



**P.O. Box 370
KIRKLAND LAKE, ON, P2N 3J7**

**Management's Discussion & Analysis ('MD&A')
First Quarter- Fiscal 2008**

This MD&A is intended to help the reader understand Kirkland Lake Gold Inc. ('us', 'KGI' or 'the Company'), our operations and our present business environment.

This MD&A has been prepared as of September 12, 2007 and covers the results of operations for the quarter ended July 31, 2007. It is intended to supplement the unaudited Financial Statements and notes thereto which are expressed in Canadian Dollars and prepared in accordance with Canadian Generally Accepted Accounting Principles. This MD&A should be read in conjunction with both the annual audited financial statements and notes thereto for the year ended April 30, 2007 and the related annual MD&A. Additional information relating to the Company is available from the Company's Annual Information Form ('AIF') filed with the Canadian securities regulators on SEDAR at www.sedar.com.

FORWARD LOOKING INFORMATION

Certain statements in this document constitute 'forward looking statements' and these statements are made as of the date hereof. Any forward looking statements are based upon reasonable assumptions, but no guarantees or assurances can be given that actual results will be consistent with such statements.

Forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:

- Risks inherent in the natural resource exploration, development and production
- Lack of operating cash flow and the Company's dependency on additional capital
- Competition in the mineral exploration and mining industries
- Governmental regulation and environmental liability
- Uncertainty of title of resource properties
- Results of legal claims made by or against the Company

A comprehensive list of the risks and uncertainties are set out in the Company's AIF. Readers should not place undue reliance on any forward looking statements.

OUR BUSINESS

The Company 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. The Company's corporate goal is to expand its gold reserves and to become a profitable gold producer.

The Company's common shares trade on the TSX (Toronto Stock Exchange) and on the AIM (Alternative Investment Market) of the London Stock Exchange.

OPERATIONS REVIEW- INCLUDING A REVIEW OF REVENUES AND COSTS

Income for the quarter ended July 31, 2007 was \$36,237 or \$NIL per share, which compares with a loss of \$1,190,914 or \$0.02 per share for the previous quarter and a loss of \$3,295,421 or \$0.06 per share for the same period of fiscal 2007.

During the quarter:

- 37,259 tons of rock was hoisted from underground operations, of which 35,516 tons were milled as ore producing 13,204 ounces of gold. (2007: hoisted tons: 55,230, milled tons: 36,742, and 12,707 ounces)
- 2,412 feet (2007: 3,431 feet) of lateral and vertical operating stope development was completed, a decrease of 30%. Stope development is largely completed within the D-Zones North and South and access to the New South Mine Complex on the 5300 foot Level now permits faster definition and development of the various stoping blocks. During the first quarter of fiscal 2007 extensive initial access development into the D-Zone was ongoing.
- 547 feet (2007: 1,954 feet) of capital drift and raise development was completed, a decrease of 72% primarily due to the completion of the D-Zone north ramp and 4718 ramp. Development to access the new South Mine Complex from the 5300 level was also not capitalized as it was either charged to Exploration under flow through rules or produced ore grading material during the quarter.
- Ore grade to the mill was 0.385 ounces of gold per ton for the quarter, an increase of 8%. Compared to the fourth quarter of fiscal 2007, ore grade to the mill was 9% lower (Q4/07: 0.426 ounces of gold per ton). The reduction in grade was anticipated and was due to the mining of lower-grade long-hole headings, long-hole dilution and delays in the mining of planned higher-grade ore blocks.
- As a percentage of hoisted ore tons, the long-hole mining method contributed 40% compared to 52% in the fourth quarter of fiscal 2007 (Q1/07: 33%).
- Ore tonnage generated from the new South Mine Complex accounted for 5,518 tons or nearly 16% of the quarterly milled tonnage compared to the fourth quarter of fiscal 2007 when production from this zone was 5,315 ore tons or 13% of milled tons. (Q1/07: 1,170 ore tons, 3% of milled tons)

Financial Highlights All amounts in 000's of Canadian Dollars, except shares and per share figures	3 months ended July 31 2007	3 months ended April 30 2007	3 months ended July 31 2006
Gold Sales (ounces)	15,875	13,635	12,311
Average Price (per ounce)	\$712	\$772	\$692
Revenue	11,300	10,529	8,517
Operating Expenses	9,881	9,889	9,267
Exploration Expenditure	787	857	1,982
Net Income (loss)	36	(1,191)	(3,295)
Per share (basic and diluted)	NIL	(0.02)	(0.06)
Cash Flow from (used) operating activities	2,797	(2,554)	(9)
Cash Flow from financing activities	7,124	12,988	15,574
Cash Flow (used) for investing activities	(1,686)	(1,380)	(2,782)
Net increase (decrease) in cash	8,235	9,054	12,782
Cash at end of period	34,285	26,275	22,194
Total Assets	88,531	80,769	74,181
Total Liabilities	19,356	9,143	12,882
Working Capital	32,829	26,216	17,186
Weighted average number of shares outstanding	55,19,2,411	52,947,013	52,367,173
Dividends per share	0	0	0

Compared to the quarter ended July 31, 2006:

- Gold revenues were 33% higher at \$11,300,111 (2007: \$8,517,052), reflecting a 3% increase in the realized gold price and a 30% increase in ounces sold.
- Operating expenses increased to \$9,880,924 (2007: \$9,267,415), an increase of 7%. This increase was primarily due to a reduction in capitalized development spending (referred to above).
- The exploration program continued with expenditures of \$786,826 (2007: \$1,982,309). This decrease was a function of fewer drills operating and no exploration taking place from Shaft No. 2 in the quarter compared to the same quarter last year.
- Total production spending including operating costs, capital spending and royalties fell 5% to \$10.6 million (2007: \$11.2 million). Capital spending on mine development and equipment fell to \$1.7 million (2007: \$3.1 million) reflecting the lower level of underground capital development.
- Net proceeds from financing activities were \$8.5 million lower as no private placements took place during the quarter.
- Cash at the end of the period was \$34,285,175 (2007: \$22,194,229) following a private placement and a recent flow through share financing. The change in interest income reflects higher cash balances on deposit.

Compared to the quarter ended April 30, 2007:

- Gold revenues were 7% higher at \$11,300,111 (2006: \$10,529,260), of this 8% was due to a reduction in the realized gold price offset by a 16% increase in ounces sold.
- Operating expenses were similar between periods resulting from tight cost control and ongoing initiatives to improve productivity.
- With an Operating Margin of \$1,419,187, savings in general and administrative expenses and temporarily lower exploration costs, the Company generated a small net income of \$36,237 during the quarter.
- Total production spending including operating costs, capital spending and royalties increased 6% to \$10.6 million.
- Cash flows from financing activities were \$5.8 million lower as no private placements took place during the quarter.

Summary of Quarterly Results

The quarterly results for the Company for the last eight fiscal quarters are set out in the following table.

Expressed in 000's of Canadian Dollars	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal 2008				
Revenue				11,300
Net Loss				36
Loss per Share (Basic & Diluted)				(0.0)

Expressed in 000's of Canadian Dollars	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
Fiscal 2007				
Revenue	10,529	8,212	9,398	8,517
Net Loss	(1,191)	(2,530)	(1,367)	(3,295)
Loss per Share (Basic & Diluted)	(0.02)	(0.06)	(0.03)	(0.06)
Fiscal 2006				
Revenue	10,632	11,111	5,986	
Net Loss	(2,464)	2,310	(901)	
Loss per Share (Basic & Diluted)	(0.04)	0.05	(0.02)	

Encouraging productivity gains continued to materialise for the second consecutive quarter resulting in a further 6% improvement in production margins (*revenue less operating costs, amortization and depletion and royalties*) to 12% compared to the fourth quarter of fiscal 2007.

The proportion of capital development costs is likely to remain low until specific areas are accessed and development plans are completed for the new South Mine Complex.

As a consequence of the competitiveness of the labour market, the number of full time employees fell 2% from 207 to 202 during the quarter. The Company has 55 fewer full time employees than at the same period in the last fiscal year. The number of people involved in production activities fell from 151 to 145 during the quarter and investment in training programs remains a key area of focus.

Exploration Update

Exploration drilling on the South Mine Complex continued to return exceptional results. Drill hole 53-637 has intersected what is interpreted to be the #7 Break at the 4975 elevation and assayed 1.05 ounces of gold per ton (opt) uncut (0.88 opt cut) over a true width of 25.9 feet. The intersection is located 190 feet up-dip of previously released drill hole 50-669W1 which assayed 21.98 opt over a core length of 1.0 feet. (see press release dated February 14, 2006).

Drill hole 50-762 has intersected the New South Complex and assayed 0.53 opt over an estimated true width of 18.9 feet. The importance of this intersection is that it represents the furthest east intersection to date and is located 434 feet east of previously released drill hole 50-743C which assayed 1.24 opt over a core length of 8.2 feet (see press release dated January 16, 2007). The New South Zone intersection in drill hole 50-762 has now increased the strike length of the New South Zone to 2,100 feet. Additional infill drilling will be required to bring this intersection into various resources categories.

The Company, in conjunction with Queenston Mining Inc., has formed a strategic, 50%-50% joint venture to purchase and explore 4 key mineral claims located in the heart of the Kirkland Lake gold camp. The properties, referred to as the South Claims and East Claim, are located in Teck Township south of, and adjacent to, the Company's Macassa Mine property and Queenston's Amalgamated Kirkland property. The joint venture is committed to a long term exploration approach on the two properties and for the remainder of the calendar year, an initial underground exploration program is planned on the South Claims to consist of driving a crosscut to the northern boundary of the property from Macassa and establishing drill stations to complete a minimum of 5,000 feet of underground diamond drilling. The Company will be the operator of the joint venture.

Outlook

The Company continues seeking ways to raise production levels and to improve efficiencies by providing consistent investment in training, exploration, and equipment. Production forecasts for fiscal 2008 indicate annual gold production of between 55,000 and 65,000 ounces. See 'Forward Looking Information' for a description of the factors that may cause actual results to differ from this forecast.

Mine design of the new high grade zones to the south continues with further definition drilling and development providing valuable geotechnical information which is being incorporated into the mining plans. Multiple face development continues on these new zones and, at the end of June, the commissioning of the second ore and waste pass system below the 5000 level at the Shaft No. 3 complex added much needed operational flexibility. Recognising the strategic importance of this new mine system, a new and very aggressive two year exploration drilling and development program is underway and the level of definition drilling is being increased with immediate effect.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

To date, the Company has relied significantly on private placement financings of its equity securities to finance its operations. With limited cash resources and insufficient income at this stage to cover expenses, the liquidity risk is significant. A series of cost reduction measures as well as control and process improvements have been implemented to tighten expenditure controls. However, success will depend largely upon improvements in the execution and efficiency of production and the Company's ability to continue to add to reserves as cost effectively as in the past.

Sales of gold doré bars and the majority of the Company's expenses are incurred in Canadian Dollars therefore the Company is substantially protected against movements in foreign exchange. The Company's principal exchange rate risk relates to movements between the Canadian Dollar and US Dollar on the price of gold.

Our holding of cash balances is kept under review and surplus funds are held on deposit at rates set by reference to the prevailing Prime Rate. There are no fixed, floating rate or interest free financial liabilities by way of borrowing.

Cash and short terms deposits were as follows:

Currency	At July 31, 2007	At July 31, 2006
Canadian Dollars	34,264,320	21,946,025
US Dollars	20,855	248,204
Total	34,285,175	22,194,299

Interest received on Canadian Dollar deposits ranges from 2.85 - 4.50% and interest received on US dollar balances is 5.75% currently.

The Cash Flow Statement shows that Company generated \$2,572,268 in operating cash flows during the quarter. This is primarily a result of the net income generated during the period and a reduction in accounts receivable and inventory balances.

Net proceeds from the financing activities were \$7.1 million resulting from the exercise of all outstanding warrants.

Security deposits include a deposit of \$225,000 which is held for the benefit of the Independent Electrical System Operator of Ontario (IESO) to secure the provision of electricity to the Macassa property and a \$65,000 deposit in favour of Great West Life, our benefits provider, which was re-classified from Prepaid Expenses.

Cash flows applied to investing activities of \$1,685,944 was lower than in previous quarters as a result of lower investment in capital development headings. The sale of a jumbo drill and a house realised \$196,798 during the quarter. Major improvements also began to the primary mill and will continue into the second quarter.

The Company's cash resources of \$34,285,175 are expected to be sufficient to fund the Company's planned exploration and development activities for the coming 12-18 months. As at September 12, 2007 the Company had cash resources of \$31,945,964.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, security deposits, accounts receivable, accounts payable, and other liabilities. At July 31, 2007, 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.

As at April 30, 2007, the Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 232 ounces of gold at an average price of \$753 per ounce to be delivered under this contract. Fair value was not significantly different from stated value. As at July 31, 2007, the Company did not have any outstanding contracts.

Commitments

The mine closure plan is currently being updated and the Company will be submitting a revised plan to the Ministry of Northern Development & Mines during the second quarter. If this plan is approved, the value of the closure bond on deposit will increase from \$2,235,829 to \$4,452,597.

Related Party Transactions

Pursuant to an agreement between the Company and Quest Management Ltd., the Company pays \$3,500 per month to Quest in consideration of Quest providing corporate and accounting services to the Company. During the quarter, the total fees paid to Quest for services performed under the agreement were \$10,500. Quest is a subsidiary of Quest Capital Corp., a publicly traded company (TSX, AMEX and AIM) and has one common director and a common corporate secretary with the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of the Company's accounting policies are presented in accordance with Canadian generally accepted accounting principles (GAAP) as set out in Note 2 to the financial statements. The preparation of financial statements in conformity with GAAP 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. The preparation of the Company's financial statements depend upon estimates of proven and probable reserves, measured and indicated mineral resources and recoverable ounces, assumptions of operating costs and future gold prices and possible values assigned to potential resources on exploration properties. Such estimates and assumptions affect the cost recovery of long-lived assets and the rate at which depletion and amortization are charged to earnings. In addition, management must estimate costs associated with mine reclamation and closure costs.

The following estimates are considered by management to be the most critical for investors to understand some of the processes and reasoning that go into the preparation of the Company's financial statements, providing some insight also to uncertainties that could impact the Company's financial results.

Going Concern

While the annual 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, 2007, 2006 and 2005, the Company incurred losses of \$8.4 million, \$6.5 million and \$28.2 million, respectively. Cash flow required for operating activities, including exploration costs charged to operations of \$18.0 million, aggregated \$37.7 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 July 31, 2007, the Company had working capital of \$33.1 million and was committed to spend \$1.1 million on eligible flow-through expenditures before December 31, 2007. 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 next year. However, differences between actual results and those projected by management 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.

While management has been successful in obtaining sufficient funding for the Company's operating and capital exploration requirements in the past, there is 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 funding does not become available, the Company may not be able to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

Measurement Uncertainty

The Company's history of operating losses from mining operations indicate at July 31, 2007, that the recorded costs for mineral properties and related fixed assets may not be recoverable. Management estimates, using a constant gold price of approximately CDN \$600 per ounce (average sales price per ounce sold in the quarter was \$712) and operating costs similar to historical costs incurred over the past year, that annual production of approximately 59,000 ounces in fiscal 2008 and 80,000 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 average tonnes of ore processed and ounces of gold produced annually compared to the last three years, a reduction in the workforce and associated mining costs through the curtailment of certain development projects, or both.

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. In addition, 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 the 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.

Mineral Reserves & Deferred Exploration Costs

The Company expenses exploration expenditures and near term ore development costs as incurred. Property acquisition costs and longer term 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, recoverability, 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 that 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 fair value.

Closure Costs

The Company has an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. These estimates are currently being updated by management and are recorded as a liability at their fair values in the periods in which they occur. If the estimate of reclamation costs proves to be inaccurate, the Company could be required to increase the provision for site closure and reclamation costs, which would increase the amount of future reclamation expense, resulting in a reduction in the Company's earnings and net assets.

Internal Controls over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the period ended July 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CHANGES IN ACCOUNTING POLICIES

Financial Instruments, Comprehensive Income and Hedges

In January 2005, the CICA Handbook Sections 3855, 'Financial instruments – Recognition and Measurement', 1530, 'Comprehensive Income', and 3865 'Hedges.' These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis.

The Company has evaluated the impact of these new standards on its financial statements and determined that no adjustments are currently required.

OTHER MATTERS

Outstanding Share Data

As at the date of this MD&A the following securities are outstanding:

Common Shares	55,222,883
Options	486,000
Warrants	0

Further Information

Additional information relating to the Company, including its Annual Information Form, is on SEDAR at www.sedar.com.