
KIRKLAND LAKE GOLD INC.

UNAUDITED INTERIM FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED JULY 31, 2004

(EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READER

We have compiled the balance sheet of Kirkland Lake Gold Inc. as at July 31, 2004 and the statements of operations and deficit and cash flows for the period then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Kirkland Lake, Ontario
September 3, 2004

Ross, Pope & Company.

ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS

KIRKLAND LAKE GOLD INC.

BALANCE SHEETS

AS AT JULY 31, 2004 AND APRIL 30, 2004

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

	JULY 31 2004	APRIL 30 2004
Assets		
Current assets		
Cash and cash equivalents	\$ 3,139,637	\$ 11,720,591
Short-term investments	190,000	190,000
Accounts receivable	501,343	435,006
Inventories (Note 3)	2,043,202	1,527,553
Prepaid expenses and deposits	318,897	323,194
Subscriptions receivable (Note (8.b))	14,280,553	-
	<u>20,473,632</u>	<u>14,196,344</u>
Deferred financial charges (Note 7(c))	236,771	233,591
Mineral properties (Note 4)	15,082,143	14,118,836
Property, plant and equipment (Note 5)	10,114,625	9,937,904
Mine closure bonds	2,043,435	2,043,435
	<u>\$ 47,950,606</u>	<u>\$ 40,530,110</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11(b))	\$ 8,353,477	\$ 7,474,220
Convertible loans (Note 7)	3,087,486	3,088,818
	<u>11,440,963</u>	<u>10,563,038</u>
Mortgage payable	84,000	84,000
Asset retirement obligation	2,043,435	2,043,435
	<u>13,568,398</u>	<u>12,690,473</u>
Shareholders' Equity		
Capital stock (Note 8)		
Authorized		
Unlimited common shares without par value		
Issued		
40,847,438 (April 30, 2004 - 36,479,606) common shares	67,065,894	51,956,501
Options (Note 9) and (Note 2(b))	960,847	170,451
Warrants (Note 10)	5,064,605	4,983,765
Equity component of convertible loans (Note 7)	535,455	271,839
Contributed surplus	154,768	18,010
Deficit (Note 2(b))	(39,399,361)	(29,560,929)
	<u>34,382,208</u>	<u>27,839,637</u>
	<u>\$ 47,950,606</u>	<u>\$ 40,530,110</u>

Nature of operations and going concern (Note 1)

Approved by the Board of Directors:

(signed) "Brian E. Bayley" Director

(signed) "S. Paul Kostuik" Director

See accompanying notes to interim financial statements.

KIRKLAND LAKE GOLD INC.

STATEMENTS OF OPERATIONS AND DEFICIT

THREE MONTHS ENDED JULY 31, 2004 AND 2003

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

	THREE MONTH PERIOD ENDED JULY 31 2004	THREE MONTH PERIOD ENDED JULY 31 2003
Mining revenue	\$ 3,591,536	\$ 707,606
Operating costs	9,368,682	3,797,868
Amortization and depletion	468,021	223,471
Operating income (loss)	<u>(6,245,167)</u>	<u>(3,313,733)</u>
General and administrative	385,745	372,751
Royalties	84,992	14,170
Exploration	1,717,198	252,288
Amortization of finance charges	212,839	6,250
Interest and bank charges	230,425	47,662
Stock-based compensation	171,524	6,607
Interest and other income	(16,708)	(7,612)
	<u>2,786,015</u>	<u>692,116</u>
Loss for the period	(9,031,182)	(4,005,849)
Deficit - beginning of period	(29,560,929)	(6,944,771)
Adjustment on adoption of accounting standards (Note 2(b))	(807,250)	-
Deficit - beginning of period, as restated	<u>(30,368,179)</u>	<u>-</u>
Deficit - end of period	<u>\$ (39,399,361)</u>	<u>\$ (10,950,620)</u>
Basic and diluted loss per share	\$ (0.25)	\$ (0.16)
Basic and Diluted Weighted Average number of shares outstanding	<u>36,749,310</u>	<u>24,377,410</u>

See accompanying notes to interim financial statements.

KIRKLAND LAKE GOLD INC.

STATEMENT OF CASH FLOWS

THREE MONTHS ENDED JULY 31, 2004 AND 2003

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

	THREE MONTH PERIOD ENDED JULY 31 2004	THREE MONTH PERIOD ENDED JULY 31 2003
Cash flows from operating activities		
Loss for the period	\$ (9,031,182)	\$ (4,005,849)
Items not affecting cash		
Amortization and depletion	468,021	223,471
Accretion of interest and finance charges	339,101	53,840
Stock-based compensation	171,524	6,607
Changes in non-cash working capital items		
Accounts receivable	(66,337)	(337,305)
Inventories	(515,649)	(998,578)
Prepaid expenses	4,297	409,083
Accounts payable and accrued liabilities	879,257	1,381,894
	<u>(7,750,968)</u>	<u>(3,266,837)</u>
Cash flows from financing activities		
Net proceeds from issuance of capital stock	559,313	730,860
Proceeds from shares allotted and paid but not issued	-	2,513,990
Proceeds from issuance of convertible loans	2,406,250	1,000,000
Payment of notes payable and convertible loans	(2,187,500)	(1,000,000)
	<u>778,063</u>	<u>3,244,850</u>
Cash flows from (applied to) investing activities		
Purchase of property, plant and equipment	(493,875)	(1,025,896)
Additions to mineral properties	(1,114,174)	(1,905,953)
	<u>(1,608,049)</u>	<u>(2,931,849)</u>
Increase (decrease) in cash and cash equivalents	(8,580,954)	(2,953,836)
Cash and cash equivalents - Beginning of period	11,720,591	3,664,607
Cash and cash equivalents - End of period	\$ 3,139,637	\$ 710,771

Supplemental cash flow information (Note 13)

See accompanying notes to interim financial statements.

KIRKLAND LAKE GOLD INC.

NOTES TO INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED JULY 31, 2004

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN

Kirkland Lake Gold Inc. (the company) owns gold mining and milling operations in Kirkland Lake, Canada, which were inactive when acquired in December 2001 and have been placed back into commercial production. The continued operations of the company are dependent upon the existence of economically recoverable reserves, the ability of the company to obtain financing as required to sustain the development, and upon future profitable production.

At July 31, 2004, the company had working capital of \$9,032,669. Management estimates that these funds, together with funds from operations will be sufficient to meet the company's obligations for the coming year. Actual funds available from operations may vary significantly from management's estimates, due to changes in gold prices and foreign exchange rates, which are outside the control of management, and the success in achieving future production volumes and production costs which the company has not been able to achieve to date. Differences between actual results and management's estimates will occur, and these differences may be material. Accordingly, there is no assurance that operations will result in sufficient funds being available to the company to continue in the normal course.

The company's ability to continue as a going concern is dependent on future financings until the attainment of profitable and cash-generating operations sufficient to sustain the company. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principals ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual audited financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the company's audited financial statements including the notes thereto for the year ended April 30, 2004.

(b) STOCK-BASED COMPENSATION (CHANGE IN ACCOUNTING POLICY)

The company has a stock option plan as described in note 9. Effective May 1, 2004, the company adopted the new accounting standard for stock-based compensation. 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.

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

KIRKLAND LAKE GOLD INC.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT'D)

THREE MONTHS ENDED JULY 31, 2004

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(c) ASSET RETIREMENT OBLIGATION (CHANGE IN ACCOUNTING POLICY)

On May 1, 2004, the company retroactively adopted the new CICA accounting Standard, section 3110 for asset retirement obligations. The adoption has not resulted in a material impact.

3. INVENTORIES

	JULY 31 2004	APRIL 30 2004
Mine operating supplies	\$ 770,502	\$ 626,146
Dore bars	998,610	182,175
Gold in process	274,090	719,232
	<u>\$ 2,043,202</u>	<u>\$ 1,527,553</u>

4. MINERAL PROPERTIES

	JULY 31 2004	APRIL 30 2004
Balance - Beginning of period	\$ 14,118,836	\$ 8,117,495
Additions:		
Development costs	1,114,174	6,274,587
Depletion	(150,867)	(273,246)
Balance - End of period	<u>\$ 15,082,143</u>	<u>\$ 14,118,836</u>

	JULY 31 2004	APRIL 30 2004
Acquisition allocation	\$ 773,360	\$ 781,127
Underground development	11,413,705	10,427,302
Underground pumping	1,940,933	1,946,609
Mill and surface facilities	145,187	146,640
Lakeshore underground access ramp	808,959	817,158
	<u>\$ 15,082,143</u>	<u>\$ 14,118,836</u>

KIRKLAND LAKE GOLD INC.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT'D)

THREE MONTHS ENDED JULY 31, 2004

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

5. PROPERTY, PLANT AND EQUIPMENT

	COST	ACCUMULATED AMORTIZATION	JULY 31 NET
Computer equipment	\$ 256,613	\$ 94,081	\$ 162,532
Mine and mill equipment	11,730,617	2,051,645	9,678,972
Vehicles	78,142	24,674	53,468
Buildings	225,008	5,355	219,653
	<u>\$ 12,290,380</u>	<u>\$ 2,175,755</u>	<u>\$ 10,114,625</u>

	COST	2004 ACCUMULATED AMORTIZATION	APRIL 30 NET
Computer equipment	\$ 162,724	\$ 75,075	\$ 87,649
Mine and mill equipment	11,366,457	1,762,758	9,603,699
Vehicles	78,142	20,768	57,374
Buildings	189,182	-	189,182
	<u>\$ 11,796,505</u>	<u>\$ 1,858,601</u>	<u>\$ 9,937,904</u>

6. ASSET RETIREMENT OBLIGATION

	JULY 31 2004	APRIL 30 2004
Asset retirement obligation	<u>\$ 2,043,435</u>	<u>\$ 2,043,435</u>

TOTAL UNDISCOUNTED ASSET RETIRMENT OBLIGATION	CREDIT ADJUSTED RISK- FREE RATE	ESTIMATED TIMING OF PAYMENT
<u>\$ 2,448,455</u>	<u>3.06 %</u>	<u>2010</u>

KIRKLAND LAKE GOLD INC.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT'D)

THREE MONTHS ENDED JULY 31, 2004

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

7. CONVERTIBLE LOANS

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

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

The company has determined the value of the equity conversion feature of the convertible loans to be \$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. The common shares have been determined to have a fair value of \$216,019 which will be amortized over the term of the loan.

(b) On June 10, 2003, the company agreed in principle to complete a loan financing of \$1,000,000. The loan has a term of eighteen months, which can be extended for eighteen months at the company's option (see below), and bears interest at the rate of 10% per year.

The principal amount of the loan is convertible at the lenders' option into common shares at the rate of \$4.00 per common share and the accrued interest is 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. If the loan is converted or repaid before the first anniversary date of the closing in August 2003, the lenders shall receive one year's worth of interest (excluding interest converted into shares) on the original loan amount.

The company has determined the value of the equity conversion feature of the convertible loans to be \$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 have been determined to have a fair value of \$225,000 and will be amortized over the initial term of the loan.

At the company's option, the maturity date of the loan may be extended 18 months by the issuance of 75,000 common shares. The common shares, when issued, will be subject to a four month hold period from issuance of such common shares.

(c) A summary of deferred finance charges incurred and amortization during the period is shown below.

	JULY 31 2004	APRIL 30 2004
Balance - Beginning of period	\$ 233,591	\$ 6,250
Finance charges incurred	216,019	747,813
Less: amortization	(212,839)	(520,472)
Balance - End of period	<u>\$ 236,771</u>	<u>\$ 233,591</u>

KIRKLAND LAKE GOLD INC.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT'D)

THREE MONTHS ENDED JULY 31, 2004

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

8. CAPITAL STOCK

	Number of shares	Stated value
Balance - Beginning of period	36,479,606	\$ 52,088,510
Exercise of options (Note 9)	98,125	197,989
Exercise of warrants (Note 10)	227,837	654,293
Private placements (Note 8(a)) and (Note (8.b))	4,041,870	16,166,939
Share issuance costs	-	(1,803,770)
Share proceeds allocated to warrants	-	(238,067)
Balance - End of period	40,847,438	\$ 67,065,894

(a) On June 10, 2004, the company issued 54,140 common shares at a fair value of \$3.99 per common share, as a bonus on the \$2,406,250 convertible loan financing (Note 7(a)).

(b) 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. The warrants expire January 29, 2006. The company incurred commissions, fees and legal costs totalling \$1,670,367 in connection with this placement. Cash related to this private placement was received by the company on August 3, 2004.

9. OPTIONS

The company has adopted a stock option plan. The plan allows the company to grant options to directors, senior officers and employees of or consultants to the company and its subsidiaries or employees of a corporation providing management services to the company to acquire up to 2,000,000 common 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 5 years.

Stock options issued to officers, directors, employees and consultants are as follows:

	Number of shares	Weighted average exercise price
Options outstanding - May 1	1,426,550	\$ 2.16
Exercised	(98,125)	1.99
Forfeited	(24,000)	2.68
Options outstanding - July 31	1,304,425	\$ 2.18
Options exercisable - July 31	981,875	\$ 1.54

KIRKLAND LAKE GOLD INC.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT'D)

THREE MONTHS ENDED JULY 31, 2004

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

9. OPTIONS (CONT'D)

The following table summarizes information about stock options outstanding and exercisable at July 31, 2004:

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	1.65	1.65
1.35	295,800	295,800	2.18	2.18
1.60	55,000	55,000	2.70	2.70
2.20	422,625	160,075	3.45	3.45
2.45	35,000	35,000	2.85	2.85
2.80	60,000	-	4.04	-
3.95	236,000	236,000	4.33	4.33
\$1.10 - \$3.95	1,304,425	981,875	3.02	2.38

The company grants all employee stock options with an exercise price equal to the market value of the underlying common shares on the date of grant. Compensation costs for all grants under the employee stock option plan have been determined by the fair value method. Compensation expense recorded for the three months ended July 31, 2004 was \$147,806.

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

	JULY 31 2004	APRIL 30 2004
Expected life of options	5 years	5 years
Risk-free interest rate	3 - 4%	3 - 4%
Expected stock price volatility	70%	70%
Expected dividend yield	0%	0%
Weighted-average fair value of options	\$ 2.16	\$ 2.75

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 options.

For the period ended July 31, 2004, the value of stock options granted to non-employees for consulting services is \$23,718. The fair value of these options is estimated using the Black-Scholes option pricing model.

	JULY 31 2004	APRIL 30 2004
Balance - Beginning of period as restated	\$ 791,662	\$ 112,362
Options granted to non-employees	23,718	81,515
Exercise of options	(2,339)	(23,426)
Balance - End of period	\$ 813,041	\$ 170,451

KIRKLAND LAKE GOLD INC.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT'D)

THREE MONTHS ENDED JULY 31, 2004

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

10. WARRANTS

The changes in warrants outstanding are as follows:

	Number of shares	Weighted average exercise price
Warrants outstanding - May 1, 2004	4,323,647	\$ 3.88
Granted	199,386	-
Exercised	(227,837)	2.18
Warrants outstanding - July 31, 2004	<u>4,295,196</u>	<u>\$ 3.97</u>

	JULY 31 2004	APRIL 30 2004
Balance - Beginning of period	\$ 4,983,765	\$ 696,270
Unit proceeds allocated to warrants	-	4,740,649
Agents warrants issued in private placements	238,067	158,788
Exercise of warrants	(157,227)	(611,942)
Balance - End of period	<u>\$ 5,064,605</u>	<u>\$ 4,983,765</u>

11. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the period:

(a) The company paid office facilities and administration services in the amount of \$10,500 (2003 - \$10,500) to a company related by directors in common.

(b) At July 31, 2004, accounts payable included \$nil (2003 - \$nil) 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.

12. SEGMENTED INFORMATION

The company has one operating segment consisting of a mining and milling operation located in Kirkland Lake, Canada. During the periods ended July 31, 2004 and 2003 all of the company's capital assets, revenues earned and operations were in Canada.

KIRKLAND LAKE GOLD INC.

NOTES TO INTERIM FINANCIAL STATEMENTS (CONT'D)

THREE MONTHS ENDED JULY 31, 2004

(UNAUDITED-SEE NOTICE TO READER)

(EXPRESSED IN CANADIAN DOLLARS)

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended July 31, 2004 and 2003, the company conducted non-cash financing and investing activities as follows:

	JULY 31 2004	JULY 31 2003
Warrants issued as convertible loans financing costs	\$ 238,067	\$ -

14. SUBSEQUENT EVENTS

(a) On August 3, 2004 the company received the cash associated with the private placement as disclosed in (Note (8.b)).