

KIRKLAND LAKE GOLD INC.

UNAUDITED FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED JULY 31, 2008

(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 entity's auditor.

KIRKLAND LAKE GOLD INC.

Balance Sheets

(Unaudited)

As at July 31, 2008 and April 30, 2008

(expressed in Canadian dollars, except per share amounts)

	<u>July 31</u> <u>2008</u>	<u>April 30</u> <u>2008</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 12,120,201	\$ 15,602,593
Short-term investments (Note 5)	15,474,809	15,389,118
Accounts receivable	948,599	2,081,795
Inventories (Note 4)	4,650,557	3,868,211
Prepaid expenses and deposits	255,326	305,292
	<u>33,449,492</u>	<u>37,247,009</u>
Security deposits	65,000	65,000
Restricted cash (Note 3)	4,677,597	4,677,597
Mineral properties (Note 6)	37,662,550	36,947,885
Property, plant and equipment (Note 7)	12,964,810	12,583,488
	<u>\$ 88,819,449</u>	<u>\$ 91,520,979</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12(b))	\$ 7,779,215	\$ 7,190,679
Asset retirement obligation (Note 8)	2,588,774	2,862,508
	<u>10,367,989</u>	<u>10,053,187</u>
Shareholders' equity		
Capital stock (Note 9)		
Authorized		
Unlimited common shares without par value		
Issued		
55,703,312 (2008 - 55,703,312) common shares	153,421,306	153,421,306
Options (Note 10)	1,621,304	1,284,136
Warrants (Note 11)	677,891	677,891
Contributed surplus	2,797,768	2,797,768
Deficit	(80,066,809)	(76,713,309)
	<u>78,451,460</u>	<u>81,467,792</u>
	<u>\$ 88,819,449</u>	<u>\$ 91,520,979</u>

Operations, going concern and measurement uncertainty (Note 1)

Approved by the Board of Directors:

(signed) "Brian E. Bayley" Director

(signed) "Brian Hinchcliffe" Director

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

KIRKLAND LAKE GOLD INC.

Statements of Operations, Comprehensive Loss and Deficit

(Unaudited)

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars, except per share amounts)

	Three Month Period Ended July 31 2008	Three Month Period Ended July 31 2007
Revenue	\$ 7,952,045	\$ 11,300,111
Expenses		
Operating costs	8,716,616	8,432,570
Stock-based compensation for operational personnel	131,709	19,704
Amortization and depletion	896,112	977,940
Royalties	317,277	450,710
	10,061,714	9,880,924
	(2,109,669)	1,419,187
Other expenses		
General and administrative	526,120	728,384
Stock-based compensation for administrative personnel	205,459	244,109
Exploration	813,616	786,826
Interest and bank charges	2,719	26,012
Interest and other income	(304,083)	(402,381)
	1,243,831	1,382,950
Comprehensive (loss) income for the period	(3,353,500)	36,237
Deficit - beginning of period	(76,713,309)	(73,367,329)
Deficit - end of period	\$ (80,066,809)	\$ (73,331,092)
Basic and diluted earnings (loss) per share	\$ (0.06)	\$ NIL
Weighted average number of shares outstanding	55,703,312	55,192,411

Operations, going concern and measurement uncertainty (Note 1)

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

KIRKLAND LAKE GOLD INC.

Statements of Cash Flows

(Unaudited)

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars)

	Three Month Period Ended July 31 2008	Three Month Period Ended July 31 2007
Cash flows (used in) from operating activities		
Comprehensive (loss) income for the period	\$ (3,353,500)	\$ 36,237
Items not affecting cash		
Amortization and depletion	896,112	977,940
Loss on short-term investment	11,848	18,585
Stock-based compensation	337,168	263,813
Asset retirement obligation	38,257	40,507
Gain on sale of asset	-	(28,319)
Changes in non-cash working capital items		
Accounts receivable	1,133,196	874,717
Inventories	(782,346)	293,907
Prepaid expenses and deposits	49,966	37,753
Accounts payable and accrued liabilities	588,536	172,451
Security deposits	-	(100,000)
Interest on mine closure bond	-	(15,323)
	<u>(1,080,763)</u>	<u>2,572,268</u>
Cash flows from financing activities		
Net proceeds from issuance of capital stock	-	7,123,818
	<u>-</u>	<u>7,123,818</u>
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(953,829)	(1,226,793)
Purchase of short-term investments	(15,229,072)	-
Proceeds from sale of short-term investments	15,131,534	-
Proceeds of disposition of property, plant and equipment	-	196,798
Additions to mineral properties	(1,350,262)	(655,949)
	<u>(2,401,629)</u>	<u>(1,685,944)</u>
Increase (decrease) in cash and cash equivalents	<u>(3,482,392)</u>	<u>8,010,142</u>
Cash and cash equivalents - Beginning of period	<u>15,602,593</u>	<u>26,275,033</u>
Cash and cash equivalents - End of period	<u>\$ 12,120,201</u>	<u>\$ 34,285,175</u>

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

KIRKLAND LAKE GOLD INC.

Notes to Financial Statements

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars)

1. Operations, going concern and measurement uncertainty

Operations

Kirkland Lake Gold Inc. (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, 2008 and 2007, the company incurred losses of \$3.3 million and \$8.4 million, respectively. Cash flow required for operating activities, including exploration costs charged to operations of \$8.7 million, aggregated \$4.9 million for the two years in total. The funds required to continue operations and exploration activities during this period have been financed primarily from the issue of equity.

At July 31, 2008, the company has working capital of \$25.7 million.

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 next twelve months.

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 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 does not occur, 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 that the recorded costs for mineral properties and related fixed assets may not be recoverable. Management estimates, using a constant gold price of \$802 per ounce and operating costs similar to historical costs incurred over the past year, that annual production of 58,000 - 62,000 ounces in fiscal 2009 and 78,000 ounces of gold 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.

KIRKLAND LAKE GOLD INC.

Notes to Financial Statements

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars)

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.

2. Significant accounting policies

Basis of presentation

These 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 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, 2008.

Adoption of new accounting standards

Effective May 1, 2008, the company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, Inventories and CICA Handbook Section 1400, General Standards of Financial Statement Presentation.

The initial adoption of these new standards had no material impact on the company's financial statements.

Accounting Changes

The following Canadian accounting pronouncements were issued and not yet adopted by the company:

- CICA Handbook Section 3064, Goodwill and Intangible Assets. Management is currently assessing the impact of this new standard.

3. Restricted cash

Restricted cash includes:

	JULY 31 2008	APRIL 30 2008
Letters of Credit:		
Ministry of Northern Development and Mines	\$ 4,452,597	\$ 4,452,597
Independent Electricity System Operator of Ontario	225,000	225,000
	\$ 4,677,597	\$ 4,677,597

Letters of credit are in place with the Ministry of Northern Development and Mines to cover the estimated total costs of reclamation and site restoration (Note 8) and with the Independent Electricity System Operator of Ontario to secure the provision of electricity.

KIRKLAND LAKE GOLD INC.

Notes to Financial Statements

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars)

4. Inventories

	JULY 31 2008	APRIL 30 2008
Mine operating supplies	\$ 1,477,597	\$ 1,195,951
Dore bars	827,626	-
Gold in process	2,302,564	2,672,260
Surface stockpile	42,770	-
	\$ 4,650,557	\$ 3,868,211

5. Investments

Investments include:

	JULY 31 2008	APRIL 30 2008
Government of Canada Treasury Bills	\$ 15,229,074	\$ 15,131,534
Investment in mutual funds	245,735	257,584
	\$ 15,474,809	\$ 15,389,118

Government of Canada Treasury Bills bear interest at 2.40% per annum and mature on 10/30/2008.

6. Mineral properties

	JULY 31 2008	APRIL 30 2008
Balance - Beginning of period	\$ 36,947,885	\$ 34,364,062
Development costs	1,038,271	4,322,324
Depletion	(323,606)	(1,738,501)
Balance - End of period	\$ 37,662,550	\$ 36,947,885

	COST	ACCUMULATED AMORTIZATION	JULY 31 2008	APRIL 30 2008
Acquisition allocation	\$ 1,765,524	\$ 207,927	\$ 1,557,597	\$ 1,570,374
Underground development	39,806,120	6,183,069	33,623,051	32,872,445
Underground pumping	2,050,942	457,930	1,593,012	1,607,855
Mill & surface facilities	149,371	34,072	115,299	116,380
Lakeshore property	1,000,411	226,820	773,591	780,831
	\$ 44,772,368	\$ 7,109,818	\$ 37,662,550	\$ 36,947,885

KIRKLAND LAKE GOLD INC.

Notes to Financial Statements

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars)

7. Property, plant and equipment

	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>JULY 31 2008</u>
Computer equipment	\$ 712,960	\$ 607,561	\$ 105,399
Mine and mill equipment	20,907,129	8,386,453	12,520,676
Vehicles	129,493	100,116	29,377
Buildings	591,822	282,464	309,358
	<u>\$ 22,341,404</u>	<u>\$ 9,376,594</u>	<u>\$ 12,964,810</u>

	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>APRIL 30 2008</u>
Computer equipment	\$ 707,228	\$ 578,070	\$ 129,158
Mine and mill equipment	19,959,033	7,854,616	12,104,417
Vehicles	129,493	102,483	27,010
Buildings	591,822	268,919	322,903
	<u>\$ 21,387,576</u>	<u>\$ 8,804,088</u>	<u>\$ 12,583,488</u>

8. Asset retirement obligation

The company has filed a reclamation and site restoration plan in connection with the Kirkland Lake properties and these plans are being reviewed by the Ontario Ministry of Northern Development and Mining (MNDM). The estimated total costs of reclamation and site restoration at July 31, 2008 are \$4,452,597 and financial assurance has been provided to the MNDM by way of a letter of credit in the amount of \$4,452,597 (Note 3). In prior years assurance was provided by way of a mine closure bond.

A reconciliation for asset retirement obligations is as follows:

	<u>JULY 31 2008</u>	<u>APRIL 30 2008</u>
Balance - Beginning of year	\$ 2,862,508	\$ 2,700,480
Revision to timing of estimate mining life	(311,991)	-
Accretion	38,257	162,028
Balance - End of period	<u>\$ 2,588,774</u>	<u>\$ 2,862,508</u>

During 2009, the company reviewed total proven and probable reserves, which resulted in the extension of the remaining life of the mine and, consequently, the extension of the cash flow projection and reduction of the asset retirement obligations and mineral properties.

There were no liabilities incurred or settled during fiscal 2009.

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

- The total undiscounted cash flow as at July 31, 2008 is \$4,452,597.
- The expected settlement to be in 2023.
- A credit adjusted risk free rate at which the estimated payments have been discounted of 6%.
- An inflation rate of 2%.

KIRKLAND LAKE GOLD INC.

Notes to Financial Statements

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars)

9. Capital stock

	Number of shares	Amount
Balance - Beginning of period	55,703,312	\$ 153,421,306
Balance - End of period	55,703,312	\$ 153,421,306

10. 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 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 31, 2008 are as follows:

	Number of shares	Weighted average exercise price
Options outstanding - May 1, 2008	420,500	\$ 7.51
Granted	384,000	8.16
Options outstanding - July 31, 2008	804,500	\$ 7.82
Options exercisable - July 31, 2008	258,000	\$ 6.19

KIRKLAND LAKE GOLD INC.

Notes to Financial Statements

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars)

The following table summarizes information about stock options outstanding and exercisable at July 31, 2008:

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
2.80	10,000	10,000	0.04	0.04
3.95	106,000	106,000	0.32	0.32
4.70	19,500	19,500	1.15	1.15
7.90	309,000	-	4.79	-
8.65	245,000	122,500	3.50	3.50
9.25	75,000	-	4.81	-
12.50	40,000	-	4.24	-
2.80 - 12.50	804,500	258,000	3.64	1.88

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 2008	APRIL 30 2008
Expected life of options	5 years	5 years
Risk-free interest rate	3.07%	4 - 5%
Expected stock price volatility	50%	50%
Expected dividend yield	0%	0%

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.

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

	JULY 31 2008	APRIL 30 2008
Balance - Beginning of period	\$ 1,284,136	\$ 674,137
Accretion of options granted	337,168	815,759
Exercise of options	-	(49,154)
Options forfeited	-	(156,606)
Balance - End of period	\$ 1,621,304	\$ 1,284,136

KIRKLAND LAKE GOLD INC.

Notes to Financial Statements

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars)

11. Warrants

The changes in warrants outstanding are as follows:

	Number of shares	Weighted average exercise price
Warrants outstanding - May 1, 2008	225,000	\$ 13.00
Exercised	-	-
Warrants outstanding - July 31, 2008	225,000	\$ 13.00

	JULY 31 2008	APRIL 30 2008
Balance - Beginning of period	\$ 677,891	\$ 595,163
Agents warrants issued in private placements	-	677,891
Exercise of warrants	-	(595,163)
Balance - End of period	\$ 677,891	\$ 677,891

12. 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 (2007 - \$10,500) to a company related by directors in common.

(b) At July 31, 2008, accounts payable included \$NIL (2008 - \$3,947) 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.

13. 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 period ended July 31, 2008, royalties under this agreement amounted to \$522,736 (2008 - \$450,710).

An agreement between Queenston Mining Inc. and the company was formed in April 2007 to explore the Morgan property. The company has agreed to spend \$908,000 on exploration for the fiscal year 2009.

KIRKLAND LAKE GOLD INC.

Notes to Financial Statements

For the three months ended July 31, 2008 and 2007

(expressed in Canadian dollars)

14. 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, 2008 and 2007 all of the company's capital assets, revenues earned and operations were in Canada.