



Management's Discussion & Analysis ('MD&A')

Period Ending January 31, 2010 – Q3 Fiscal 2010

This MD&A, including appendices, is intended to help the reader understand Kirkland Lake Gold Inc. ('us', 'KGI' or 'the Company'), our operations and our present business environment. It has been prepared as of March 12, 2010 and covers the results of operations for the quarter ended January 31, 2010. 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, 2009 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.

Kirkland Lake Gold Inc.
P.O. Box 370
Kirkland Lake, ON
P2N 3J1

CONTENTS

CONTENTS	- 1 -
COMPANY OVERVIEW	- 2 -
HIGHLIGHTS OF THE QUARTER	- 2 -
OUTLOOK	- 4 -
CAPITAL PROJECTS UPDATE	- 4 -
OPERATIONS REVIEW	- 5 -
REVIEW OF FINANCIAL RESULTS	- 6 -
SUBSEQUENT EVENT	- 7 -
SUMMARY OF QUARTERLY RESULTS	- 7 -
LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION	- 8 -
APPENDIX 1	- 11 -
SELECTED FINANCIAL INFORMATION & REVIEW OF OVERALL PERFORMANCE	- 11 -
APPENDIX 2	- 12 -
CRITICAL ACCOUNTING POLICIES AND ESTIMATES	- 12 -
CHANGES IN ACCOUNTING POLICIES	- 15 -
APPENDIX 3	- 16 -
OTHER MATTERS	- 16 -
<i>Outstanding Share, Option & Warrant Data</i>	- 16 -
<i>Forward Looking Information</i>	- 16 -

COMPANY OVERVIEW

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 goal is to expand its gold reserves and resources to approximately five million ounces, and reduce its unit operating costs by increasing its production rate in order to become a profitable and sustainable intermediate gold producer. The Company's common shares trade on the TSX (Toronto Stock Exchange) and AIM (Alternative Investment Market of the London Stock Exchange).

Over the past year, the Company has announced a number of projects intended to increase production in two eighteen month phases. **Phase I**, to be completed by July, 2010, aims to double production to 600 to 700 tons per day, containing roughly 90,000 to 100,000 ounces of gold per year. **Phase II**, to be completed by January, 2012, aims to double production again to 1,200 to 1,400 tons per day, containing roughly 180,000 to 200,000 ounces of gold per year. Both projects include major expansions of the Company's exploration and development programs.

The Company has established the following operating priorities:

- 1) Maintaining Safety and Environmental – including Loss Control, Security, and Closure activities.
- 2) Improving availability of Plant and Equipment and generally upgrading the mine infrastructure.
- 3) Progressing development, including rehabilitation of existing workings.
- 4) Expediting construction, including the creation of new facilities and refurbishment of existing installations.
- 5) Driving forward our exploration program.
- 6) Growing production in a sustainable way.

The focus of the Company is on sustainability and future growth. The Company's directors and management are focussed on building a successful mining operation in Kirkland Lake.

HIGHLIGHTS OF THE QUARTER

- ➔ On June 23, midway through Q1/10, the borehole that delivers paste fill from surface to 34 Level collapsed due to ground failure after being in service for eighteen years. This risk had been identified by the Company and a directional drilling contractor had been booked and backup holes had been scheduled for drilling during Q2/10 as part of a Phase I Project. A new replacement borehole was drilled and put into service by late Q2/10, and a second backup hole was completed in Q3/10. A third hole is currently being drilled. However, the result of this significant event was that no paste fill could be delivered to the Mine for more than three months. Production at the Mine is directly proportional to the filling of stopes with paste fill. The lack of fill had a direct impact on production by taking most ore mining areas off line. Ore mining during the disruption was limited to exploration mining, completion of the current cuts in some cut and fill stopes, and the removal of broken ore out of some longhole stopes. As a consequence, most production crews were reallocated to refurbishment or other project work during Q2/10 and much of Q3/10, while the stopes were filled. The Company also took advantage of the production delay to initiate refurbishment activities and other project work in many areas of the Mine that directly support production and these projects were completed in Q3/10. This work primarily consisted of repairs and upgrades to both ground support in haulage ways and to mine infrastructure such as rail networks. Production in fiscal 2010 was severely reduced from mid July through mid January (late Q1 to late Q3) by these events.

- The Company completed 2009 as the third lowest in accident frequency in the Province of Ontario in the Large Mines category after finishing first in the Small Mines category in 2008, notwithstanding the number of new employees added in 2009 reaching 173, a 74% increase over 2008. The acceleration of training activities that began in the second quarter continued in the third quarter.
- A review and improvements to the Company's Planned Maintenance and Critical Spare Programs continued during the quarter. A significant number of infrastructure repair and upgrade projects in areas such as the mill, surface shops, other surface facilities, underground maintenance facilities, parking areas, roadways, headframe, electrical, communications, ventilation, backfill, and shaft and hoisting systems were completed, were underway, or were being planned in the quarter.
- Work to increase the hoisting capacity of the Mine by over 300% to 3600 tons per day as part of the Phase II Project was initiated and is expected to be completed by late in the third quarter of fiscal 2011. An expansion of the changing area for workers capable of accommodating an additional 300 persons is also well underway and expected to be completed in the first quarter of fiscal 2011. Additions and improvements to the surface maintenance facilities, warehouse, cold storage capacity, core handling facility, offices, compressor plant, and backfill plant also to be completed in fiscal year 2011 are now being planned.
- Level rehabilitation programs on the 53 Level reached areas that had been targeted by exploration for diamond drilling sites along the main break in the second quarter. After final site preparations are completed and the drills complete their current programs, significant new long term diamond drilling programs will be initiated targeting large areas east and west of the South Mine Complex (SMC). These programs will be similar in scope to the program that discovered the SMC.
- Gold production for the quarter was 8,221 ounces, 110% higher than in the previous quarter (3,912 ounces) but significantly below normal production rates due to the lack of paste fill and due to the completion of project work interfering with production. Ore mining areas in the Main Break resumed production in late December. The 50 Level SMC production area came back on line in early January. The 53 Level SMC area, the largest and highest grade production area in the Mine, resumed production in late January. This sequence was dictated by the completion of the related infrastructure projects.
- Cash flows used in operating activities were \$9,694,843 for the quarter.
- As a consequence of the above factors, the Company reports a net loss for the quarter ended January 31, 2010 of \$8,262,648 or \$0.13 per share, which compares with a net loss of \$10,334,700 or \$0.17 per share for the previous quarter and a loss of \$4,688,372 or \$0.08 per share for the same quarter in fiscal 2009.
- Cash resources (including short-term investments) as at January 31, 2010 were \$35,426,931 and as of March 12, 2010 were \$65,503,952.

OUTLOOK

The Mine returned to a normal mining state by the end of Q3/10, with twenty stopes in the production cycle, and twelve additional stoping development projects underway or planned to begin shortly. Six of these are on the main break and six of these are in the SMC. Many of these stopes and stoping projects will not be fully manned until after the upgrades to the hoist plant and other facilities are completed during fiscal year 2011. A large number of longer term development, stoping, exploration and other mining projects are also awaiting the completion of these infrastructure upgrades.

As a result of the filling problems, and due to the prioritization of some non-production related work, it is anticipated that fiscal year 2010 production will be in the range of 45,000 to 55,000 ounces, despite the five month production delay. The Company will continue to prioritize the work and investment required to meet our goals of attaining 5,000,000 ounces in total gold reserves and resources; and of reaching a profitable production rate of 180,000 to 200,000 ounces of gold per year by fiscal year 2013.

See 'Forward Looking Information' for a description of the factors that may cause actual results to differ from forecast.

CAPITAL PROJECTS UPDATE

During the quarter the Company spent \$3.1 million on underground capital development and \$2.2 million on property, plant, and equipment.

Underground development spending consisted of \$1.3 million for Phase I Project development and \$1.8 million for ongoing development. The Phase I Project will continue until July 2010 and consists of development work required to bring the SMC zone into sustained production at a rate of 300 to 350 tons per day. Ongoing development carried out concurrently with Phase I is required to sustain production in the Main Break area at a rate of 300 to 350 tons per day. Property, plant and equipment purchases included \$0.2 million for Phase I Project equipment, \$0.4 million for ongoing capital equipment, and \$1.6 million for Phase II Project related equipment, plant, and engineering. The goal of Phase II is to increase overall mine production from 600 to 700 tons per day to 1200 to 1400 tons per day. Phase II is expected to be complete by January 2012. Some of the work for Phase I and Phase II is also being carried out concurrently.

OPERATIONS REVIEW

Q3/10 Results	Commentary	Comparatives			
		Q2/10	B/ (W)*	Q3/09	B/ (W)
8,221 ounces	Production slowly increased during Q3/10 as stopes were backfilled and re-entered the normal mining cycle, as a number of infrastructure refurbishment projects and capital projects that interfered with production were completed, and as production miners assigned temporarily to those projects returned to production activities. By the end of the quarter twenty production workplaces were back in production. The 53 Level SMC mining area, the most important and highest grade production area in the Mine, came on line January 18 th after refurbishment of the main haulageway from that area was completed.	3,911 ounces	110%	10,081 ounces	(18)%
0.35 opt	The ore grade for the quarter was 0.351 ounces of gold per ton (opt) as the lower grade areas of the Mine came back on line first. This sequence was dictated by the amount of refurbishment and capital work required in the different areas.	0.21 opt	67%	0.47 opt	(26)%
3,385 tons	The decrease in waste tonnage going to the mill was directly related to the 53 Level SMC haulageway refurbishment project as almost all milled waste comes from this area.	7,567 tons	(55)%	5,132 tons	(34)%
321 feet	The overall level of operating development was reduced because some operating development miners were working on refurbishment projects during Q3/10.	1,334 feet	(76)%	2,568 feet	(88)%
7,758 tons	Ore generated from production, development, and exploratory mining in the SMC throughout Q3/10 was 7,758 tons grading 0.505 ounces of gold per ton. Mill recovery for Q3/10 was 96.86% resulting in production of 3795 ounces. Most primary stopes were waiting for fill or for refurbishment or other capital projects to be completed in the quarter.	4,230 tons	83%	11,375 tons	(32)%
16,430 tons	Ore generated from production, development, and exploratory mining in the Main Break area for the Q3/10 was 16,430 tons at a grade of 0.278 ounces of gold per ton. Mill recovery for Q3/10 was 96.86% resulting in production of 4426 ounces. Most production mining areas in the Main Break returned to production in late December.	14,485 tons	13%	11,159 tons	47%
1,708 feet	Capital development decreased during the quarter due to interference from long term refurbishment work and other capital projects.	3,006 feet	(43)%	1,850 feet	(8)%
24,188 tons	Tons of ore milled increased compared to Q2/10 and Q3/09 but is lower than normal milling rates as a result of production working areas being off line while awaiting fill or due to refurbishment and other capital project work which delayed the start of production.	18,692 tons	29%	22,534 tons	7%

*B / (W) = Better / (Worse)

REVIEW OF FINANCIAL RESULTS

Q3/10 Results (\$000's)	Commentary	Comparatives			
		Q2/10	B/ (W)*	Q3/09	B/ (W)
6,177	As a consequence of the factors outlined above, revenue decreased and 809 fewer ounces of gold were sold compared to the previous quarter, and 3,158 fewer ounces were sold compared to Q3/09.	6,925	(11)%	8,553	(28)%
12,566	<p>Operating Costs</p> <p>Compared to Q2/10:</p> <p>Operating expenses decreased by \$3.0 million mainly as a result of a \$5.2 million adjustment related to increases in gold inventory levels within the milling circuit resulting from fluctuating production levels between reporting periods. The inventory change was offset by increases in mining costs (\$2.2 million) as explained above and as a consequence of mine rehabilitation work undertaken during the quarter. (see "Operations Review").</p> <p>Compared to Q3/09:</p> <p>Operating expenses increased \$1.2 million due to increases in mining costs (\$3.6 million) and general site costs (\$0.2 million) which were offset by a change in inventory levels (\$2.6 million). Mining costs were higher due to increases in headcount and materials associated with the significant level of mine rehabilitation work which has been undertaken in the quarter. An inventory adjustment of \$2.6 million occurred between quarters resulting from an increase in the quantity of ounces within the milling circuit.</p>	15,514	19%	11,330	(11)%
649	General and administrative expenses were consistent with the previous quarter but higher compared to the same quarter in the previous year as a result of higher consulting fees and legal fees and a one-off capital tax credit which was received in Q3/09.	675	4%	422	(54)%
1,108	Exploration costs remained consistent with the previous quarter but increased compared to the same quarter in the previous fiscal year as a result of increased exploration activity.	1,062	(4)%	963	(15)%
3,171	Capital spending on mine development decreased during the quarter as some of the infrastructure refurbishment projects carried out such as track haulage upgrades interfered with access to capital development headings.	4,923	36%	2,429	(31)%
2,238	Capital spending on equipment decreased during the quarter compared to the previous quarter due to fewer purchases of large equipment. Projects which continued to progress included the new changing facility, compressor system upgrades, and the hoist expansion initiative.	3,024	26%	2,057	(9)%
16,678	The decrease in total spending compared to the previous quarter reflects lower operating costs and capital expenditures as explained above.	22,173	25%	14,531	(15)%
74	Other income remained consistent with the previous quarter but was lower than the same quarter of last year due to declining interest rates on investments.	79	(6)%	118	(37)%

*B / (W) = Better / (Worse)

SUBSEQUENT EVENT

On February 4, 2010 the Company announced it completed a private placement for 3,880,500 units at a price of \$8.25 per unit for gross proceeds of approximately \$32.0 million (net proceeds \$30.3 million). Each unit consisted of one common share and one-third of a share purchase warrant. Each whole warrant is exercisable to purchase one common share at a price of \$10 until March 4, 2011.

The proceeds from the financing will be used for exploration and development of the mine infrastructure towards the production target rate of between 180,000 and 200,000 ounces annually and for general corporate purposes. The common shares issued and issuable pursuant to the private placement will be subject to restrictions on their transfer for a period of four months from the date of their issue.

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 2010				
Revenue		6,177	6,925	22,499
Net Income/ (Loss)		(8,263)	(10,335)	1,617
Loss per Share (Basic & Diluted)		(0.13)	(0.17)	0.03
Fiscal 2009				
Revenue	18,210	8,553	8,827	7,952
Net Income/ (Loss)	2,349	(4,688)	(4,790)	(3,354)
Loss per Share (Basic & Diluted)	0.04	(0.08)	(0.09)	(0.06)
Fiscal 2008				
Revenue	13,198			
Net Income/ (Loss)	906			
Loss per Share (Basic & Diluted)	0.00			

During Q4/08 the Company placed emphasis on cost saving initiatives and worked towards becoming profitable. The Company achieved this with \$0.9 million income in Q4/08. In Q1/09, a net loss of \$3.4 million made management aware that maintaining profitability would not be possible through cost saving initiatives alone and that increased levels of production would be required to build a profitable and sustainable mining operation. Fortunately, successful exploration initiatives had built a large and rapidly growing reserve and resource base within a large and highly

prospective target area. This realization resulted in the development of an aggressive multistage plan to upgrade site infrastructure and develop additional mining areas in both the Main Break and SMC in order to achieve a level of sustained profitability. The losses during Q2 and Q3/09 were a result of the increased spending required to initiate these development and infrastructure upgrades. By Q4/09, some of the foundation work had been completed and the Company began operating at a higher level of production which resulted in income of \$2.3 million. This higher level of production was maintained into Q1/10 until the borehole plugged and essentially halted production. During Q2/10, revenues declined dramatically due to the lack of backfill and corresponding reduction in ore mined, however, costs remained similar to previous quarters as production personnel and some capital development personnel were placed on the infrastructure upgrade program which resulted in a \$10.3 million loss. The effects of the borehole blockage continued to be felt throughout much of Q3/10, however, the Mine returned to a normal production rate and to a normal pace of infrastructure upgrade work and mine development by late in the quarter, which decreased the loss to \$8.3 million.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

To date, the Company has relied on private placement financings of equity securities to finance its operations. Expenses have often in the past exceeded income. Even with substantially increased current cash resources, if this were to continue, the liquidity risk could be material. Success will depend, for the most part, upon increasing production in stages, adding to reserves and resources 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. The Company is, therefore, substantially protected against movements in foreign exchange. The Company's principal exchange rate risk relates to movements between the Canadian dollar and US dollar.

The Company's holding of cash balances is kept under constant review and surplus funds are held on deposit. Given the current climate, the Company has taken a very risk averse approach to manage cash resources by investing in Government of Canada Treasury Bills of varying denominations and maturity dates. There are no fixed, floating rate or interest free financial liabilities by way of debt.

Cash and short-term investment resources, (cash, cash equivalents and short-term investments) were as follows:

Resource	At Jan 31,	
	2010	2009
Cash \$CDN	10,198,477	3,198,965
Cash \$US	0	0
Short-term Investments	25,228,454	11,615,657
Total	35,426,931	14,814,622

Interest received on Canadian dollar deposits range from 0.05 – 0.06% per year. A breakdown of restricted cash and investments is available in Notes 3 and 4 of the financial statements for the quarter.

The cash flow statement shows that the Company used \$9.7 million in cash for operations in the quarter. This cash outflow was mainly a consequence of an \$8.3 million loss in the period combined with changes in non-cash working capital items.

Net proceeds from financing activities during the quarter amounted to \$0.8 million from the issuance of common shares and warrants.

Net investing activities of \$14.6 million were attributable to net purchase of short-term investments of \$20.1 million offset by expenditures on mine equipment of \$2.2 million and capital development of \$3.1 million.

As at March 12, 2010 the Company's cash resources are \$65.5 million. These funds are expected to be sufficient to fund the Company's planned exploration and development activities for the next twelve months.

Financial Instruments

The Company's financial instruments as at year end consist of cash and cash equivalents, short-term investments, security deposits, restricted cash, capital leases, accounts receivable, accounts payable, and accrued liabilities. At January 31, 2010, the carrying values of these instruments approximate their fair values based on the nature of these instruments. 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 January 31, 2010, the Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 2,076 ounces of gold at an average price of \$1,177 per ounce to be delivered under this contract. 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 the end of the quarter, \$61,653 was on deposit to cover the margin calls made by Johnson Matthey Plc.

Commitments

As at January 31, 2010, capital commitments included:

Capital Commitments <i>(All commitments in 000s of Canadian Dollars)</i>	\$000
Property, Plant and Equipment	5,848
Underground Development	219
TOTAL	6,067

The Company also has a capital lease bearing interest at 8% per annum, repayable in monthly payments of \$8,487. The lease matures in 10 months. Further detail on the lease is available in Note 8 of the financial statements for the quarter.

A net smelter royalty is payable 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 terminates upon aggregate payments of \$15

million. During the 9 month period ended January 31, 2010, such royalties amounted to \$1,422,366 (2009: \$1,010,926). Of the \$15 million payable the Company has paid \$7,753,028.

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 this property for the fiscal year 2010.

Under its obligations pursuant to the Morgan Property purchase agreement, the Company completed the issuance of the final tranche of shares and made the final cash payment to the vendor. During the quarter, the Company issued 5,236 shares valued at \$50,000 (\$9.55 per share) and paid \$50,000. This now completes the Company's purchase obligations.

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 the Company the original mine closure bond for \$2,235,829 on April 17, 2008.

The MNDM advised the Company on May 12, 2008 that the amended closure plan submitted on February 1, 2008 did not address all of the prescribed requirements for a certified closure plan and on September 25, 2008 the Company received from the MNDM technical comments regarding the plan's shortcomings. As a consequence, in the spring of 2009 the Company engaged a third party consultant to provide assessments and reporting, which is still ongoing.

The Wright Hargreaves Property is not included in the amended closure plan nor is there any financial assurance in place with respect to this property. A letter from the MNDM dated October 27, 2008 requires that the Company provide a schedule to determine how and when any hazards on this property will be rehabilitated. In its response on March 5, 2009 the Company issued a letter to MNDM explaining that a consultant has been retained to assist in the identification of potential hazards and related obligations, if any. This process is currently ongoing.

Related Party Transactions

Pursuant to an agreement between the Company and Ionic Management Corp., the Company pays \$3,500 per month to Ionic in consideration of it providing corporate and administrative services to the Company. Year to date, the total fees paid to Ionic for services performed under the agreement were \$31,500 (2009: \$31,500). 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.

APPENDIX 1

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,		
	Jan 31, 2010	Oct 31, 2009	Jan 31, 2009
Gold Sales (ounces)	5,803	6,612	8,961
Average Price (per ounce)	1,064	1,047	954
Revenue	6,177	6,925	8,553
Operating Expenses	12,566	15,514	11,300
Exploration Expenditure	1,108	1,062	963
Net Income (loss)	(8,263)	(10,335)	(4,688)
Per share (basic and diluted)	(0.13)	(0.17)	(0.08)
Cash Flow from (used in) operating activities	(9,695)	(7,272)	(3,824)
Cash Flow from financing activities	817	36,532	0
Cash Flow from (used in) for investing activities	14,587	(37,990)	2,951
Net increase (decrease) in cash	5,709	(8,731)	(873)
Cash at end of period	10,198	4,489	3,199
Short-term investments	25,228	45,206	11,616
Total cash resources	35,427	49,695	14,815
Total Assets	122,420	129,075	81,567
Total Liabilities	13,740	13,298	11,048
Working Capital	34,213	45,524	12,687
Weighted average number of shares outstanding	63,415,452	61,168,393	55,716,361
Dividends per share	NIL	NIL	NIL

APPENDIX 2

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of the Company's accounting policies are presented in accordance with Canadian GAAP as set out in Note 2 to the financial statements for the quarter. 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 depends 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 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 upon 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 were financed primarily from the issue of equity.

At January 31, 2010, the Company had working capital of \$34.2 million. In addition, and as disclosed in Note 17 to these financial statements, on February 4, 2010, the Company raised a further \$30.3 million (net) which further increased this working capital balance. 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 predicted 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 at April 30, 2009, 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 \$1,064 in Q3/10 and operating costs similar to historical costs incurred over the past year, that annual production of approximately 65,000 to 80,000 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 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. 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. In spite of the increased working capital currently available for use by the Company an 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 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 Control over Financial Reporting

As at the financial year ended April 30, 2009, the Chief Executive Officer and Chief Financial Officer evaluated the design and operating effectiveness of the Company's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operating effectiveness of internal control over financial reporting was effective as at April 30, 2009 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the period ended January 31, 2010, there has been no change in the Company's internal control over financial reporting that has materially affected 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. Therefore, effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, IFRS will replace the standards and interpretations currently applicable to publicly accountable, profit-oriented enterprises under Canadian GAAP.

Accordingly, the Company will issue its last financial statements prepared in accordance with Canadian GAAP for its fiscal year ending April 30, 2011. Starting from the first quarter of its 2012 fiscal year, the Company's financial statements will be prepared in accordance with IFRS, with previous year comparative figures and May 1, 2010 (being the date of transition to IFRS) opening balance sheet restated to conform with such IFRS, along with reconciliations from Canadian GAAP to IFRS, as per the guidance provided in IFRS 1, *First-Time Adoption of International Financial Reporting Standards*.

The transition to IFRS is a change in the fundamental principles of financial reporting requiring significant analysis and planning to ensure a proper transition.

The Company has completed a diagnostic review and further developed an implementation plan that comprises the following:

- Identification of adequate resources to conduct the implementation
- An ongoing extensive analysis of the expected accounting differences between Canadian GAAP and IFRS
- An ongoing assessment of the expected impact of the accounting differences on its financial statements, including the review of choices available upon the initial adoption of IFRS
- Initial training sessions provided to key finance personnel and management and the preparation of additional training sessions throughout the implementation process
- A review of the potential impact on the business activities of the Company, on its disclosure controls and internal control over financial reporting, and on its financial reporting systems

There were no significant changes to the implementation plan adopted by the Company during the period ended January 31, 2010. Furthermore, the IFRS project is progressing according to the implementation plan.

The results of the assessment and key elements will be discussed in greater detail as information becomes available.

CHANGES IN ACCOUNTING POLICIES

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 section prescribes how an organization recognizes, measures and discloses and 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 1, 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 1, 2011.
- Adoption of International Financial Reporting Standards (IFRS) – see above.

APPENDIX 3

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	67,727,635	--
Options	1,452,500*	\$7.69
Warrants	3,537,936	\$9.79

*if all options have fully vested

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.