

Kirkland Lake Gold Inc.

UNAUDITED FINANCIAL STATEMENTS

THREE MONTHS ENDED JULY 31, 2005

(expressed in Canadian dollars)

The accompanying unaudited financial statements of Kirkland Lake Gold Inc. (the "Company")

Have been prepared by and are the responsibility of the Company's management.

These statements have been approved by the Audit Committee and the Board of Directors of the Company

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entities.

Kirkland Lake Gold Inc.

Balance Sheet

As at July 31, 2005 and April 30, 2005

(expressed in Canadian dollars, except per share amounts)

	<u>JULY 31 2005</u>	<u>APRIL 30 2005</u>
Assets		
Current assets		
Cash and cash equivalents	4,600,933	8,632,547
Accounts receivable	567,647	780,158
Inventories (note 4)	2,809,112	4,176,844
Prepaid expenses and deposits	281,403	227,277
	<u>8,259,095</u>	<u>13,816,826</u>
Investments	725,000	725,000
Mineral properties (note 5)	22,234,929	20,227,298
Property, plant and equipment (note 6)	11,407,562	10,922,002
Mine closure bonds	2,043,435	2,043,435
	<u>44,670,021</u>	<u>47,734,561</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	10,932,374	9,840,439
	<u>10,932,374</u>	<u>9,840,439</u>
Mortgage payable	54,500	54,500
Provision for reclamation and site restoration (note 7)	2,142,242	2,110,583
	<u>13,129,116</u>	<u>12,005,522</u>
Shareholders' Equity		
Capital stock (note 8)		
Authorized		
Unlimited common shares without par value		
Issued		
45,787,523 (April 30, 2005 – 45,429,262) common shares	90,530,032	89,070,106
Options (note 9)	1,297,914	1,184,062
Warrants (note 10)	1,040,068	3,841,480
Contributed surplus	2,602,468	160,755
Deficit	<u>(63,929,577)</u>	<u>(58,527,364)</u>
	<u>31,540,905</u>	<u>35,729,039</u>
	<u>44,670,021</u>	<u>47,734,561</u>

Nature of operations and going concern (note 1)

Subsequent events (note 14)

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 three months ended July 31, 2005 and 2004

(expressed in Canadian dollars)

	Three Month Period Ended July 31, 2005	Three Month Period Ended July 31, 2004
Mining revenue	7,393,952	3,591,536
Operating costs	10,460,405	9,368,682
Amortization and depletion	566,432	468,021
	<u>(3,632,885)</u>	<u>(6,245,167)</u>
General and administrative	222,816	385,745
Royalties	220,808	84,992
Exploration	1,222,788	1,717,198
Amortization of finance charges	-	212,839
Interest and bank charges	28,747	230,425
Stock-based compensation	156,996	171,524
Interest and other income	(82,827)	(16,708)
	<u>1,769,328</u>	<u>2,786,015</u>
Loss for period	(5,402,213)	(9,031,182)
Deficit - Beginning of period	(58,527,364)	(29,560,929)
Adjustment on adoption of accounting standards	-	(807,250)
Deficit – beginning of period, as restated	(58,527,364)	(30,368,179)
Deficit - End of period	(63,929,577)	(39,399,361)
Basic and diluted loss per share	(0.12)	(0.25)
Weighted average number of shares outstanding	45,516,828	36,749,310

See accompanying notes to interim financial statements

Kirkland Lake Gold Inc.

Statements of Cash Flows

For the three months ended July 31, 2005, and 2004

(expressed in Canadian dollars)

	<u>Three Month Period Ended July 31, 2005</u>	<u>Three Month Period Ended July 31, 2004</u>
Cash flows from operating activities		
Loss for the year	\$ (5,402,213)	\$ (9,031,182)
Items not affecting cash		
Amortization and depletion	566,432	468,021
Accretion of interest and amortization of finance charges	-	339,101
Stock-based compensation	156,996	171,524
Asset Retirement Obligation	31,659	-
	<u>\$ (4,647,126)</u>	<u>\$ (8,052,536)</u>
Changes in non-cash working capital items		
Accounts receivable	212,511	(66,337)
Inventories	1,367,732	(515,649)
Prepaid expenses and deposits	(54,126)	4,297
Accounts payable and accrued liabilities	1,091,935	879,257
	<u>\$ (2,029,074)</u>	<u>\$ (7,750,968)</u>
Cash flows from financing activities		
Net proceeds from issuance of capital stock	1,057,083	559,313
Proceeds from issuance of convertible loans	-	2,406,250
Payment of notes payable and convertible loans	-	(2,187,500)
	<u>\$ 1,057,083</u>	<u>\$ 778,063</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(801,439)	(493,875)
Additions to mineral properties	(2,258,184)	(1,114,174)
	<u>\$ (3,059,623)</u>	<u>\$ (1,608,049)</u>
Increase (decrease) in cash and cash equivalents	(4,031,614)	(8,580,954)
Cash and cash equivalents - Beginning of period	<u>8,632,547</u>	<u>11,720,591</u>
Cash and cash equivalents - End of period	<u>\$ 4,600,933</u>	<u>\$ 3,139,637</u>
Supplemental cash flow information (note 13)		

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

1 NATURE OF OPERATIONS AND GOING CONCERN

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. 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. This note should be read in conjunction with note 1 of the Company's audited financial statements for the year ended April 30th, 2005

At July 31, 2005, the Company had a working capital deficit of \$ 2,673,279. Subsequent to the period end, on August 25, 2005 the Company completed a sale by private placement of 1,250,000 common shares at a price of \$4.00 per share, for gross proceeds of \$5,000,000. Management estimates that these funds, together with funds from operations will be sufficient to meet the Company's obligations for the coming year. If necessary the Company will raise additional financing to meet its obligations for the coming year. Actual funds from operations may vary significantly from management's estimates, due to changes in gold prices and foreign exchange rates, which are outside management's control, and the success of achieving future production volumes and production costs. 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 significant 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

Generally accepted accounting principles

The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principles ("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, 2005.

Stock based compensation

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.

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 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.

3 SHORT TERM INVESTMENTS

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

4 INVENTORIES

	July 31 2005	April 30 2005
Mine operating supplies	\$ 932,657	\$ 979,647
Gold in process	1,351,081	2,164,540
Dore bars	351,542	858,825
Surface Stockpile	173,832	173,832
	<u>\$ 2,809,112</u>	<u>\$ 4,176,844</u>

5 MINERAL PROPERTIES

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

	<u>July 31 2005</u>	<u>April 30 2005</u>
Balance - Beginning of Period	\$ 20,227,298	\$ 14,118,836
Rehabilitation and development costs	2,258,184	7,104,561
Depletion	<u>(250,553)</u>	<u>(996,099)</u>
Balance - End of Period	<u>\$ 22,234,929</u>	<u>\$ 20,227,298</u>

	<u>July 31 2005</u>	<u>April 30 2005</u>
Acquisition allocation	\$ 729,399	\$ 738,670
Underground development	18,571,811	16,518,329
Underground pumping	1,882,932	1,906,484
Mill and surface facilities rehabilitation	137,188	138,691
Lakeshore underground access ramp	<u>913,599</u>	<u>924,124</u>
	<u>\$ 22,234,929</u>	<u>\$ 20,227,298</u>

6 PROPERTY PLANT AND EQUIPMENT

	<u>July 31, 2005</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ 398,420	\$ 180,000	\$ 218,420
Mine and mill equipment	13,766,275	3,195,446	10,570,829
Vehicles	86,658	39,297	47,361
Buildings	<u>688,926</u>	<u>117,974</u>	<u>570,952</u>
	<u>\$ 14,940,279</u>	<u>\$ 3,532,717</u>	<u>\$ 11,407,562</u>

	April 30, 2005		
	Cost	Accumulated amortization	Net
Computer equipment	\$ 388,152	\$ 160,954	\$ 227,198
Mine and mill equipment	13,076,107	2,912,673	10,163,434
Vehicles	82,759	36,847	45,912
Buildings	591,822	106,364	485,458
	\$ 14,138,840	\$ 3,216,838	\$ 10,922,002

7 ASSET RETIREMENT OBLIGATION

The Company has assumed responsibility for the reclamation and site restoration plan originally filed with the Ontario Ministry of Northern Development and Mining (MNDM) in connection with Kirkland Lake properties. The estimated total cost 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.

The movement in asset retirement obligations is as follows:

	<u>July 31, 2005</u>	<u>April 30, 2005</u>
Balance – Beginning of period	\$ 2,110,583	\$ 2,043,435
Accretion	31,659	67,148
Balance – End of period	\$ <u>2,142,242</u>	\$ <u>2,110,583</u>

8 CAPITAL STOCK

	<u>Number of shares</u>	<u>Amount</u>
Balance – Beginning of period	45,429,262	\$ 89,070,106
Exercise of options (note 9)	19,800	64,940
Exercise of warrants (note 10)	338,461	1,394,986
Balance – July 31, 2005	<u>45,787,523</u>	<u>\$ 90,530,032</u>

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. The aggregate number of shares which may be subject to issuance pursuant to options granted under this plan is 3,500,000 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.

The change in stock options issued during the quarter ended July 31st is as follows:

	<u>July 31 2005</u>		<u>April 30 2005</u>	
	<u>Number of shares</u>	<u>Weighted average exercise price \$</u>	<u>Number of shares</u>	<u>Weighted average exercise price \$</u>
Options outstanding - Beginning of period	1,203,999	2.58	1,426,550	2.16
Granted	-	-	250,000	4.70
Exercised	(19,800)	2.13	(362,051)	2.06
Forfeited	-	-	(110,500)	3.67
Options outstanding - End of period	<u>1,184,199</u>	<u>2.59</u>	<u>1,203,999</u>	<u>2.58</u>
Options exercisable - End of period	<u>887,949</u>	<u>1.99</u>	<u>857,749</u>	<u>1.88</u>

The following table summarizes information about stock options outstanding and exercisable at July 31, 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	0.65	0.65
1.35	266,000	266,000	1.17	1.17
1.60	11,324	11,324	1.70	1.70
2.45	35,000	35,000	1.85	1.85
2.20	217,375	217,375	2.45	2.45
2.80	47,500	17,500	3.04	3.04
3.95	191,000	140,750	3.33	3.33
4.70	216,000	-	4.15	-
<u>1.10 - 3.95</u>	<u>1,184,199</u>	<u>887,949</u>	<u>2.31</u>	<u>1.78</u>

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

	July 31, 2005	April 30, 2005
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	-	-
Weighted-average fair value of options	<u>\$2.75</u>	<u>\$2.75</u>

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.

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

	July 31, 2005	April 30, 2005
Balance - Beginning of period	\$ 1,184,062	\$ 170,451
Options granted	156,996	1,343,184
Exercise of options	(43,144)	(329,573)
Balance - End of period	<u>\$ 1,297,914</u>	<u>\$ 1,184,062</u>

10 WARRANTS

The changes in warrants outstanding are as follows:

		<u>July 31 2005</u>
	<u>Number of shares</u>	<u>Weighted average exercise price</u>
Warrants outstanding - Beginning of period	3,224,465	\$ 4.22
Exercise of warrants	(338,461)	3.00
Expiry of warrants	(2,051,714)	4.80
Warrants outstanding - End of period	<u>834,290</u>	<u>\$ 3.30</u>

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

	<u>July 31 2005</u>	<u>April 30 2005</u>
Balance - Beginning of period	\$ 3,841,480	\$ 4,983,762
Agents warrants issued in private placements	-	238,067
Exercise of warrants	(1,015,383)	(1,380,349)
Expiry of warrants	<u>(1,786,029)</u>	<u>-</u>
Balance - End of period	<u>\$ 1,040,068</u>	<u>\$ 3,841,480</u>

11 RELATED PARTY TRANSACTIONS-

The following related party transactions occurred during the period:

- (a) During the three month period, the Company paid office facilities and administration services in the amount of \$10,500, (2004 - \$10,500) to a company related by directors in common.
- (b) At July 31 2005, accounts payable included \$nil (2004 - \$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 mill operation located in Kirkland Lake, Canada. During the periods ended July 31, 2005 and 2004 all of the Company's capital assets, revenues earned, and operations were in Canada.

13 SUPPLEMENTAL CASH FLOW INFORMATION

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

During the period ended July 31, 2005 and 2004, the Company conducted non-cash financing and investing activities as follows:

	July 31 <u>2005</u>	July 31 <u>2004</u>
Warrants issued as convertible loans financing costs	\$ -	\$238,067

14 SUBSEQUENT EVENTS

August 25, 2005 the company completed a sale by private placement of 1,250,000 common shares at a price of \$4.00 per share, for gross proceeds of \$5,000,000. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable for a period of nine months at a price of \$4.60 per share.

The proceeds from the financing will be used to fund mining operations.