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Management's Discussion & Analysis ('MD&A') of Operations and Financial Condition
Second Quarter – Fiscal 2009

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 December 12, 2008 and covers the results of operations for the quarter ended October 31, 2008. 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 ('GAAP'). This MD&A should be read in conjunction with both the annual audited financial statements and notes thereto for the year ended April 30, 2008 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 MD&A constitute 'forward looking statements'. While these statements are made as of the date hereof they refer to future events. 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 natural resource exploration, development and production
- Lack of operating cash flow and the Company's reliance 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, Canada which owns the Macassa Mine and Mill and four contiguous formerly producing gold mining properties. The Company's corporate goal is to expand its gold resources and reserves and reduce its operating costs to become a profitable gold producer. The Company's common shares trade on the TSX (Toronto Stock Exchange) and the AIM (Alternative Investment Market) of the London Stock Exchange.

The Company's senior management and Board of Directors have extensive experience in the natural resource and mining sectors that include exploration, mining and marketing, as well as experience in the legal and corporate finance areas.

OPERATIONS REVIEW – INCLUDING A REVIEW OF REVENUES AND COSTS

The Company incurred a loss for the quarter ended October 31, 2008 of \$4,790,362 or \$0.09 per share, which compares with a net loss of \$3,353,500 or \$0.06 per share for the previous quarter and a net loss of \$2,393,263 or \$0.04 per share for the same quarter in fiscal 2008. The principal causes of these variations are discussed below.

- (1) Review of Production and Development Activities compared to the previous quarter (Q1/09) and the same quarter in the previous fiscal year (Q2/08).
 - a) Gold production was 8,327 ounces in the quarter, a decrease of 9% compared to the previous quarter Q1/09 (9,193 oz) and a 27% decrease compared to Q2/08 (11,460 oz). Lower ore tons hoisted due to a shortage of developed mining stopes was the main factor causing lower gold production. A contributing factor was a 3,500 ton consumption of broken ore due to the filling of the ore pass between the 5300' and 5700' levels to extend its useful life. Management is working to increase the number of developed stopes available for mining by increasing development in the '04 Break and bringing the South Mine Complex (SMC) into production.
 - b) Ore tonnage head grade from underground for the quarter was 0.323 ounce per ton (opt), an increase of 7% compared to the previous quarter Q1/09 (0.303 opt) and a 35% decrease from the same quarter in fiscal 2008 (0.497 opt). The grade fluctuations from quarter to quarter reflect the areas being mined in each quarter. A total of 6,518 tons of underground waste was processed through the mill in the quarter. Waste tons from 5300' level are being processed until an alternative waste handling system is developed as part of the SMC Project. An additional 9,561 tons of low grade material was milled during the quarter in an effort to recover ore contaminated during waste handling issues and stockpiled in this and previous quarters.
 - c) Operating lateral and vertical development increased 58% to 2,807 feet from the previous quarter (Q1/09: 1,776 feet). Operating development was also 22% higher than in (Q2/08: 2,298 feet).
 - d) Operating development associated with the SMC (ore and waste) represents 60% (1,688 feet) of all operating development within the quarter and is expected to increase in future quarters.
 - e) Ore generated from the SMC throughout the quarter totalled 7,084 tons grading 0.437 opt with a recovery of 94.3% for 2,921 ounces produced.
 - f) Ore development on 5300' level produced 1,723 ounces from 3,583 tons (0.481 opt). Development ore was excavated from the New South Hanging wall structures.
 - g) Production mining on 5300' level (5312.37 – Lower D Zone) produced 609 ounces from 255 tons ore at 2.45 opt (97% recovery). Exploration drifting along the Lower D North (west of 5014 Stope) yielded 765 ounces from 3,246 tons grading 0.243 opt (97% recovery).
 - h) The amount of capital development increased from the previous quarter by 24% to 1,116 feet of vertical and lateral development (Q1/09 898 feet). This represents an increase of 65% compared to Q2/08 (677 feet). The increasing trend in capital development is due to work required to bring the SMC into production. Additional manpower resources will be acquired on site in January to accelerate this work.
 - i) Significant development and construction work was carried out on ventilation boosting stations on 4250'; 4500'; 4750'; 5000' and 5300' levels. This work will be completed in the third quarter.

- j) The Company continued to rebuild underground scoops, with one scoop completed in the second quarter and another one now underway.
- k) A total of 27,015 tons of ore were hoisted from underground operations, a 13% decrease compared to Q1/09 (31,154 tons). In the same quarter of fiscal 2008, 24,184 ore tons were hoisted. The fluctuations in ore tons between quarters reflect the number of developed ore stopes available in each quarter.
- l) As a proportion of total production, use of the longhole production mining methods increased 12% to 37% in Q2. In the same quarter of fiscal 2008 only 11% of total production was mined with the longhole mining method. Development ore produced 35% of the ore tonnage in the second quarter compared to 29% in the first quarter. Ore tons from mechanized and paste cut and fill mining methods was 28% in the second quarter. As the SMC moves from being developed to being mined, the ore from development methods such as longhole should decline and ore tons from cut and fill mining methods will increase.

SELECTED FINANCIAL INFORMATION & REVIEW OF OVERALL PERFORMANCE

Financial Highlights <i>(All amounts in 000s of Canadian Dollars, except shares and per share figures)</i>	Three months ended,		
	October 31, 2008	July 31, 2008	October 31, 2007
Gold Sales (ounces)	9,704	8,813	10,142
Average Price (per ounce)	\$910	\$902	\$726
Revenue	8,827	7,952	7,362
Operating Expenses	11,886	10,062	8,069
Exploration Expenditure	833	814	1,306
Net Income (loss)	(4,790)	(3,354)	(2,393)
Per share (basic and diluted)	(0.09)	(0.06)	(0.04)
Cash Flow from (used) operating activities	(2,087)	(1,081)	(3,065)
Cash Flow from financing activities	28	0	5,024
Cash Flow (used) for investing activities	(5,989)	(2,402)	(1,478)
Net increase (decrease) in cash	(8,048)	(3,482)	481
Cash at end of period	4,072	12,120	34,766
Short-term investments	19,116	15,475	0
Total cash resources	23,188	27,595	34,766
Total Assets	85,487	88,819	91,454
Total Liabilities	11,162	10,368	9,445
Working Capital	20,329	25,670	35,132
Weighted average number of shares outstanding	55,712,653	55,703,312	55,309,397
Dividends per share	NIL	NIL	NIL

(2) Review of Financial Results compared to the quarter ended October 31, 2007:

- a) Gold revenues were 20% higher at \$8.8 million (2008: \$7.4 million) resulting from a 4% decline in ounces sold which was offset by an increase of 25% in the realized price of gold in Canadian dollars.

- b) Operating expenses increased 47% to \$11.9 million (2008: \$8.1 million). This increase was a function of higher mining costs (\$1,182,278), milling expenses (\$390,251), general site expenses (\$577,435), stock based compensation (\$134,758), and a change in gold inventory levels (\$1,434,990).

Mining cost increases were primarily due to the timing of a Workplace Safety and Insurance Board credit received in Q2/08, increased tons mined, equipment maintenance and a general increase in raw material prices. Milling costs were higher in Q2/09 due to an increase in mill throughput as explained in 1(b) above.

General site costs were up 66% due primarily to an increase in management and engineering staff and related employee expenses. The recruitment included Mark Tessier being appointed as Vice President of Operations, a new Chief Mine Engineer and other engineering staff including junior mine planners and surveyors. In addition to the new hires, contract/consulting services related to the tailings dam stability study and mine closure obligations also contributed to the cost increase.

- c) General and administrative expenses were 18% lower at \$510,134 (2008: \$621,735). This reduction was due to lower legal fees and the timing of investor relations and capital tax expenses.
- d) Exploration costs dropped 36% to \$832,557 (2008: \$1,306,303) primarily due to the completion of the flow through programme on December 31, 2007 which was offset by a one off expense relating to the construction of two drill bays on 5000' and 4500' levels which is 230 feet of equivalent drilling.
- e) Capital spending on mine development increased by 132% to \$1,591,657 (2008: \$685,264). Increases in capital development are the beginning of an aggressive plan to increase production in the SMC as well as the main break, and construction work on the ventilation boosting stations as mentioned in 1(i) above.
- f) Capital spending on equipment was 21% lower at \$626,839 (2008: \$792,605). The Company's main investments for the quarter included; the continuation of an underground automation project to enhance underground networks; the replacement of a shaft cage; perimeter fencing upgrades to comply with closure regulations; and the continuation of scoop rebuilding projects.
- g) Total spending including operating costs, capital spending and royalties increased 51% (\$4.4 million) to \$13.0 million (2008: \$8.6 million).
- h) Other income decreased to \$95,993 (2008: \$436,764) mainly due to a decrease in interest received on lower cash balances as a consequence of investing the majority of our free cash in Canadian Government Treasury Bills.

(3) Review of Financial Results compared to the quarter ended July 31, 2008:

- a) Gold revenues were 11% higher at \$8.8 million (Q1/09: \$8.0 million), reflecting a 10% increase in ounces sold and a 1% increase in the realized gold price in Canadian dollars.
- b) Operating expenses increased 18% to \$11.9 million (Q1/09: \$10.1 million). The increase in expenses was largely due to a change in gold inventory levels of \$1.3 million, as well as increases in general expenses (\$214,279), mining (\$77,071) and milling (\$79,676).

Mining costs increased slightly due primarily to increased tons mined which was offset by the transfer of one (1) drill from definition drilling to capital service holes. Milling costs increases were due to an increase in mill throughput and increases in material prices.

Increases in general site expenses are outlined in section 2(b) above. Royalty expenses increased due to an increase in gold revenues.

- c) General and administrative expenses were down 3% to \$510,134 (Q1/09: \$526,120) as a result of a decrease in legal fees which were offset by the timing of increases in listing and filing fees.
- d) Exploration expenditure rose 2% or \$18,941 to \$832,557 (Q1/09: \$813,616) primarily due to the addition of one 1 air drill relocated from production to exploration during Q2/09.
- e) Capital spending on mine development increased 14% to \$1.6 million (Q1/09: \$1.4 million) as explained in 2(e) above.
- f) Capital spending on property and equipment decreased 34% to \$0.6 million (Q1/09: \$1.0 million) as explained in section 2(f) above.
- g) Total spending including operating costs, capital spending and royalties increased \$1.7 million to \$13.0 million (Q1/09: 11.3 million).
- h) Other income decreased to \$95,993 (Q1/09: \$304,083) mainly due to a decrease in interest received on lower cash balances.

Summary of Quarterly Results

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

Quarterly Results <i>(All amounts in 000s of Canadian Dollars, except Loss per share figures)</i>	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal 2009				
Revenue			8,827	7,952
Net Income (Loss)			(4,790)	(3,354)
Loss per Share (Basic & Diluted)			(0.09)	(0.06)
Fiscal 2008				
Revenue	13,198	9,576	7,362	11,300
Net Income (Loss)	906	(1,895)	(2,393)	36
Loss per Share (Basic & Diluted)	0.00	(0.02)	(0.04)	0.00
Fiscal 2007				
Revenue	10,529	8,212		
Net Loss	(1,191)	(2,530)		
Loss per Share (Basic & Diluted)	(0.01)	(0.06)		

Compared to the previous quarter, the number of full time employees rose 4% from 224 to 234. The Company's training program remains successful with 4 new workers being integrated into the workforce. This program remains an important cornerstone to the Company's developing self-reliance for manpower, and the Company's continued commitment to enhancing employee's work skills. Employee development, satisfaction and retention are important to the Company.

The Company maintained its reputation for safe working practices during the quarter. There were no lost time accidents on the property (including contractors) and medical aid frequency remained low at 1.2 on the MASHA ratings scale. Currently the Company is ranked #1 for MASHA's Award of Excellence for mines with less than 250 employees.

Exploration Update

During the quarter, four electric and two air machines dedicated to exploration completed 35,500 feet of drilling. High-grade intersections in a new zone related to the Lower D North Zone included drill holes 53-1028 (4.14 opt over 13.3 feet true width) and 53-1027 (1.24 opt over 8.4 feet true width). New intersections on the YYZ Zone included drill holes 53-1030 (3.05 opt over 7.4 feet true width) and 53-1144 (0.61 opt over 4.4' true width).

Drilling on the South Claims (joint venture with Queenston Mining Inc.) during the second quarter returned 2.42 opt over a true width of 3.0 feet (drill hole 53-1085) and 1.82 opt over a true width of 4.7 feet (drill hole 53-1087). These intersections have further expanded the New South Hanging wall Zone west towards the 100% owned KGI property.

Two new drill bays were completed during the quarter which will facilitate testing of the potential east extension of the SMC as well as hanging wall mineralization to the east and above the 4500' level. Drilling is expected to begin midway through the third quarter.

Qualified Persons

The scientific and technical results of the Company's exploration programs and operations disclosed in this MD&A have been reviewed, verified (including sampling, analytical and test data) and compiled by the Company's geological and production staff (which includes a 'qualified person' in each department, Stewart Carmichael P.Geol., the Company's Chief Exploration Geologist in respect of exploration results, and Steve Gray, P. Geo, the Company's Chief Production Geologist in respect of production results, for the purpose of National Instrument 43-101, *Standards of Disclosure for Mineral Projects, of the Canadian Securities Administrators*). They also supervised the preparation of the information that forms the basis of the technical disclosure in this MD&A.

Quality Assurance & Control

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 reserves and resources amounts disclosed in this MD&A have been prepared and verified by Glenn R. Clark, P.Eng., an independent 'qualified person' for the purpose of National Instrument 43-101, *Standards of Disclosure for Mineral Projects, of the Canadian Securities Administrators*).

OUTLOOK

The Company continues to

- Invest heavily in its people and equipment to improve production and partially finance the ongoing exploration program, and
- Attract and retain underground employees by adopting and implementing best practices in its employee relations, investing in training programs and promoting employee retention schemes.

Production forecasts for fiscal year ending April 30, 2009 indicate annual gold production in the range of 46,000 to 50,000 oz. See 'Forward Looking Information' for a description of the factors that may cause actual results to differ from this forecast.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

To date, the Company has relied significantly on private placement financings of equity securities to finance its operations. With current cash requirements and expenses exceeding income at this stage, the liquidity risk could be material. Success will depend, for the most part, upon increasing production, adding to reserves as cost effectively as possible and maintaining tight controls over material price increases and expenditures generally.

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 constant review and surplus funds are held on deposit at the best available market 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 resources, (cash, cash equivalents and short-term investments) were as follows:

Resource	At October 31,	
	2008	2007
Cash \$CDN	4,072,251	34,747,404
Cash \$US	0	18,700
Short-term Investments	19,115,862	0
Total	23,188,113	34,766,104

Interest received on Canadian Dollar deposits range from 1.75 - 2.5% per year. A breakdown of restricted cash and investments are available in Notes 3 and 5 of the accompanying Financial Statements.

There was an outflow of \$2.1 million during the quarter relating to operating activities. This cash outflow was mainly a consequence of a \$4.8 million net loss in the period.

Net proceeds from financing activities were \$28,000 during the quarter due to the net proceeds from issuance of capital stock and warrants.

Net investing activities of \$6.0 million included the purchase of mine equipment and capital development of \$2.2 million and a roll-over in the Canadian Government Treasury Bills of \$3.8 million.

As at December 12, 2008 the Company's cash resources (including short term investments) are \$20.2 million. These funds are expected to be sufficient to fund the Company's planned exploration and development activities for the next 12-18 months.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, security deposits, accounts receivable, accounts payable and accrued liabilities. At October 31, 2008, the carrying values of these instruments approximate their fair values based on the nature of these instruments.

As at October 31, 2008, the Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 4,134 ounces of gold at an average price of \$969.74 per ounce to be delivered under this contract. Fair value was not significantly different from stated value when the gold was delivered during the months of November 2008 and the beginning of December 2008.

Commitments

A net smelter royalty is payable to Kinross Gold Corporation on a sliding scale commencing at 2% if the price of gold 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 six month period ended, October 31, 2008, royalties under this agreement amounted to \$669,564 (2008: \$744,299).

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.

On February 1, 2008 the Company submitted a revised end of mine life closure plan to the Ministry of Northern Development & Mines ('MNDM') of the Province of Ontario. At the same time, the Company put in place a letter of credit for \$4,452,597 in favour of the MNDM which, in turn, refunded a mine closure bond for \$2,235,829 on April 17, 2008.

In a letter dated September 25, 2008, the MNDM stated they believe the current cost estimate as prescribed in the mine closure plan amendment does not adequately represent the market value of cost of goods and services for rehabilitation work. The MNDM is requesting that the Company update the closure plan amendment cost estimate based on third party independent market costs and resubmit for review. The plan does allow for scheduled site characterization studies and so the MNDM is requesting that the Company accelerate their plans for these studies and implement a program of progressive rehabilitation for the property. At this time, the Company can not estimate the cost of the effect of the change requested by the MNDM. The third party costs will be reported as they become available.

In a letter from the MNDM dated October 27, 2008 in regards to the Wright Hargreaves property, it was noted that there is no filed closure plan or financial assurance in place for this site. At this time the Company can proceed with progressive rehabilitation as per the Mining Act and Reg. 240/00. This process has a reporting and rehabilitation requirement but does not require financial assurance.

Related Party Transactions

Pursuant to an agreement between the Company and Ionic Management Corp. (formerly Quest Management Corp.), the Company pays \$3,500 per month to Ionic in consideration of Ionic providing corporate and administrative services to the Company. During the quarter, the total fees paid to Ionic for services performed under the agreement were \$10,500 (2008: \$10,500). Ionic is a private management

company and has one director (Brian E. Bayley) in common and a corporate secretary (Sandra Lee) in common with the Company.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The 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.

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 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 October 31, 2008, the Company had working capital of \$20.3 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 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 indicates 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 \$802 per ounce and annual operating costs similar to historical costs incurred over the past year, that annual production in the range of 46,000 to 50,000 ounces in fiscal 2009 and at least 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 higher rate of production.

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 adverse developments 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 undiscounted 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 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

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Because of its inherent limitations, management believes that any internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and will prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedure may deteriorate.

There have been no changes in the Company's internal control over financial reporting that occurred during the period ended October 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Adoption of International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) and the Canadian Securities Administrators (CSA) have confirmed January 1, 2011 as the date IFRS will replace Canadian Generally Accepted Accounting Principles (Canadian GAAP) for publicly accountable, profit-oriented enterprises. This presents a change in the fundamental principles upon which financial reporting is conducted and requires significant analysis and planning to ensure a proper transition. In preparation for the changeover, the Company has commenced assessing the implications of the change, creating a timeline for the implementation, and

training key personnel in IFRS. The results of the assessment and key elements and timing of the plan will be discussed as information becomes available.

CHANGES IN ACCOUNTING POLICIES

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.
- The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (“IFRS”) over a transition period expected to end in 2011, when IFRS will be fully adopted. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

OTHER MATTERS

Outstanding Share, Option & Warrant Data

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

Security	Shares issued or Issuable	Weighted Average Exercise Price
Common Shares	55,712,312	--
Options	1,582,000*	\$7.38
Warrants	225,000	\$13.00

*if all options have fully vested