more than 15 years of logistical experience exploring and operating in Canadian Arctic environments.

Jeff Ward, BSc, P.Geo – President, BSc, P.Geo, is a registered professional geologist in British Columbia and Alberta. He has over 25 years experience exploring for base metals, precious metals and diamonds with companies such as Corona, Ashton Mining of Canada, and Stornoway Diamond. Mr. Ward's experience ranges from reconnaissance to advanced-stage projects throughout Canada's north. As Regional Project Manager, he directed exploration programs in the Northwest Territories, Nunavut and Alberta for over ten years and was responsible for program design, supervision, compliance, joint venture management and stakeholder relations.

Finance

On March 5, 2011, Kivalliq closed the final tranche of a Cdn\$ 5.15 million non-brokered private placement for an aggregate of 10.3 million common shares at a price of Cdn\$ 0.50 per share.

On January 30, 2012, Kivalliq announced a non-brokered private placement financing to raise gross proceeds of Cdn\$ 7.4 million by issuing up to 16 million common shares, including 13 million common shares at a price of Cdn\$ 0.45 per share and 3 million common shares on a flow-through basis at a price of Cdn\$ 0.52 per flow-through share. Closing of the Offering is anticipated to occur on or about February 16, 2012.

The Company's current cash position is approximately Cdn\$ 2 million.

Investment recommendation:

Kivalliq is the first uranium exploration and development company in Canada to sign a comprehensive agreement with the Inuit of Nunavut to explore for uranium on Inuit owned lands in **Nunavut**.

Kivalliq's flagship project, the 225,000 acre **Angilak Property** in Nunavut, hosts the high-grade **Lac Cinquante Deposit**, along with 9 additional high priority target areas.

Since acquiring the Angilak Property in 2008, the Company has invested approximately Cdn\$ 30 million conducting systematic exploration.

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Kivalliq's 2011 exploration results demonstrate the Company's success at identifying a growing number of mineralized targets near the resource area.

Lac Cinquante remains open along strike to the east, west and at depth, demonstrating potential to increase the size of the Deposit.

With the Inferred Mineral Resource estimate having increased by 92% to 27.13 million pounds U₃O₈ and good prospects to increase the resource further in 2012, in our view, at a current market capitalization of Cdn\$ 58.0 million, the shares of Kivalliq are substantially undervalued.

Our first price objective is Cdn\$ 1.00.