

KIRKLAND LAKE GOLD INC.

Management Discussion and Analysis

The following discussion of the financial position of Kirkland Lake Gold Inc. and the results of operations for the quarter ended July 31, 2004, are to be read in conjunction with the audited financial statements dated April 30th, 2004 and related notes for the periods then ended. All of the financial information presented herein is expressed in Canadian dollars, unless otherwise indicated. These statements together with the following Management's Discussion and Analysis, dated September 12, 2004, are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward-looking statements relating to the potential future performance. Additional information on the Company can be found in the Company's Annual Information Form ("AIF"), filed in form 20F, and filed with Canadian regulators on SEDAR at www.sedar.com and with the United States Securities and Exchange Commission at www.sec.gov.

1. Overview

Kirkland Lake Gold Inc. is an operating gold mining company located in Kirkland Lake, Ontario, which owns the Macassa Mine and Mill and four contiguous former gold producing properties purchased on December 14, 2001. The Company is committed to growth and profitability and its' corporate goal is to continue to expand its gold reserves and to become a low cost gold producer. Successful exploration results have increased proven and probable ore reserves by 78% since the acquisition of the mining properties. Gold production for fiscal year 2005 is planned to equal or exceed 65,000 ounces, with second half production scheduled to increase some 70% over the first six months as development work progresses and the workforce becomes more productive. The shares of Kirkland Lake Gold currently trade on the TSE and more recently began trading on the AIM (Alternative Investment Market) of the London Stock Exchange.

2. Discussion of Quarterly Results

Kirkland Lake Gold incurred a loss for the quarter ended July 31, 2004 of \$9,031,182 or \$0.25 per share, which compares with a loss of \$0.25 per share or a loss of \$8,215,000 for the fourth quarter fiscal 2004 and a loss of \$4,005,849 or \$0.16 per share reported for the same period in fiscal 2004. Gold revenues were higher on a year over year basis at \$3,591,536, (2004- \$707,606), due to higher gold sales. Operating costs rose significantly to \$9,368,682 (2004- \$3,797,868), as near term development and stope mining increased. The Company continued an active exploration program with exploration expenditures rising to \$1,717,198 in the latest quarter, as compared with \$252,288 reported for the same period of the prior year. After raising \$7.7 million in flow through shares in late 2003, \$3.5 million remains to be spent on eligible exploration expenditures by December 31, 2004

Financial Highlights (all amounts in thousands of Canadian dollars, except per share figures)		
	3 months ended	3 months ended
	July 31	July 31
	2004	2003
Revenue	3,591	707
Operating Costs	9,369	3,797
Exploration Expenditure	1,717	252
Net (loss) before unusual item	(9,031)	(4,005)
Per share (basic and diluted)	(0.25)	(0.16)
Cash Flow (used) for operating activities	(7,751)	(3,266)
Net increase (decrease) in cash	(8,580)	(2,953)
Cash at end of period	3,140	710
Total Assets	47,950	22,233
Total Liabilities	13,568	10,851
Working Capital	9,033	(4,829)
Weighted average of shares outstanding	36,749,310	24,377,410

Gold sales during the latest fiscal quarter were 6,744 troy ounces with an average gold price of CDN\$529 per ounce as underground production from #3 Shaft continues to increase. This compares with gold sales of 1,445 ounces with an average sales price of CDN\$490 per ounce during the same period of the prior year. During the first quarter of fiscal 2005, negative operating cash flow amounted to \$7,750,968, (2004- negative \$3,266,837), as underground development and stoping activities are increasing in efforts to become cash flow positive. During the latest quarter the Company raised \$14.2 million on a net basis (the cash was received on August 3rd, 2004) to fund its operations.

During the latest quarter, total capital expenditures fell to \$1,608,049, down from \$2,931,849 reported for the prior year as the much of the equipment requirements were satisfied during the latest fiscal year. Of the \$1.6 million invested in its operations, \$493,875 (2004-\$1,025,896) was spent on the purchase of equipment, as much of the increase in equipment requirements was satisfied during the past fiscal year. The remaining \$1.1 million was invested in developmental projects which included 778 feet of development in the "D Zone," the completion of the ore/waste pass system from the 4,250 foot to the 3,400 foot level which included 7220 feet of raisebore footage and 67 feet of finger raising.

3. Discussion of Costs

During the first quarter of fiscal year 2005, a total of \$9,368,682, (2004 - \$3,797,868) was spent on operating costs - (#3 Shaft - \$5,824,241 versus first quarter fiscal 2004 - \$2,688,692- Lakeshore Ramp - \$1,280,352 versus 1Q04-\$292,211) - Milling - (\$1,000,954 versus 1Q04-\$708,565), and other related costs, with approximately 60% of current operating costs related to labor. The increase in operating costs for the latest quarter over the same period last year is due to the significant increase in underground development and stoping activities as evidenced by the fact that 25,840 tons (2004- 4,215 tons) were broken underground, of which 7,817 tons was ore and 18,023 tons was waste.

Furthermore, 4,065 feet (2004- 896 feet) of lateral and vertical stope development was completed. Lastly, the first quarter of fiscal 2005 experienced higher diamond drilling costs which totaled \$289,544 with 22,444 feet of definition drilling carried out, which also contributed to a rise in operating costs.

Looking at non-operating expenses, Kirkland Lake Gold incurred \$468,021 (2004-\$223,471) in amortization and depletion of asset costs and \$226,958 (2004 - \$47,468) on interest and bank charges and amortization of finance charges. For the quarter ended July 31, 2004, general and administrative expenses were \$385,745, which is roughly in-line when compared to \$372,751 reported for the same period of the prior year.

4. Liquidity, Capital Resources and Financial Condition

Liquidity

Kirkland Lake Gold's cash balance at July 31, 2004 was \$3,139,637 and working capital was approximately \$9 million. The Company has a commitment to spend \$7.7 million on exploration under the previous flow through financing by December 31, 2004. Through July 31 2004, \$4.2 million had been spent on flow through expenditures, leaving \$3.5 million to be spent by calendar year end. Kirkland Lake Gold'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.

Cash Flow Discussion

Cash flow used for operations was \$7,750,968 (2004-\$3,266,837), during the first quarter fiscal 2005, explained largely by the fact that the Company has built a significantly larger mining workforce and undertaken significantly more near term development and stoping activity as reviewed earlier. The total amount of new capital invested in Kirkland Lake Gold's operations stood at \$1,608,049 for fiscal 2004, (2004-\$2,931,849), with roughly one third of this amount spent on new mining equipment, and the balance on developmental work.

5. Summary of Quarterly Results

Summary of Quarterly Results				
(expressed in 000's of Canadian dollars)				
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal 2005				
Revenue				3,591
Net Earnings (Loss)				(9,031)
Earnings (Loss) per share-Basic & diluted				(0.25)
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal 2004				
Revenue	4,114	3,390	1,596	707
Net Earnings (Loss)	(8,215)	(5,741)	(4,655)	(4,005)
Earnings (Loss) per share-Basic & diluted	(0.25)	(0.19)	(0.16)	(0.16)
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal 2003				
Revenue	1,478	2,153	8,073	0
Net Earnings (Loss)	(3,140)	(2,001)	1,366	(1,159)
Earnings (Loss) per share-Basic & diluted	(0.16)	(0.10)	0.07	(0.06)

Revenue generated by the Company is a function of gold production, coupled with prevailing gold prices on the spot market. Efforts are underway to increase production on a sustained basis by improving overall productivity of a significantly larger mining workforce. While revenues decreased quarter over quarter, expenses increased as detailed previously owing to the need for higher short term development work, which led to a slightly higher loss versus the prior quarter and considerably higher as compared to the same period of the previous year.

6. Outlook

Over the past 12 months, the Company has made considerable strides in establishing an efficient and productive underground workforce. The Company projects rising production levels resulting in positive operating cash flow during the second half of fiscal 2005. In addition to seeking to continue to improve efficiencies, finding additional low cost ore reserves remains a top priority for Management.

Looking forward, the requirements for expenditures related to capital equipment should begin to noticeably decline, as a result of our efforts in fiscal 2004. Capital expenditures in fiscal 2005 are expected to be \$4.7 million, or \$6.4 million lower than reported levels reported for the latest fiscal year, with roughly half of program spending on longer-term developmental work.

7. Exploration Update

Subsequent to fiscal 2004 year end, Kirkland Lake Gold announced that positive exploration results boosted ore reserves by 28% to 630,000 ounces up from 490,000 ounces for the prior year. Finding costs for these additional ore reserves was \$9.41 per ounce. Successful exploration results have increased proven and probable ore reserves by 78% since the dewatering and rehabilitation permitted underground drilling in July 2002.

In November 2003, the Company embarked on a planned \$21 million three year exploration program targeted at finding significant new gold reserves. Exploration costs for the first quarter of fiscal 2005 were \$1.7 million, of which over \$1.6 million was spent on flow through expenditures.

RESERVES	TONS	GRADE	OUNCES	
PROVEN	586,400	0.42	248,900	
PROBABLE	735,200	0.52	381,200	
TOTAL PROVEN +PROBABLE	1,321,600	0.48	630,100	
RESOURCES				
MEASURED	923,300	0.37	337,300	
INDICATED	2,329,500	0.30	708,800	
TOTAL MEASURED+INDICATED	3,252,800	0.32	1,046,100	
TOTAL PROVEN+PROBABLE+ MEASURED+INDICATED	4,574,400	0.37	1,676,200	
INFERRED RESOURCE	642,800	0.30	191,300	

The exploration program aimed at providing significant increases in resources and reserves did not begin until the end of fiscal year 2004, is now in full operation, and is expected to be continued over the next 2½ years. The discovery of a completely new ore trend, north-south rather than the classic east-west trend of the Camp, beyond the original goals of the exploration program, also opens up areas for new resources to be added.

An extensive definition drilling campaign was carried out in the first 6 months of fiscal 2004. The resumption of underground mining activities at #3 Shaft, with the expansion into #2 Shaft, and at the Lakeshore Ramp was needed to prove up mining blocks, thru increased, closer spaced, definition drilling. Increases in definition drilling will enable the Company to lower the definition requirements for fiscal 2005, re-allocating resources to the exploration program.

National Instrument 43-101 Disclosure

The reserves/resources have been estimated using definitions and procedures which conform to National Instrument 43-101. These reserves/resources were completed internally by Kirkland Gold personnel, while the previous reserves/resources were completed in Dec.2002 internally by Kirkland Gold personnel and were audited by Roscoe Postle Associates Inc. (an independent geological and mining consulting firm).

The reserves are not part of the resources. The reserves/resources are estimated using the polygonal method. All higher grades are cut to 3.50 ounce per ton and the cut-off grade is 0.25 ounce per ton over the horizontal mining width. All intersections are calculated out to a 5.0 foot minimum horizontal mining width. Dilution is added to proven and probable reserves at varying rates depending on mining method, and the width of the ore. Dilution in the reserve estimate overall averages 26% at 0.02 oz. per ton.

The area of influence of the proven reserves and measured resource categories is 30 feet from development chip samples, for probable and indicated categories a 50 feet radius from a known sample point (drill holes) is used; for inferred resource an additional 50 feet of influence. A 94% mining recovery of reserved tons is used. Continuity of the veins appear very good. The Company is not aware of any environmental, permitting, legal, title, taxation, socio-political, marketing or other issue that may materially affect its estimate of mineral resources. The assumptions used include \$375 U.S. per ounce of gold, and an exchange rate of \$0.75 Canadian= U.S. \$1.00 (\$500 Canadian per ounce). The full breakdown of the reserves/resources can be seen on the Kirkland Lake Gold website.

The results of the Company's underground diamond drilling program have been reviewed, verified (including sampling, analytical and test data) and compiled by the Company's geological staff (which includes a 'qualified person', Michael Sutton P.Geol. for the purpose of NI 43-101, *Standards of Disclosure for Mineral Projects*).

The Company has implemented a quality assurance and control (QA/QC) program to ensure sampling and analysis of all exploration work is conducted in accordance with the best possible practices. The drill core is sawn in half with half of the core samples shipped to the Swastika Laboratories in Swastika, Ontario or to the Macassa mine laboratory for analysis. The other half of the core is retained for future assay verification. Other QA/QC includes the insertion of blanks, and the regular re-assaying of pulps/rejects at alternate certified labs (Polymet, Accurassay). Gold analysis is conducted by fire assay using atomic absorption or gravimetric finish. The laboratory re-assays at least 10% of all samples and additional checks may be run on anomalous values.

The Company's Kirkland Lake properties are the subject of a report prepared by Roland H. Ridler, B.A.Sc.(hons.), M.A.Sc., Ph.D.(Econ.Geol.), P.D., entitled *Kirkland Lake Mineral Properties (Macassa Mine, Kirkland Lake Gold, Teck-Hughes, Lake Shore, Wright-Hargreaves* dated November 30, 2001. The Company's Macassa Mine Property is the subject of a reserve report prepared by David W. Rennie, P.Eng. and Richard E. Routledge, M.Sc., P.Geol. entitled *Review of Mineral Resources and Mineral Reserves of the Macassa Mine Property, Kirkland Lake, Ontario Prepared for Kirkland Lake Gold Inc* dated December 23, 2002 and a reserve report prepared by Michael Sutton P.Geol., and Stewart Carmichael, P.Geol. entitled *Mineral Resources and Mineral Reserves of the Macassa Mine Property, Kirkland Lake, Ontario (Kirkland Lake Gold Inc.) as at April 30, 2003* dated August 30, 2003, and updated as of April 30th 2004. All of these technical reports have been filed on SEDAR (www.sedar.com <<http://www.sedar.com>>).

8. Changes in Accounting Policies

Stock-Based Compensation

Effective May 1st 2004, Kirkland Lake Gold has adopted the fair value method of accounting for stock based compensation. This method results in the recognition in earnings of the cost of stock-based compensation based on the estimated fair value of new stock options granted to directors and employees in the year. This change in accounting policy, which has been adopted retroactively, and is expected to decrease net earnings for fiscal 2005 and beyond, by the fair value of the stock options granted in 2004. More specifically, 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.

Asset Retirement Obligations

Effective with fiscal 2005, the Company has adopted a new accounting standard on asset retirement obligations. Under this standard, asset retirement obligations will be recognized for the costs associated with exit activities and recorded as a liability at fair value. The liability will be accreted over time through periodic charges to earnings. In addition, the asset retirement cost will be capitalized as part of the asset's carrying value and amortized over the asset's useful life. This change in accounting policy, which was adopted retroactively, has not had a significant impact on the Company.

9. Risks and Uncertainties

Gold Price/Foreign Exchange

The profitability of the Company is affected by business risks including the price of gold and the foreign currency exchange rate. The price of gold can be volatile and the Company does not hedge gold sales. Changes in the exchange rate can have a material impact as costs are incurred in Canadian dollars and revenues are in U.S. dollars.

Company's Operations

The Company is also subject to the normal risks of underground mining which affects production rates and costs. Over the past 12 months, Kirkland Lake Gold has hired a significant number of new underground miners within a highly competitive market. The ability of the Company to achieve its' production objectives is dependent in large measure on the training and retention of Kirkland Lake Gold's workforce. Kirkland Lake Gold's mining operations and development and exploration activities are affected by various laws and regulations, including those which cover environmental, health, and safety matters. Existing legislation and regulations are subject to change, the impacts of which are difficult to measure. It is the policy of the Kirkland Lake Gold to maintain safe working conditions at its work site, comply with health and safety legislation, maintain equipment and premises in safe conditions, and ensure that all employees comply with safety procedures.

Additional Financings May be Required

The funding of its 3-year \$21 million exploration program by Kirkland Lake Gold will likely require outside financing. While the Company has been successful in the past, there is no assurance that funding will be available under the terms that are satisfactory to management. The Company's operations have to date resulted in negative cash flow and significant losses. 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 further 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.

10. Environmental and Social Responsibility

Kirkland Lake Gold has the necessary licenses and permits for its gold mining and milling operations on its Kirkland Lake properties. The current permit allows the discharge of tailings at a mill processing rate of 2,000 tons per day for over 10 years. Under the terms of the formal closure plan filed in respect of the properties, the Company has deposited with the Ontario Ministry of Environment and northern Development the sum of \$2,043,435 to fund the cost of the closure plans

This report contains "forward-looking statements," including, but not limited to, statements regarding the Company's expectations as to the market price of gold, exchange rate, strategic plans, future commercial production, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of precious metals, mining industry risks and hazards, environmental risks and hazards, uncertainty as to the calculation of mineral reserves and resources, requirement of additional financing, and other risks described in Kirkland Lake Gold Annual Report on Form 20-F filed as an alternative form of AIF with the Securities Commissions of the provinces of British Columbia and Ontario, and with the United States Securities and Exchange Commission, and with the Toronto Stock Exchange.