

# **KIRKLAND LAKE GOLD INC.**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

**THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2009**

**(EXPRESSED IN CANADIAN DOLLARS)**

**The accompanying unaudited interim financial statements of Kirkland Lake Gold Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.**

**These unaudited interim financial 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 October 31, 2009 and April 30, 2009

(expressed in Canadian dollars, except share amounts)

	October 31 2009	April 30 2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,489,098	\$ 1,806,199
Short-term investments (Note 4)	45,205,654	23,638,142
Accounts receivable	1,785,550	4,162,458
Inventories (Note 5)	3,454,025	7,388,143
Prepaid expenses and deposits	745,756	448,946
	<u>55,680,083</u>	<u>37,443,888</u>
<b>Security deposits</b>	<b>67,480</b>	<b>67,480</b>
<b>Restricted cash (Note 3)</b>	<b>4,952,597</b>	<b>4,734,556</b>
<b>Mineral properties (Note 6)</b>	<b>50,216,912</b>	<b>43,319,425</b>
<b>Property, plant and equipment (Note 7)</b>	<b>18,158,070</b>	<b>15,330,251</b>
	<u>\$ 129,075,142</u>	<u>\$ 100,895,600</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 10,064,258	\$ 11,085,540
Current portion of capital lease (Note 8)	91,440	-
	<u>10,155,698</u>	<u>11,085,540</u>
<b>Obligations under capital lease (Note 8)</b>	<b>9,279</b>	<b>-</b>
<b>Asset retirement obligation (Note 9)</b>	<b>3,132,678</b>	<b>3,041,434</b>
	<u>13,297,655</u>	<u>14,126,974</u>
<b>Shareholders' equity</b>		
<b>Capital stock (Note 10)</b>		
Authorized		
Unlimited common shares, without par value		
Issued		
63,377,148 (2009 - 58,548,898) common shares	195,508,635	165,755,459
<b>Options (Note 11)</b>	<b>4,618,312</b>	<b>3,630,924</b>
<b>Warrants (Note 12)</b>	<b>8,476,135</b>	<b>1,499,541</b>
<b>Contributed surplus</b>	<b>3,087,610</b>	<b>3,079,066</b>
<b>Deficit</b>	<b>(95,913,205)</b>	<b>(87,196,364)</b>
	<u>115,777,487</u>	<u>86,768,626</u>
	<u>\$ 129,075,142</u>	<u>\$ 100,895,600</u>

Operations, going concern and measurement uncertainty (Note 1)

Commitments (Notes 3 and 14)

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 and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars, except share amounts)

	THREE MONTH PERIOD ENDED OCTOBER 31 2009	THREE MONTH PERIOD ENDED OCTOBER 31 2008	SIX MONTH PERIOD ENDED OCTOBER 31 2009	SIX MONTH PERIOD ENDED OCTOBER 31 2008
<b>Revenue</b>	<b>\$ 6,924,765</b>	<b>\$ 8,826,764</b>	<b>\$ 29,423,774</b>	<b>\$ 16,778,809</b>
<b>Expenses</b>				
Operating costs	13,950,821	10,414,710	30,364,410	19,131,325
Stock-based compensation for operational personnel	346,606	154,462	868,597	286,171
Amortization and depletion	939,875	965,011	2,320,207	1,861,122
Royalties	276,213	352,287	1,175,937	669,564
	<u>15,513,515</u>	<u>11,886,470</u>	<u>34,729,151</u>	<u>21,948,182</u>
	<u>(8,588,750)</u>	<u>(3,059,706)</u>	<u>(5,305,377)</u>	<u>(5,169,373)</u>
<b>Other expenses</b>				
General and administrative	675,383	510,134	1,190,725	1,036,254
Exploration	1,061,835	832,557	2,154,096	1,646,173
Interest and bank charges	2,541	1,878	6,796	4,006
Stock-based compensation for administrative personnel	85,658	482,080	216,156	687,539
Interest and other income	(79,467)	(95,993)	(156,309)	(399,486)
	<u>1,745,950</u>	<u>1,730,656</u>	<u>3,411,464</u>	<u>2,974,486</u>
<b>Loss and comprehensive loss for the period</b>	<b>(10,334,700)</b>	<b>(4,790,362)</b>	<b>(8,716,841)</b>	<b>(8,143,859)</b>
<b>Deficit - beginning of period</b>	<b>(85,578,505)</b>	<b>(80,066,805)</b>	<b>(87,196,364)</b>	<b>(76,713,308)</b>
<b>Deficit - end of period</b>	<b>\$ (95,913,205)</b>	<b>\$ (84,857,167)</b>	<b>\$ (95,913,205)</b>	<b>\$ (84,857,167)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.17)</b>	<b>\$ (0.09)</b>	<b>\$ (0.15)</b>	<b>\$ (0.15)</b>
<b>Weighted average number of shares outstanding</b>	<b>61,168,393</b>	<b>55,712,653</b>	<b>59,862,762</b>	<b>55,707,957</b>

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 and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

	THREE MONTH PERIOD ENDED OCTOBER 31 2009	THREE MONTH PERIOD ENDED OCTOBER 31 2008	SIX MONTH PERIOD ENDED OCTOBER 31 2009	SIX MONTH PERIOD ENDED OCTOBER 31 2008
<b>Cash flows used in operating activities</b>				
Net loss for the period	<b>\$(10,334,700)</b>	\$ (4,790,362)	<b>\$ (8,716,841)</b>	\$ (8,143,859)
Items not affecting cash				
Amortization and depletion	<b>939,875</b>	965,011	<b>2,320,207</b>	1,861,122
(Gain) loss on investments	<b>(18,947)</b>	129,183	<b>(30,931)</b>	141,031
Stock-based compensation	<b>432,264</b>	636,542	<b>1,084,753</b>	973,710
Asset retirement obligation	<b>45,622</b>	38,257	<b>91,244</b>	76,514
Changes in non-cash working capital items				
Accounts receivable	<b>219,627</b>	(438,133)	<b>2,376,908</b>	695,063
Inventories	<b>2,415,593</b>	832,358	<b>3,934,118</b>	50,012
Prepaid expenses and deposits	<b>(133,361)</b>	(215,597)	<b>(296,810)</b>	(165,630)
Accounts payable, accrued liabilities and other liabilities	<b>(838,409)</b>	755,521	<b>(1,021,282)</b>	1,344,055
	<b>(7,272,436)</b>	(2,087,220)	<b>(258,634)</b>	(3,167,982)
<b>Cash flows from financing activities</b>				
Net proceeds from issuance of capital stock and warrants	<b>36,568,448</b>	28,000	<b>36,640,948</b>	28,000
Proceeds from capital lease	-	-	<b>137,160</b>	-
Repayment of capital lease	<b>(36,441)</b>	-	<b>(36,441)</b>	-
	<b>36,532,007</b>	28,000	<b>36,741,667</b>	28,000
<b>Cash flows used in investing activities</b>				
Purchase of property, plant and equipment	<b>(3,023,646)</b>	(626,839)	<b>(4,341,019)</b>	(1,580,668)
Purchase of short-term investments	<b>(49,997,440)</b>	(21,090,554)	<b>(71,541,178)</b>	(36,319,626)
Proceeds from sale of short-term investments	<b>15,001,000</b>	17,320,319	<b>45,052,000</b>	32,451,853
Proceeds from disposal of property, plant and equipment	-	-	<b>12,500</b>	-
Restricted cash	<b>4,952,597</b>	-	<b>4,734,556</b>	-
Additions to mineral properties	<b>(4,922,644)</b>	(1,591,657)	<b>(7,716,993)</b>	(2,941,919)
	<b>(37,990,133)</b>	(5,988,731)	<b>(33,800,134)</b>	(8,390,360)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(8,730,562)</b>	(8,047,951)	<b>2,682,899</b>	(11,530,342)
<b>Cash and cash equivalents - Beginning of period</b>	<b>13,219,660</b>	12,120,202	<b>1,806,199</b>	15,602,593
<b>Cash and cash equivalents - End of period</b>	<b>\$ 4,489,098</b>	\$ 4,072,251	<b>\$ 4,489,098</b>	\$ 4,072,251

### Supplemental cash flow information (Note 16)

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

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

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### 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 into the foreseeable future, certain historical adverse conditions and events could cast significant doubt on the validity of this assumption and, hence, the appropriateness of the use of accounting principles applicable to a going concern.

During the years ended April 30, 2009 and 2008, the Company incurred losses of \$10.5 million and \$3.3 million, respectively. Cash flow required for operating activities, including exploration costs charged to operations of \$7.5 million, aggregated \$3.0 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, 2009, the Company has working capital of \$45.5 million. Management projects that these funds, together with cash flow from operations, will be sufficient to meet the Company's obligations and capital expenditure plans for the foreseeable future. Nevertheless, differences are likely to occur between actual results and those projected 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 the Company's operating and capital exploration requirements in the past and will pursue additional funding 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 (i) operations do not generate sufficient cash flow and (ii) sufficient funding for the Company's operating and capital expenditure requirements on terms acceptable to management is not 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 that the recorded costs for mineral properties and related fixed assets may not be recoverable. Management estimates, using a constant gold price of \$1,051 per ounce versus the average gold price of \$1,047 in Q2/10 and operating costs similar to historical costs incurred over the past year, that annual production of 50,000 to 60,000 ounces for each year 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 recover the carrying value of the mineral property and related assets. 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, adverse 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. In spite of the increased working capital currently available for

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

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use by the Company an 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 Canadian generally accepted accounting principles ("GAAP"). 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, 2009.

#### Adoption of new accounting standards

Effective May 1, 2009, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, Goodwill and Intangible Assets.

The initial adoption of this new standard 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 1582, Business Combinations. The new standard prescribes how an organization recognizes, measures and discloses a business combination. This standard is not expected to have a significant impact on the Company's financial position or results. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.
- CICA Handbook Section 1601, Consolidated Financial Statements. The new section prescribes consolidation accounting standards. This standard is not expected to have a significant impact on the Company's financial position or results. This is effective for fiscal years beginning on or after January 2011.
- CICA Handbook Section 1602, Non-Controlling Interests. The new section prescribes standards for the accounting for a non-controlling interest in business combination. This standard is not expected to have a significant impact on the Company's financial position or results. This is effective for fiscal years beginning on or after January 2011.

### 3. Restricted cash

Restricted cash includes:

	<b>OCTOBER 31</b>	<b>APRIL 30</b>
	<b>2009</b>	<b>2009</b>
Letters of Credit:		
Ministry of Northern Development, Mines and Forestry	\$ 4,452,597	\$ 4,452,597
Independent Electricity System Operator of Ontario	500,000	281,959
	<b>\$ 4,952,597</b>	<b>\$ 4,734,556</b>

Letters of credit are secured over the GIC investments as disclosed in Note 4 below.

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

### 4. Short-term investments

Investments include:

	<b>OCTOBER 31 2009</b>	<b>APRIL 30 2009</b>
Government of Canada Treasury Bill bears interest at 0.10%, matures November 26, 2009	\$ 4,998,650	\$ -
Government of Canada Treasury Bill bears interest at 0.10%, matures November 26, 2009	9,998,300	-
Government of Canada Treasury Bill bears interest at 0.05%, matures January 7, 2010	4,999,350	-
Government of Canada Treasury Bill bears interest at 0.15%, matures April 1, 2010	19,999,190	-
Guaranteed Investment Certificate bears interest at 0.6%, matures October 34, 2010	10,000,000	-
Government of Canada Treasury Bill bears interest at 0.65%, matures May 14, 2009	-	4,999,286
Government of Canada Treasury Bill bears interest at 0.6%, matures May 14, 2009	-	9,999,577
Government of Canada Treasury Bill bears interest at 0.3%, matures June 11, 2009	-	1,504,795
Government of Canada Treasury Bill bears interest at 0.3%, matures June 11, 2009	-	5,003,994
Government of Canada Treasury Bill bears interest at 0.25%, matures July 23, 2009	-	1,998,660
Investment in mutual funds	162,761	131,830
Less amounts related to letters of credit (see below)	(4,952,597)	-
	<b>\$ 45,205,654</b>	<b>\$ 23,638,142</b>

Letters of credit are in place with the Ministry of Northern Development, Mines and Forestry to cover the estimated total costs of reclamation and site restoration (Note 9), for \$4,452,597, and with the Independent Electricity System Operator of Ontario to secure the provision of electricity, for \$500,000. The letters of credit are secured by a portion of the \$10,000,000 Guaranteed Investment Certificate purchased during the current period.

### 5. Inventories

	<b>OCTOBER 31 2009</b>	<b>APRIL 30 2009</b>
Mine operating supplies	\$ 1,891,285	\$ 1,559,459
Gold in process	1,261,733	5,457,505
Surface stockpile	301,007	371,179
	<b>\$ 3,454,025</b>	<b>\$ 7,388,143</b>

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

### 6. Mineral properties

	<b>OCTOBER 31 2009</b>	APRIL 30 2009
Balance - Beginning of period	\$ 43,319,425	\$ 36,947,885
Development costs	7,716,994	8,077,906
Depletion	(819,507)	(1,706,366)
Balance - End of period	<b>\$ 50,216,912</b>	<b>\$ 43,319,425</b>

	COST	ACCUMULATED DEPLETION	OCTOBER 31 2009	APRIL 30 2009
Acquisition allocation	\$ 2,055,024	\$ 295,015	\$ 1,760,009	\$ 1,778,637
Underground development	54,273,247	8,156,454	46,116,793	39,152,009
Underground pumping	2,050,942	548,729	1,502,213	1,533,399
Mill and surface facilities	149,371	40,697	108,674	110,945
Lakeshore property	1,000,411	271,188	729,223	744,435
	<b>\$ 59,528,995</b>	<b>\$ 9,312,083</b>	<b>\$ 50,216,912</b>	<b>\$ 43,319,425</b>

### 7. Property, plant and equipment

	COST	ACCUMULATED AMORTIZATION	OCTOBER 31 2009
Computer equipment	\$ 787,162	\$ 747,297	\$ 39,865
Mine and mill equipment	29,498,808	11,661,679	17,837,129
Vehicles	154,531	115,088	39,443
Buildings	591,822	350,189	241,633
	<b>\$ 31,032,323</b>	<b>\$ 12,874,253</b>	<b>\$ 18,158,070</b>

	COST	ACCUMULATED AMORTIZATION	APRIL 30 2009
Computer equipment	\$ 780,226	\$ 695,722	\$ 84,504
Mine and mill equipment	25,202,263	10,245,820	14,956,443
Vehicles	129,493	108,912	20,581
Buildings	591,822	323,099	268,723
	<b>\$ 26,703,804</b>	<b>\$ 11,373,553</b>	<b>\$ 15,330,251</b>

### 8. Obligations under capital lease

	<b>OCTOBER 31 2009</b>
Lease, bearing interest at 8% per annum, repayable in monthly payments of \$8,487. The lease matures in 18 months.	\$ 100,719
Amount payable within one year	(91,440)
	<b>\$ 9,279</b>

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

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### 9. Asset retirement obligation

The Company has filed a reclamation and site restoration plan in connection with the Kirkland Lake properties and these plans are currently being discussed with the Ontario Ministry of Northern Development and Mining (MNDM). The Company's best estimate of the total costs of reclamation and site restoration at October 31, 2009 are \$5,415,814 and financial assurance has been provided to the MNDM by way of a letter of credit in the amount of \$4,452,597 (Note 4).

A reconciliation for asset retirement obligations is as follows:

	<b>OCTOBER 31</b>	<b>APRIL 30</b>
	<b>2009</b>	<b>2009</b>
Balance - Beginning of period	\$ 3,041,434	\$ 2,862,508
Revision to estimated cash flows	-	25,896
Accretion	91,244	153,030
Balance - End of period	<b>\$ 3,132,678</b>	<b>\$ 3,041,434</b>

The Company continues to correspond with the MNDM regarding the Wright Hargreaves property. The Company has retained a consultant to assist in the identification of, if any, potential hazards and related obligations to the Company. This process is currently ongoing, the outcome of which is currently indeterminable at this time.

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

- The total undiscounted cash flow as at October 31, 2009 is \$5,415,814.
- The expected settlement is to be in 2024.
- A credit adjusted risk free rate at which the estimated payments have been discounted by 6%.
- An inflation rate of 2%.

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

### 10. Capital stock

	Number of shares	Stated value
Balance - Beginning of period	58,548,898	\$ 165,755,459
Exercise of options (Note 11)	27,000	239,721
Exercise of warrants (Note 12)	246,250	2,029,134
Private placement (a)	4,555,000	37,123,250
Share issuance costs (a)	-	(2,908,914)
Share proceeds allocated to warrants (a)	-	(6,730,015)
Balance - End of period	<u>63,377,148</u>	<u>\$ 195,508,635</u>

(a) On September 10, 2009, the Company closed a private placement of 4,555,000 units at a price of \$8.15 per unit for gross proceeds of \$37,123,250. Each unit consisted of one common share and one third of a share purchase warrant. Each whole warrant is exercisable to purchase a further common share at a price of \$9.85 until October 10, 2010. The share purchase warrants issued as part of this placement have been recorded at a fair value of \$6,730,015. The Offering was underwritten by Wellington West Capital Markets Inc. (WWCMI), which was paid a cash fee and issued broker warrants to purchase 273,300 common shares of the Company until September 10, 2010 at a price of \$8.16 each. The share purchase warrants issued to (WWCMI) as part of this placement have been recorded at a fair value of \$1,565,462 and recorded as a cost of the placement. In addition the Company incurred further commissions, fees and legal costs totaling \$1,987,577 in connection with this placement.

### 11. Options

The Company has 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 common shares which may be subject to issuance pursuant to options granted under this plan is 6,337,714 shares.

The plan provides that the exercise price of a stock option granted under the plan will not be less than the market price at the time of granting of the stock option.

Notwithstanding that stock options can have a maximum term of 10 years it is presently the policy of the Company to issue stock options for terms of five years.

The changes in stock options issued during the 6 month period ended October 31, 2009 are as follows:

	Number of shares	Weighted average exercise price
Options outstanding - beginning of period	1,468,000	\$ 7.62
Exercised	(27,000)	5.59
Forfeited	(3,000)	7.90
Options outstanding - end of period	<u>1,438,000</u>	7.66
Options exercisable - end of period	<u>845,250</u>	\$ 7.66

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

### 11. Options

The following table summarizes information about stock options outstanding and exercisable at October 31, 2009:

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
5.05	50,000	25,000	3.94	-
6.99	250,000	125,000	3.81	3.81
6.99	487,500	243,750	3.89	3.89
7.90	290,500	141,500	3.54	3.54
8.65	245,000	245,000	2.25	2.25
9.25	75,000	25,000	3.55	3.55
12.50	40,000	40,000	2.98	2.98
<b>\$ 5.05 - 12.50</b>	<b>1,438,000</b>	<b>845,250</b>	<b>3.48</b>	<b>3.29</b>

The fair value of each stock option at the date of grant was estimated using the Black-Scholes option-pricing model.

	APRIL 30 2009
Expected life of stock options	3 - 5 years
Risk-free interest rate	3.58 - 3.98%
Expected stock price volatility	53.3 - 64%
Expected dividend yield	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 stock options recorded as a component of shareholders' equity is as follows:

	OCTOBER 31 2009	APRIL 30 2009
Balance - Beginning of period	\$ 3,630,924	\$ 1,284,136
Accretion of stock options granted	1,084,753	2,642,448
Exercise of stock options	(88,821)	(14,362)
Stock options forfeited	(8,544)	(281,298)
Balance - End of period	<b>\$ 4,618,312</b>	<b>\$ 3,630,924</b>

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

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### 12. Warrants

The changes in warrants outstanding are as follows:

	Number of shares	Weighted average exercise price
Warrants outstanding - beginning of period	930,000	\$ 7.31
Granted (Note 10(a))	1,791,632	9.59
Exercised	(246,250)	5.50
Warrants outstanding - end of period	<u>2,475,382</u>	<u>\$ 9.14</u>

	OCTOBER 31 2009	APRIL 30 2009
Balance - Beginning of period	\$ 1,499,541	\$ 677,891
Warrants issued in private placements	7,651,352	821,650
Exercise of warrants	(674,758)	-
Balance - End of period	<u>\$ 8,476,135</u>	<u>\$ 1,499,541</u>

### 13. 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 \$21,000 (2008 - \$21,000) to a company related by directors in common.

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.

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2009 and 2008

(expressed in Canadian dollars)

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### 14. Commitments

As at October 31, 2009, capital commitments included:

Capital Commitments <i>(All commitments in 000s of Canadian Dollars)</i>	\$000
Property, Plant and Equipment	1,052
Underground Development	71
Total	1,123

A net smelter royalty is payable to Kinross Gold Corporation 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 and terminates upon a maximum aggregate payment of \$15 million. During the period ended October 31, 2009, royalties under this agreement amounted to \$1,175,937 (2008 - \$669,564). Of the \$15 million the Company had paid \$7,753,028.

As at October 31, 2009, the Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 6,376 ounces of gold at an average price of \$1,066.86 per ounce to be delivered under this contract. Fair value was not significantly different from stated value when the gold was delivered. As part of the commodity contract Johnson Matthey Plc. has a right to make a margin call if the price of gold falls below the price of the commodity contract until the full amount of the commodity contract has been satisfied. At period end \$357,220 was on deposit with Johnson Matthey Plc.

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 \$770,000 on exploration of the property for the fiscal year 2010.

Under the Morgan property purchase agreement, the Company has completed the issuance of the third tranche of shares and made the third cash payment to the vendor. To complete its purchase obligations, the Company must issue a further \$50,000 worth of common shares and pay a further \$50,000 to the vendor by January 15, 2010.

### 15. Segmented information

The Company has one operating segment consisting of a mining and milling operation located in Kirkland Lake, Canada. During the periods ended October 31, 2009 and 2008 all of the Company's property, plant and equipment, revenues earned and operations were in Canada.

### 16. Supplemental cash flow information

Cash and cash equivalents comprise cash on deposit with Canadian chartered banks, lines of credit and treasury bills.

	OCTOBER 31 2009	OCTOBER 31 2008
Value assigned to stock options / warrants exercised	\$ 763,579	\$ -
Capital lease	\$ 137,160	\$ -
Purchase of asset under capital lease	\$ (137,160)	\$ -

# **KIRKLAND LAKE GOLD INC.**

**Notes to Unaudited Financial Statements**

**For the three and six months ended October 31, 2009 and 2008**

**(expressed in Canadian dollars)**

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