Kirkland Lake Gold Inc.

Financial Statements
April 30, 2005 and 2004
(expressed in Canadian dollars)

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Independent Auditors' Report

To the Shareholders of
Kirkland Lake Gold Inc.

We have audited the balance sheets of **Kirkland Lake Gold Inc.** as at April 30, 2005 and 2004 and the statements of operations and deficit and cash flows for each of the years in the three-year period ended April 30, 2005. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended April 30, 2005 in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, B.C., Canada
June 24, 2005

Kirkland Lake Gold Inc.

Balance Sheets

As at April 30, 2005 and 2004

(expressed in Canadian dollars)

	2005 $	2004 $
Assets		
Current assets		
Cash and cash equivalents	8,632,547	11,720,591
Accounts receivable	780,158	435,006
Inventories (note 4)	4,176,844	1,527,553
Prepaid expenses and deposits	227,277	323,194
	13,816,826	14,006,344
Investments (note 3)	725,000	190,000
Deferred finance charges (note 8)	-	233,591
Mineral properties (note 5)	20,227,298	14,118,836
Property, plant and equipment (note 6)	10,922,002	9,937,904
Mine closure bonds (note 9)	2,043,435	2,043,435
	47,734,561	40,530,110
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	9,840,439	7,474,220
Convertible loans (note 8)	-	3,088,818
	9,840,439	10,563,038
Mortgage payable	54,500	84,000
Asset retirement obligation (note 9)	2,110,583	2,043,435
	12,005,522	12,690,473
Shareholders' Equity		
Capital stock (note 10)		
Authorized		
Unlimited common shares without par value		
Issued		
45,429,262 (2004 - 36,479,606) common shares	89,070,106	51,956,501
Options (note 11)	1,184,062	170,451
Warrants (note 12)	3,841,480	4,983,765
Equity component of convertible loans	-	271,839
Contributed surplus	160,755	18,010
Deficit	(58,527,364)	(29,560,929)
	35,729,039	27,839,637
	47,734,561	40,530,110

Operations, going concern and measurement uncertainty (note 1)

Contingencies and commitments (note 16)

Approved by the Board of Directors

(signed) Brian E. Bayley Director   (signed) S. Paul Kostuik Director

The accompanying notes are an integral part of these financial statements.

Kirkland Lake Gold Inc.

Statements of Operations and Deficit

For the years ended April 30, 2005, 2004 and 2003

(expressed in Canadian dollars, except per share amounts)

	2005 $	2004 $	2003 $
Mining revenue	22,156,105	9,807,106	11,704,639
Operating costs	36,217,949	25,045,418	10,787,637
Amortization and depletion	2,354,335	1,229,508	785,337
	(16,416,179)	(16,467,820)	131,665
General and administrative	2,219,775	1,808,263	2,242,602
Stock-based compensation	628,017	81,515	22,133
Royalties	677,132	280,105	236,216
Exploration	8,127,896	3,124,589	1,798,836
Amortization of finance charges	866,755	520,472	237,016
Interest and bank charges	391,495	419,807	598,488
Foreign exchange loss	11,601	642	142
Interest and other income	(174,545)	(87,055)	(68,789)
	12,748,126	6,148,338	5,066,644
Future income tax recovery (note 15)	(1,005,120)	-	-
Loss for the year	(28,159,185)	(22,616,158)	(4,934,979)
Deficit - Beginning of year	(29,560,929)	(6,944,771)	(2,009,792)
Adjustment on adoption of accounting standard	(807,250)	-	-
Deficit - End of year - as restated	(58,527,364)	(29,560,929)	(6,944,771)
Basic and diluted loss per share	(0.68)	(0.76)	(0.25)
Weighted average number of shares outstanding	41,611,019	29,693,146	19,942,514

The accompanying notes are an integral part of these financial statements.

Kirkland Lake Gold Inc.

Statements of Cash Flows

For the years ended April 30, 2005, 2004 and 2003

(expressed in Canadian dollars)

	2005 $	2004 $	2003 $
Cash flows from operating activities			
Loss for the year	(28,159,185)	(22,616,158)	(4,934,979)
Items not affecting cash			
Future income tax recovery	(1,005,120)	-	-
Amortization and depletion	2,354,335	1,229,508	785,337
Accretion of interest and amortization of finance charges	894,633	694,930	606,163
Stock-based compensation	628,017	81,515	22,133
	(25,287,320)	(20,610,205)	(3,521,346)
Changes in non-cash working capital items			
Accounts receivable	(345,152)	(121,838)	(183,118)
Inventories	(2,649,291)	(944,263)	(583,290)
Prepaid expenses and deposits	95,917	121,026	(313,422)
Accounts payable and accrued liabilities	2,366,219	4,009,748	2,498,277
Mortgage payable	(29,500)	-	-
	(25,849,127)	(17,545,532)	(2,102,899)
Cash flows from financing activities			
Net proceeds from issuance of capital stock	32,457,074	37,715,175	9,981,917
Proceeds from issuance of convertible loans	2,406,250	1,000,000	2,500,000
Finance charges	-	-	(25,000)
Payment of notes payable and convertible loans	(2,187,500)	(2,000,000)	(3,312,500)
	32,675,824	36,715,175	9,144,417
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,275,181)	(4,839,072)	(857,584)
Purchase of investments	(10,535,000)	-	-
Proceeds from sale of investment	10,000,000	-	-
Additions to mineral properties	(7,104,560)	(6,274,587)	(6,188,717)
	(9,914,741)	(11,113,659)	(7,046,301)
(Decrease) increase in cash and cash equivalents	(3,088,044)	8,055,984	(4,783)
Cash and cash equivalents - Beginning of year	11,720,591	3,664,607	3,669,390
Cash and cash equivalents - End of year	8,632,547	11,720,591	3,664,607

Supplemental cash flow information (note 18)

The accompanying notes are an integral part of these financial statements.

(expressed in Canadian dollars)

1 Operations, going concern and measurement uncertainty

Operations

Kirkland Lake Gold Inc. (formerly Foxpoint Resources Ltd.) (the company) owns gold mining and milling operations in Kirkland Lake, Canada, which were inactive when acquired in December 2001.

Going concern

While the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, certain historical adverse conditions and events cast substantial doubt upon the validity of this assumption.

During the years ended April 30, 2005, 2004 and 2003, the company incurred losses of $28.2 million, $22.6 million and $4.9 million, respectively. Cash flow required for operating activities, including exploration costs charged to operations of $13.1 million, aggregated $45.5 million for the three years in total. The funds required to continue operations and exploration activities during this period have been financed primarily from the issue of equity or convertible debt instruments.

At April 30, 2005, the company has working capital of $4.0 million and has committed to expend $2.2 million on eligible flow-through expenditures before December 31, 2005.

Management estimates that these funds, together with cash flow from targeted operations, will be sufficient to meet the company's obligations and capital expenditure plans for the coming year.

Differences will occur between actual results and those targeted by management, and those differences may be material. It is possible that the operations will not generate sufficient cash flow for the company to continue in the normal course without funding being provided from outside sources.

Management has been successful in obtaining sufficient funding for its operating and capital and exploration requirements in the past and believes that it will be able to do so in the future, if necessary. There is, however, no assurance that such funding will be available to the company, or that it will be available on terms which are acceptable to management. If this occurs, the company may not be able to continue as a going concern.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the company be unable to continue as a going concern.

(expressed in Canadian dollars)

Measurement uncertainty

The company's history of operating losses from mining operations indicate at April 30, 2005, that the recorded costs for mineral properties and related fixed assets may not be recoverable. Management estimates, using a constant gold price of Canadian $525 per ounce and operating costs similar to historical costs incurred over the past year, that annual production of approximately 81,000 ounces in fiscal 2006 and between 73,000 ounces and 78,000 ounces for each year thereafter would be required to cover costs of operations and estimated capital expenditures required for mining operations. To-date the company has not been successful in achieving and sustaining this rate of production. To recover these costs, and the carrying values of mineral properties and other mining assets, over the life of the mine will require a significant increase in tonnage of ore processed and ounces of gold produced annually, a reduction in the workforce and associated mining costs through the curtailment of certain development projects, or both.

Management believes that the increase in production can be achieved due to operating improvements which are expected to result from the following:

- The completion over the past year of the mine dewatering at all production levels, providing physical access to previously unavailable mine levels for both improved production planning and higher volume production;

- The ongoing staff training program underway with the objective of enhancing the mining skills of the company's workforce, improving worker retention and therefore improving production volumes;

- The availability, commencing in August 2005, of an ore loading pocket at the 5700 foot level which will increase hoisting volume and permit enhanced access to large ore blocks on lower levels;

- The expanded use of long-hole stoping production methodology which will improve production efficiencies;

- The reduction of development waste rock quantities mined in relation to development and production ore quantities, resulting in increased volumes and improved grades of ore available for milling;

- The addition of new equipment allowing for more mechanization in operations and resulting in higher production volumes at lower cost per ton than previously experienced.

There is significant uncertainty associated with the ability of the company to achieve the increase in production or reduction in costs necessary to recover the carrying value of the mineral property and related assets. Gold price or Canadian/U.S. dollar exchange rate movements, the success of the company in realizing the benefit of the production improvements noted above, changes in the costs of labour and other costs or unforeseen production difficulties all would have an impact on the ability of the company to achieve its goals from operations. The amount of working capital currently available for use by the company could mean that a minor adverse development could have a significant impact on the company's operations and ability to recover costs.

(expressed in Canadian dollars)

As at April 30, 2005, management has determined that the value recorded for mineral property and fixed assets is not impaired, based on the operations improvements set out above, the mine's updated reserves and resource model, the number of high quality underground exploration targets identified and currently being explored within the Kirkland Lake mineral property and available public information about prices achieved for purchase transactions involving other mineral properties. Although no impairment was determined at this time, near term changes in gold prices, the Canadian/U.S. dollar exchange rate, the results of the operations improvements noted above or the lack of success of ongoing exploration programs in locating additional reserves could result in the determination that the assets are impaired and such impairment could be material.

2 Significant accounting policies

Generally accepted accounting principles

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada.

Stock-based compensation

Effective May 1, 2004, the company adopted the Canadian Institute of Chartered Accountants (CICA) amendments to Section 3870. The standard sets out a fair value approach that is required for all stock-based transactions. Prior to May 1, 2004, the company used the intrinsic value-based method to account for its employee stock incentive plan, and therefore no compensation expense had been recognized under the plan for stock options issued to employees and directors. This change in policy has been applied retroactively without restatement of prior periods as allowed under the section.

Stock-based compensation on options is recorded as an expense over the period the options vest, based on the fair value estimated based on the Black-Scholes option pricing method.

The restatement resulted in a cumulative increase of $807,250 to the opening deficit at May 1, 2004 and increases of $132,009, $54,030 and $621,211 to share capital, contributed surplus, and options respectively.

(expressed in Canadian dollars)

Asset retirement obligation

On May 1, 2004 the company retroactively adopted the new CICA accounting standard, Section 3110 for "Asset Retirement Obligations". Operating under this Section, future obligations to retire an asset or property are recognized and recorded as a liability at fair value as at the time the asset is acquired or the event occurs giving rise to such an obligation. At each reporting period, asset retirement obligations are increased to reflect the interest element (accretion expense) considered in the initial fair value measurement of the liabilities. In addition, an asset retirement cost is added to the carrying amount of the related asset and depreciated over the life of the asset. The capitalized asset retirement cost is amortized on the same basis as the related asset and along with the accretion expense, is included in net income. The adoption of this standard did not have any material impact on the company's financial position or results.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Areas, significant to the company's business, where management's judgement is applied are mineral reserves and resource, stock-based compensation, contingent liabilities, gold inventory in circuit, environmental and closure obligations. By their nature such estimates are subject to measurement uncertainty. Actual results could differ from these estimates, and these estimates may be subject to change in the future.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturity of 90 days or less at the date of acquisition.

Investments

Investments represent term deposits with an initial maturity of greater than 90 days. Short-term investments are restricted to deposits with major Canadian banks and/or commercial paper of investment grade issuers. Short-term investments are carried at the lower of cost and market value.

Inventories

Dore bars, gold in process, and stockpile ore are recorded at the lower of average production cost and net realizable value. Production costs include all direct costs plus fixed costs associated with the mine site. The company uses a rolling period average cost to value the inventory of gold on hand and in process. Mine operating supplies are valued at average cost less allowance for obsolescence.

(expressed in Canadian dollars)

Mineral properties and deferred exploration costs

The company expenses exploration expenditures and near term ore development costs as incurred. Property acquisition costs and longer term mine development costs incurred to expand ore reserves are deferred and depleted on a units-of-production basis over proven and probable reserves which are currently accessible by the company. Management's estimate of gold price, recoverable proven and probable reserves, operating, capital and reclamation costs are subject to risk and uncertainties affecting the recoverability of the company's investment in mineral properties. The company assesses capitalized costs for recoverability on an annual basis or more frequently if changes in circumstances suggest possible impairment. Where information is available and conditions suggest impairment, estimated future net cash flows are calculated using estimated future prices, reserves and operating, capital and reclamation costs on an undiscounted basis. If the net carrying value of the property exceeds the estimated future net cash flows, the property will be written down to the present value of the discounted net cash flows.

Management's estimate of future gold prices, recoverable proven and probable reserves, operating, capital and reclamation costs are subject to risk and uncertainties affecting the recoverability of the company' investment in mineral properties. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term, which could adversely affect the future net cash flows to be generated from the property.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a straight-line basis over the following terms:

Computer equipment	3 years
Vehicles	5 years
Mine and mill equipment	10 years
Buildings	10 years

Revenue recognition

The company sells its gold bullion in the spot market. Revenue is recognized on title transfer of the gold to purchasers which occurs when the gold is received by the purchaser. Adjustments to accounts receivable, if any, between the date of title transfer and the settlement date are recorded when determined.

Foreign currency translation

The company generally seeks to sell its gold in Canadian dollars. To the extent these transactions are denominated in foreign currencies, they are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Gains and losses arising from restatement of foreign currency monetary assets and liabilities and transactions are included in statement of operations and deficit.

(expressed in Canadian dollars)

Income taxes

The company uses the liability method of accounting for future income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Flow-through shares

The company from time-to-time issues flow-through shares to finance a portion of its Canadian exploration program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The company has adopted the requirements of EIC-146, accordingly, to the extent that the company does not have unrecognized loss carry-forwards to offset any firm liabilities, share capital is reduced and a future tax liability is recorded equal to the estimated amount of the future income tax liability of the company as a result of the renunciations made.

Loss per common share

The company follows the treasury stock method in the calculation of diluted earnings per share. Loss per share is calculated using the weighted average number of common shares issued and outstanding during the year.

3 Investments

The company's investments include $225,000 held as collateral to provide a letter of credit for the same amount to the Independent Electricity Market Operator as security for payment in connection with ongoing electricity usage, and $500,000 term deposit held as collateral by the Royal Bank of Canada to cover payroll electronic file transfers.

4 Inventories

	2005 $	2004 $
Mine operating supplies	979,647	626,146
Gold in process	2,164,540	719,232
Dore bars	858,825	182,175
Surface stockpile	173,832	-
	4,176,844	1,527,553

(expressed in Canadian dollars)

5 Mineral properties

The company's mineral properties comprise five contiguous mining properties in and around Kirkland Lake, Ontario.

	2005 $	2004 $
Balance - Beginning of year	14,118,836	8,117,495
Rehabilitation and development costs	7,104,561	6,274,587
Depletion	(996,099)	(273,246)
Balance - End of year	20,227,298	14,118,836

	2005 $	2004 $
Acquisition allocation	738,670	781,127
Underground development	16,518,329	10,427,302
Underground pumping	1,906,484	1,946,609
Mill and surface facilities rehabilitation	138,691	146,640
Lakeshore underground access ramp	925,124	817,158
	20,227,298	14,118,836

6 Property, plant and equipment

			2005
	Cost $	Accumulated amortization $	Net $
Computer equipment	388,152	160,954	227,198
Vehicles	82,759	36,847	45,912
Mine and mill equipment	13,076,107	2,912,673	10,163,434
Buildings	591,822	106,364	485,458
	14,138,840	3,216,838	10,922,002

(expressed in Canadian dollars)

			2004
	Cost $	**Accumulated amortization** $	**Net** $
Computer equipment	162,724	75,075	87,649
Vehicles	78,142	20,768	57,374
Mine and mill equipment	11,366,457	1,762,758	9,603,699
Buildings	189,182	-	189,182
	11,796,505	1,858,601	9,937,904

7 Notes payable

The company signed notes payable in connection with the acquisition of the mining properties and mining assets in Kirkland Lake, Ontario. The notes were non-interest bearing and were repayable on various dates from June 2002 through December 13, 2003. The notes have been discounted at 10% per annum, which is estimated to be consistent with similar borrowings which would have been available to the company. These notes payable were fully accreted and repaid during the year ended April 30, 2004. During the year ended April 30, 2004, accretion of interest was $73,151 and payments were $2,000,000.

8 Convertible loans

a) On June 11, 2004, the company completed loan financing of $2,406,250. The loan had a term of six months and bore interest at the rate of 10% per year.

The principal amount of the loan was convertible at the lenders' option into common shares at the rate of $4.40 per common share.

The company determined the value of the equity conversion feature of the convertible loans was $346,344 using the Black-Scholes option pricing model. The remainder of $2,059,906 was classified as debt.

The lenders received an aggregate of 54,140 common shares as a bonus for making the loans. These common shares had a fair value of $216,019 which was amortized over the term of the loan.

On December 11, 2004, this promissory note was converted into 546,875 common shares of the company.

(expressed in Canadian dollars)

b) On June 10, 2003, the company completed loan financing of $1,000,000. The loan had a term of eighteen months, which could be extended for eighteen months at the company's option (see below), and bore interest at the rate of 10% per year.

The principal amount of the loan was convertible at the lenders' option into common shares at the rate of $4.00 per common share and the accrued interest was convertible into common shares at the rate equal to the higher of $4.00 per common share or the then market price of the company's shares.

The company determined the value of the equity conversion feature of the convertible loans was $189,111 using the Black-Scholes option pricing model. The remainder of $810,889 was classified as debt.

On August 11, 2003, the lenders received an aggregate of 75,000 common shares at $3.00, as a bonus for making the loans, which were determined to have a fair value of $225,000 and were amortized over the initial term of the loan.

On February 11, 2005, this loan was converted into 250,000 common shares of the company.

c) On June 11, 2002, the company completed a loan financing of $2,500,000. The loans had a term of one year, which was extended for one year at the company's option and bore interest at a rate of 10% per year.

The principal amount of the loans were convertible at the lenders' option into special warrants at the rate of $4.00 per special warrant and the accrued interest is convertible into special warrants at the rate equal to the higher of $4.00 per special warrant or the then market price of the company's shares. Each special warrant, including those issued as a bonus, was exercisable, without further consideration, to acquire one common share of the company.

The company determined the value of the equity conversion feature of the convertible loans was $94,546 using the Black-Scholes option pricing model. The remainder of $2,405,454 had been classified as debt.

The lenders received an aggregate of 125,000 special warrants exercisable at deemed value of $2.05 for 10 years, as a bonus for making the loans, which were recorded as finance charges at an estimated fair value of $218,266. The special warrants were converted into common shares on February 21, 2003.

During the year ended April 30, 2003, the company repaid part of the convertible loans with a face value of $312,500. As a result of the redemption $11,818 of the value of the equity conversion feature of the convertible loans was transferred to contributed surplus leaving a balance of $82,728 as the equity component of convertible loans.

On December 5, 2003, the lenders received 109,375 common shares, at a fair value of $4.78 per share to extend the maturity date of the $2,187,500 note payable to June 11, 2004. The fair value of the shares has been recorded as finance charges of $522,813 and was amortized over the remaining term of the loan.

On June 11, 2004, the loan was repaid.

(expressed in Canadian dollars)

d) A summary of deferred finance charges incurred and amortization during the period is shown below:

	2005 $	2004 $
Balance - Beginning of year	233,591	6,250
Finance charges incurred	216,019	747,813
Less: Amortization	(449,610)	(520,472)
Balance - End of year	-	233,591

9 Asset retirement obligation

The company has assumed responsibility for the reclamation and site restoration plans originally filed with the Ontario Ministry of Northern Development and Mining (MNDM) in connection with all the Kirkland Lake properties. The estimated total costs of reclamation and site restoration at April 30, 2005 are $2,658,500 and financial assurance has been provided to the MNDM by way of mine closure bonds in the amount of $2,043,435.

A reconciliation for asset retirement obligations is as follows:

	2005 $	2004 $
Balance - Beginning of year	2,043,435	2,043,435
Revisions in estimated cash flows	67,148	-
Balance - End of year	2,110,583	2,043,435

There were no liabilities incurred or settled during 2005 and 2004.

The provision for asset retirement obligations is based on the following key assumptions.

- The total undiscounted cash flow as at April 30, 2005 is $2,658,500.
- The expected settlement to be in 2011.
- A credit adjusted risk free rate at which the estimated payments have been discounted of 6%.

(expressed in Canadian dollars)

10 Capital stock

	Number of shares	Amount $
Balance - April 30, 2002	17,978,504	7,177,882
Exercise of options	97,500	184,721
Exercise of warrants	2,375,162	4,270,874
Private placements	3,625,000	7,075,000
Share issuance costs	-	(950,895)
Balance - April 30, 2003	24,076,166	17,757,582
Exercise of options	605,950	931,246
Exercise of warrants	1,558,986	3,268,701
Private placements	10,054,129	36,043,993
Convertible loan	184,375	747,813
Share issuance costs	-	(2,052,186)
Share proceeds allocated to warrants	-	(4,740,648)
Balance - April 30, 2004	36,479,606	51,956,501
Exercise of options	362,051	1,108,398
Exercise of warrants	1,298,568	5,328,575
Private placements	6,438,022	30,605,689
Convertible loan	851,015	4,157,724
Share issuance costs	-	(2,843,594)
Share proceeds allocated to warrants	-	(238,067)
Future income tax liability	-	(1,005,120)
Balance - April 30, 2005	45,429,262	89,070,106

a) On June 21, 2002, the company closed a brokered private placement of 1,000,000 shares at a price of $2.35 per share for gross proceeds of $2,350,000. The agent also received a compensation option to purchase 100,000 common shares for a period of 24 months at a price of $2.35 per share. The company incurred commissions, fees and legal costs totalling $169,851 in connection with this placement. The agent's options have been recorded at a fair value of $81,276.

b) On December 30, 2002, the company closed a brokered private placement of 2,625,000 shares at a price of $1.80 per share for gross proceeds of $4,725,000. The agent also received 393,750 warrants exercisable at $2.05 until June 30, 2004 as compensation for the placement. The company incurred commissions, fees and legal costs totalling $465,834 in connection with this placement. The agent's warrants have been recorded at a fair value of $233,935.

(expressed in Canadian dollars)

c) On August 8, 2003, the company closed the first of two tranches of a private placement of 3,755,000 units. In the first tranche, the company sold 3,554,000 units at $2.60 per unit to raise gross proceeds of $9,240,400. On August 26, 2003, the company closed the second tranche and sold 201,000 units at $2.60 per unit to raise gross proceeds of $522,600. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant will entitle the holder to purchase a further common share for a period of two years (expiring August 8 and August 26, 2005) at a price of $3.00 per share. The company incurred commissions, fees and legal costs totalling $538,080 in connection with this placement. The share purchase warrants issued as part of this placement have been recorded at a fair value of $2,150,084.

d) On August 11, 2003, the company issued 75,000 common shares at a fair value of $3.00 per common share, as a bonus on the $1,000,000 convertible loan financing (note 8(b)).

e) On November 14, 2003, the company completed a flow-through private placement, raising $7,700,000 through the sale of 1,925,000 shares at $4.00 per share. The proceeds from the financing are being used to fund further exploration expenses on the company's Kirkland Lake, Ontario, mining properties. A fee of 5% of the proceeds raised was paid to the agents. The company also issued agents compensation warrants to purchase 96,250 shares, which are exercisable for a period of 24 months (expiring November 14, 2005) at a price of $3.60 per share. The company incurred commissions, fees and legal costs totalling $430,499 in connection with this placement. The compensation warrants issued as part of this placement have been recorded at fair value of $158,788.

f) On December 2, 2003, the company completed a private placement of 2,200,000 units at a price of $3.90 per unit for gross proceeds of $8,580,000. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable for a period of 18 months (expiring June 1, 2005) at a price of $4.40 per share. Two family trusts, the beneficiaries of which are the spouse and sister of the company's Chairman, D. Harry W. Dobson, subscribed for over 50% of the placement. The company incurred commissions, fees and legal costs totalling $406,819 in connection with this placement. The share purchase warrants issued as part of this placement have been recorded at fair value of $1,659,959.

g) On December 5, 2003, the company issued 109,375 common shares, at a fair value of $4.78 per common share, to extend the maturity date of the $2,187,500 note payable to June 11, 2004 (note 8(c)).

h) On April 29, 2004, the company completed a private placement of 2,174,129 units at a price of $4.60 per unit for gross proceeds of $10,000,993. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant will entitle the holder to purchase a further common share for a period of 15 months (expiring July 29, 2005) at a price of $5.20 per share. The company incurred commissions, fees and legal costs totalling $475,000 in connection with this placement. The share purchase warrants issued as part of this placement have been recorded at a fair value of $930,606.

i) On June 11, 2004, the company issued 54,140 common shares at a fair value of $4.40 per common share, as a bonus on the $2,406,250 convertible loan financing (note 8(a)).

(expressed in Canadian dollars)

j) On July 29, 2004, the company closed a brokered private placement of 3,987,730 shares at a price of $4.00 per share for gross proceeds of $15,950,920. The agent also received 199,386 warrants exercisable at $4.00 as compensation for the placement which have been recorded at a fair value of $238,067. The warrants expire January 29, 2006. Share issuance costs totalled $1,803,770.

k) On November 10, 2004, the company completed a placement of 1,950,292 common shares at a price of $6.00 per share for gross proceeds of $11,701,752. Share issuance costs totalled $811,673.

l) On December 11, 2004, a promissory note, in the amount of $2,406,250 was converted into 546,875 common shares (note 8 (a)).

m) On December 22, 2004, the company completed a sale by private placement of 500,000 flow-through common shares at a price of $6.00 per share for gross proceeds of $3,000,000. The proceeds from the financing are to be used to fund exploration of the company's mineral properties. At April 30, 2005, the company has a commitment to incur $2,187,000 of eligible flow-through expenditures before December 31, 2005. Share issuance costs totalled $221,741.

n) On February 11, 2005, a promissory note, in the amount of $1,000,000 was converted into 250,000 common shares of the company.

11 Options

The company has adopted a stock option plan which allows the company to grant options to directors, senior officers and employees of or consultants to the company or employees of a corporation providing management services to the company. The aggregate number of shares which may be subject to issuance pursuant to options granted under this plan is 2,000,000 shares.

The plan provides that the exercise price of an option granted under the plan shall not be less than the market price at the time of granting the option. Options have a maximum term of 10 years and terminate on the 90th day after the optionee ceased to be any of a director, officer, consultant or employee; on the 30th day after the optionee ceased to be an employee or consultant if the optionee was engaged in providing investor relations services for the company; or the earlier of the 90th day and the third month after the optionee ceased to be an employee or officer if the optionee is subject to the tax laws of the United States of America.

Notwithstanding that options can have a maximum term of 10 years it is presently the policy of the company to issue options for terms of five years.

(expressed in Canadian dollars)

The change in stock options issued during the years ended April 30 is as follows:

	2005		2004		2003	
	Number of shares	Weighted average exercise price $	Number of shares	Weighted average exercise price $	Number of shares	Weighted average exercise price $
Options outstanding - Beginning of year	1,426,550	2.16	1,735,000	1.65	1,173,000	1.34
Granted	250,000	4.70	327,500	3.60	679,500	2.20
Exercised	(362,051)	2.06	(605,950)	1.50	(97,500)	1.57
Forfeited	(110,500)	3.67	(30,000)	2.78	(20,000)	1.85
Options outstanding - End of year	1,203,999	2.58	1,426,550	2.16	1,735,000	1.65
Options exercisable - End of year	857,749	1.88	846,550	1.59	1,077,500	1.36

The following table summarizes information about stock options outstanding and exercisable at April 30, 2005:

Exercise price $	Options outstanding	Options exercisable	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
1.10	200,000	200,000	0.91	0.91
1.35	266,000	266,000	1.43	1.43
1.60	13,624	13,624	1.95	1.95
2.45	35,000	35,000	2.10	2.10
2.20	234,875	234,875	2.70	2.70
2.80	47,500	17,500	3.29	3.29
3.95	191,000	90,750	3.58	3.58
4.70	216,000	-	4.41	-
1.10 - 3.95	1,203,999	857,749	2.56	1.96

(expressed in Canadian dollars)

If compensation expense for all grants under the employee stock option plan had been determined by the fair value method for 2004 and 2003 fiscal years, loss and loss per share would have been as follows:

	2004 $	2003 $
Loss for the year		
As reported	(22,616,158)	(4,934,979)
Pro forma	(23,280,332)	(5,096,965)
Basic and diluted loss per share		
As reported	(0.76)	(0.25)
Pro forma	(0.78)	(0.26)

During the year ended April 30, 2005, the company granted 250,000 options to employees and consultants (2004 - 327,500, 2003 - 679,500) with a fair value assigned of $3.03 (2004 - $2.37; 2003 - $1.12) per option.

The fair value of each option at the date of grant was estimated using the Black-Scholes option-pricing method with the following assumptions:

	2005 $	2004 $	2003 $
Expected life of options	5 years	5 years	5 years
Risk-free interest rate	3 - 4%	3 - 4%	3 - 4%
Expected stock price volatility	70%	70%	70%
Expected dividend yield	-	-	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the company's stock option.

During the year ended April 30, 2004, the fair value recorded for stock options granted to non-employees for consulting services was $81,515 (2003 - $22,133). The fair value of these options is estimated using the Black-Scholes option pricing model.

(expressed in Canadian dollars)

The value ascribed to unexercised options recorded as a component of equity is as follows:

	2005 $	2004 $	2003 $
Balance - Beginning of year	170,451	112,362	128,168
Adjustment on adoption of accounting standard			
Accretion of options granted	807,250	-	-
Exercise of options	(132,009)	-	-
Forfeiture of options	(54,030)	-	-
As restated	791,662	112,362	128,168
Accretion of options granted	721,983	81,515	22,133
Exercise of options	(229,640)	(23,426)	(31,747)
Options forfeited	(99,943)	-	(6,192)
Balance - End of year	1,184,062	170,451	112,362

12 Warrants

The changes in warrants outstanding are as follows:

	2005		2004		2003	
	Number of shares	Weighted average exercise price $	Number of shares	Weighted average exercise price $	Number of shares	Weighted average exercise price $
Warrants outstanding - Beginning of year	4,323,647	3.88	1,721,823	1.63	3,478,235	1.53
Granted	199,386	4.00	4,160,810	3.96	618,750	2.10
Exercised	(1,298,568)	3.04	(1,558,986)	1.70	(2,375,162)	1.43
Warrants outstanding - End of year	3,224,465	4.22	4,323,647	3.88	1,721,823	1.63

(expressed in Canadian dollars)

The following table summarized information about warrants outstanding at April 30, 2005:

Exercise price $	**Warrants outstanding**	**Expiry date**
3.00	887,115	August 8 and 26, 2005
3.60	86,250	November 14, 2005
4.00	199,386	January 29, 2006
4.40	1,019,000	June 1, 2005
5.20	1,032,714	July 29, 2005
	3,224,465	

The value ascribed to unexercised warrants recorded as a component of equity is as follows:

	2005 $	**2004** $	**2003** $
Balance - Beginning of year	4,983,765	696,270	1,044,040
Unit proceeds allocated to warrants	-	4,740,649	315,211
Agents warrants issued in private placements	238,070	158,788	218,266
Exercise of warrants	(1,380,355)	(611,942)	(881,247)
Balance - End of year	3,841,480	4,983,765	696,270

13 Financial instruments

The company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and mortgage payable. At April 30, 2005, the carrying values of these instruments approximate their fair values based on the nature of these instruments. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(expressed in Canadian dollars)

14 Related party transactions

The following related party transactions occurred during the year:

a) The company paid office facilities and administration services in the amount of $54,500 (2004 - $49,500) to a company related by directors in common.

b) At April 30, 2005, accounts payable included $3,500 (2004 - $3,953) owing to companies with directors in common. Amounts due to related parties are non-interest bearing and have no fixed terms of repayment.

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.

15 Income taxes

a) Income taxes expenses vary from the amount that would be computed by applying the combined federal and provincial income tax rate of 36.12% (2004 - 36.4%; 2003 - 37.9%) to loss before income tax recovery as follows:

	2005 **$**	**2004** **$**	**2003** **$**
Loss before income taxes recovery	(29,164,305)	(22,616,158)	(4,934,979)
Expected income taxes recovery	(10,534,147)	(8,232,282)	(1,870,357)
Losses for which an income tax benefit has not recognized	7,633,773	6,603,085	1,472,291
Resource allowance and non-deductible items	2,900,374	1,629,197	398,066
Benefit of tax assets not previously recognized	(1,005,120)	-	-
	(1,005,120)	-	-

(expressed in Canadian dollars)

b) Future income taxes reflect the net tax effects of non-capital loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the company's future tax assets and liabilities are as follows:

	2005 $	2004 $	2003 $
Future income tax assets			
Net operating loss carry-forwards	15,227,725	7,365,758	1,040,125
Mineral properties	-	1,646,470	1,845,256
Property, plant and equipment	1,118,820	762,848	269,879
Share issuance costs	1,456,121	1,001,596	361,076
	17,802,666	10,776,672	3,516,336
Less: Valuation allowance	(16,797,546)	(10,776,672)	(3,516,336)
Net future tax assets	1,005,120	-	-
Future income tax liabilities			
Mineral properties	(1,005,120)	-	-
Net future tax asset	-	-	-

c) The company has non-capital losses, which may be carried forward and applied against taxable income in future years. These losses expire during the following years:

	$
2006	162,661
2007	123,249
2008	412,780
2009	916,624
2010	4,150,879
2014	17,920,438
2015	18,473,076
	42,159,707

16 Contingencies and commitments

A net smelter royalty is payable on a sliding scale commencing at 2% if the price of gold sold is equal to or greater than US$300 per ounce and increasing to 4% if the price of gold sold is equal to or greater than US$500 per ounce. The royalty amount due is payable quarterly commencing on the third month anniversary of the commencement of commercial production from any of the properties and terminates upon a maximum aggregate payment of $15 million. During the year ended April 30, 2005, royalties under this agreement amounted to $642,396 (2004 - $280,105).

(expressed in Canadian dollars)

17 Segmented information

The company has one operating segment consisting of a mining and mill operation located in Kirkland Lake, Canada. During the years ended April 30, 2005, 2004, and 2003 all of the company's capital assets, revenues earned, and operations were in Canada.

18 Supplemental cash flow information

Cash and cash equivalents comprise cash on deposit with Canadian chartered banks.

During the years ended April 30, 2005, 2004 and 2003, the company conducted non-cash financing and investing activities as follows:

	2005 **$**	**2004** **$**	**2003** **$**
Warrants issued as share issuance costs	238,067	158,788	312,500
Warrants/common shares issued as finance charges for loan	216,019	747,813	218,266
Value assigned to options/warrant exercised	1,741,992	635,367	912,994
Issuance of shares to settle debt	3,941,705	-	-