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

For the Quarter Ended July 31, 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 September 13, 2010 and covers the results of operations for the quarter ended July 31, 2010. It is intended to supplement the audited Financial Statements and notes thereto which are expressed in Canadian Dollars and prepared in accordance with Canadian Generally Accepted Accounting Principles ('GAAP'). These statements together with the following MD&A are intended to provide investors with a reasonable basis for assessing the potential future performance. 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.

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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).

The Company is actively working to increase production into the range of 1,200 to 1,400 tons per day, generating approximately 180,000 to 200,000 ounces of gold per year, by November 2011. This project also includes major expansions of the Company's exploration and development programs.

The Company has established the following priorities:

1) Safety and Environmental – including Loss Control, Security, and Closure activities.
2) Improving the 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 Company's directors and management believe that focussing on these priorities will provide the Company with the best opportunity to build a successful and long term mining operation.

HIGHLIGHTS OF THE FIRST QUARTER

Mine Expansion and Production

- ➔ A total of 16,621 ounces of gold were produced in the quarter, which is within the range required to maintain the yearly production target of 90,000 to 100,000 ounces. Until the end of June, the number of underground production workers was limited by the capacity of the existing worker changing area, and by the need to continue to staff critical underground expansion and exploration projects. An expansion of the changing area for workers capable of accommodating an additional 300 people (for a total capacity of 650 underground workers) was completed on schedule by the end of June. A further expansion to accommodate an additional 300 persons will begin in the second quarter.

- ➔ The supply of skilled and experienced top level miners and underground mechanics and electricians in the labour market tightened in April resulting in a requirement to strengthen and expand the Company's training and development program. Workers with less experience requiring more training are still readily available. This had been anticipated and the necessary programs and trainers were in place by the end of June.

➔ Additional underground workers were hired steadily beginning in July, following the completion of the additional changing facilities. Due to training and experience requirements, new employees are not immediately productive. The impact of this step change in the number of underground workers should be felt in future quarters. Production will step up at a number of points throughout the year as components of the expansion project are completed. Again, this had been anticipated by the Company.

➔ A design problem was discovered in the setup of the main production hoist resulting in an unbudgeted production interruption of seven days in the quarter. This problem resulted in a production shortfall of roughly 1,500 ounces of gold, which should be made up in subsequent quarters. The Company's budget had allowed for up to two weeks of maintenance and project related hoist downtime in the year. Ongoing planning efforts have reduced this to seven days or less. Some other surface maintenance and hoisting project construction work was advanced during the hoisting interruption. This also reduced the number of hoist downtime days required.

➔ Work to increase the ultimate hoisting capacity at the #3 Shaft by over 300% to 3,600 tons per day continued in the quarter. Installation of the new service hoist and building should be complete by November, and these facilities will be used to start the work required to upgrade the third compartment of the #3 Shaft as required for service conveyance operation. Shaft upgrade work continued in Q1 of fiscal 2011, focused primarily on the shaft services compartment and the underground shaft stations and loading pockets. The first step change in hoisting capacity is still targeted for the end of January.

➔ The underground haulage ramp between the #3 Shaft and the South Mine Complex (SMC) mining area reached the edge of the 53 Level SMC mining area. Work to connect the 53 Level track haulage-way to the ramp has begun. Rockwork for a related ventilation upgrade is also nearing completion and construction work is underway.

➔ The number of ore mining faces available for production was maintained at twenty-five throughout the quarter, with another twenty-five ore mining faces remaining in the development and planning stages. Two high grade mechanized cut and fill ore mining faces below the 53 Level in the SMC replaced two lower grade mined out main break longhole stopes by quarter end. Daily ore production remains limited to no more than 700 tons per day until the initial hoisting upgrade is completed due to hoisting capacity restrictions. The actual average tonnage of ore to be hoisted per day is being limited to that required to meet the yearly ounce production target, as hoisting less ore allows more time for hoisting waste and completing other expansion and exploration project related work.

➔ Additions and improvements to the surface maintenance facilities, headframe, surface muck handling facilities, warehouse, cold storage facility, offices and parking lots, compressor plant, electrical plant, and backfill plant are now being planned or are underway. This work is planned to be completed as required in fiscal 2011 and 2012. Work on the core handling facility was completed in the quarter.

➔ The mill and crushing plants were shut down for nineteen days during the quarter for repairs and upgrades. This was scheduled work and did not impact production.

Exploration Increased

- ➔ Several of the large electric diamond drills moved to a seven day per week operating schedule after completion of the new worker changing facility.

- ➔ The yearly program of exploration on the Queenston Joint Venture property was completed in the quarter with results announced in July. Planning for this year's program is underway.

Financial Results

- ➔ Net income for the quarter ended July 31, 2010 was $3.3 million or $0.05 per share, which compares to a net loss of $1.7 million for Q4 of fiscal 2010 and a net income of $1.6 million for Q1 of fiscal 2010.

- ➔ Operating costs were $256 per ton ($709 per ounce), compared with $257 per ton ($803 per ounce) in Q4 of fiscal 2010, and $302 per ton ($958 per ounce) in Q1 of fiscal 2010. Total cash costs were $273 per ton ($756 per ounce), compared to $270 per ton ($843 per ounce) in Q4 of fiscal 2010 and $319 per ton ($1,010 per ounce) in Q1 of fiscal 2010. The Company target is to get the operating costs down to less than $250 per ton this year by continuing to expand and upgrade the operating facilities.[1]

- ➔ Cash flows generated from operating activities were $0.1 million in Q1 of fiscal 2011 compared to $2.5 million in Q4 of fiscal 2010 and $7.0 million in Q1 of fiscal 2010. Operating cash flows before working capital changes [2] were $5.0 million in Q1 of fiscal 2011 compared to $0.1 million in Q4 of fiscal 2010 and $3.7 million in Q1 of fiscal 2010. The major components of the working capital changes are gold inventory and accounts receivable changes.

- ➔ Gold poured in the quarter was 14,086 ounces, which compares to 14,995 for the previous quarter and 21,014 for the same period in the previous fiscal year. Mill inventory was building in the quarter and in the previous quarter and tends to build when ore grade is in an uptrend. Ore grade rises and falls depending on which mining areas are in the current mining cycle.

- ➔ Cash resources (including short-term investments) as at July 31, 2010 were $48.6 million and as September 13, 2010 this number had decreased to $46.0 million.

Health and Safety

- ➔ The Company completed the quarter with the lowest accident frequency in the Province of Ontario in the Large Mines category.

- ➔ The Company's Mine Rescue Team won the District Mine Rescue Competition and competed in the Provincial Mine Rescue Competition.

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[1] The Company has included non-GAAP performance measures, operating cost and total cash cost per ton ore mined and per gold ounce produced, throughout this document. This is a common performance measure in the mining industry but does not have any standardized meaning. Refer to Appendix 2 for a reconciliation of operating costs and total cash costs to reported operating expenses.

[2] Operating cash flows before working capital changes is a non-GAAP measure which the Company believes provides a better indicator of the Company's ability to generate cash flows from its mining operations.

OUTLOOK

Production for fiscal 2011 is forecasted to be between 90,000 and 100,000 ounces of gold. The operating strategy for the year included recovering 24,000 to 28,000 ounces of gold in the May through August period. These four months were expected to be low production labour months due to the expansion of the worker changing facility being scheduled for completion only at the end of June, the need to keep workers on the higher priority expansion project activities throughout the summer, the normal summer holiday period, and the lower initial productivity to be expected from the additional workers to be hired and trained starting in July. Actual production for this period was 26,011 ounces. 9,390 ounces were produced in August, which was a monthly record for the Company.

Production in the September through January five month period is expected to be 36,000 to 40,000 ounces of gold assuming success in the critical recruiting and training activities. An increase in project and exploration activities will also take place during this period as more labour is employed in all areas.

February to April (Q4 of fiscal 2011) production is estimated to be in the range of 30,000 to 36,000 ounces of gold. Achieving this level of quarterly production is dependent on completing the initial hoisting upgrade on schedule by the end of January.

The Company's expansion activities will continue to take priority, and the available resources will be managed accordingly. The tonnage of ore to be hoisted and mined will also be managed to meet this target and is dependent on ore grade. Ore grade to the end of August has been slightly higher than targeted. The ore grade month to month varies significantly depending on the areas being mined.

The Company will continue to prioritize the work and investment required to meet our goals of attaining five million 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 November, 2011.

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 $5.9 million on underground capital development and $8.0 million on plant and equipment as shown in the following table.

Capital Spending by Quarter *(All amounts in millions of CDN Dollars)*	**Total**	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Phase I Development	**3.3**				3.3
Ongoing Development	**2.6**				2.6
Phase II Preliminary	**0.0**				0.0
Total Development	**5.9**				**5.9**
Phase I Equipment	**0.0**				0.0
Ongoing Equipment	**2.4**				2.4
Phase II Equipment and Projects	**5.6**				5.6
Total Equipment and Projects	**8.0**				**8.0**
TOTAL CAPITAL EXPENDITURES in FISCAL 2011	**13.9**				**13.9**

Underground development spending consisted of $2.6 million for ongoing development, $3.3 million for Phase I Project development, and less than $0.1 million for Phase II preliminary engineering. Plant and equipment purchases included $2.4 million for capital equipment and $5.6 million for Phase II Project related equipment, plant, and engineering. The work completed under Phase I consisted of project development supporting Phase II that had to be started early due to the long lead time line required for that work. Phase I was completed during the quarter. The total spent on the Phase I of the Expansion Project was $16.2 million, which compares favourably to the $20 million initially estimated. Going forward, as Phase I is now complete, the Company will only refer to the Expansion Project and will drop the Phase II terminology.

Ongoing capital is the capital required to maintain the mine and sustain production, while project capital is utilized to upgrade the mine and increase the production rate.

OPERATIONS REVIEW

Q1/2011 Results	Commentary	Comparatives			
		Q4/2010	B/(W)*	Q1/2010	B/(W)*
16,621 ounces	**Ounces produced** were approximately 1,500 ounces lower than expected due to a seven day operating interruption caused by the discovery of a design problem in the setup of the main production hoist. This problem has been corrected and the ounces should be made up in subsequent quarters.	15,925 ounces	*4%*	17,135 ounces	*(3)%*
0.36 opt	The **recovered ore grade** for the quarter was 0.36 ounces of gold per ton (opt), which was slightly below the 0.38 grade budgeted. Hanging wall failure in the longhole stopes mined during the quarter resulted in a lower main break grade than budgeted. Some high grade ore was pushed from July to August by the seven day production interruption.	0.32 opt	*13%*	0.32 opt	*13%*
9,829 tons	The increase in **waste tonnage going to the mill** was caused by an increase in operating development and stoping waste in the 53 Level SMC area due to the mining cycle in that area and the configurations of the zones being mined.	7,592 tons	*29%*	3,917 tons	*151%*
662 feet	The overall level of **operating development** fluctuates as a function of the mining cycles in the various operating areas.	85 feet	*679%*	1,366 feet	*(52)%*
22,030 tons	**Ore generated from production, development, and exploratory mining in the SMC** throughout Q1 of fiscal 2011 was 22,030 tons grading 0.52 ounces of gold per ton containing 11,373 (feed) ounces. Mill recovery for Q1 of fiscal 2011 was 96.46% resulting in production of 10,970 ounces.	25,160 tons	*(12)%*	25,303 tons	*(13)%*
24,070 tons	**Ore generated from production, development, and exploratory mining in the Main Break** area for the Q1 of fiscal 2011 was 24,070 tons at a grade of 0.24 ounces of gold per ton containing 5,858 (feed) ounces. Mill recovery for Q1 of fiscal 2011 was 96.46% resulting in production of 5,651 ounces. Hangingwall failure in the longhole stopes mined in the quarter reduced the grade from this area.	24,635 tons	*(2)%*	27,480 tons	*(12)%*
2,373 feet	**Capital development** feet advance decreased due to the operating interruption as noted above. Some capital development resources were also deployed on mine refurbishment and other Project work.	2,537 feet	*(6)%*	1,939 feet	*22%*
46,100 tons	**Tons of ore milled** decreased compared to Q4 of fiscal 2010 and Q1 of fiscal 2010 due to the seven day production delay and due to fewer workers being assigned to production and more to the expansion project as discussed above.	49,795 tons	*(7)%*	54,306 tons	*(15)%*

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

FINANCIAL REVIEW

Q1/2011 Results ($000's)	Commentary	Comparatives			
		Q4/2010	*B/(W)**	Q1/2010	B/(W)*
19,538	**Revenue** increased as 2,175 more ounces of gold were sold compared to the previous quarter. 5,267 fewer ounces were sold compared to Q1 of fiscal 2010. Ounces held over from Q4 of fiscal 2010 pushed up the number of ounces sold in Q1 of fiscal 2011. The month to month grades delivered to the mill can fluctuate significantly depending on the areas being mined and the timing of the delivery of high grade ore in any quarter can cause significant variances in mill inventories and the ounces sold in a quarter.	15,630	*25%*	22,499	*(13%)*
14,069	**Operating Expenses** Compared to the fourth quarter of fiscal 2010: Operating expenses increased $0.5 million due primarily to an increase in mill costs ($0.5 million) associated with maintenance and repair work required for the planned increase in throughput. Other contributing factors include unfavorable movements in amortization and depletion ($0.9 million) and stock based compensation ($0.5 million) expenses which were offset by a decrease in mining costs ($0.8 million) and inventory adjustments. The expense variances occurred as the costs returned to normal run-rates following one-off adjustments made in Q4 of fiscal 2010. Mining costs were lower due to fewer tons mined and inventory adjustments were favorable due to the addition of ounces to the circuit. Compared to the first quarter of fiscal 2010: Operating expenses were $5.1 million lower due to a favorable movement in inventory levels ($4.0 million) combined with a fall in mining costs ($1.0 million) and stock based compensation ($0.4 million). These lower costs were offset by an increase of $0.3 million in mill costs as explained above. The inventory movement occurred as a result of ounces being added back into the milling circuit in Q1 of fiscal 2011 whereas they were depleted from the circuit in Q1 of fiscal 2010. The mining costs were lower due to fewer tons mined and better supporting infrastructure.	13,560	*(4%)*	19,216	*27%*
622	**General and administrative expenses** were lower than the previous quarter as a result of cost savings in consultant, listing fees and filing fees associated with yearend activities that are not incurred during a quarter. Expenses were higher than in the same quarter of the previous year primarily due to an increase in labour costs.	766	*19%*	515	*(21%)*
1,502	**Exploration costs** decreased marginally compared to the previous quarter due to a slight reduction in exploration drilling hours which resulted from the seven day hoisting interruption.	1,615	*7%*	1,092	*37%*
5,907	**Capital spending on mine development** increased slightly compared to the previous quarter and the same quarter the previous year as management continue to be focus on ongoing refurbishment work combined with critical new infrastructure improvements and mine development.	5,168	*14%*	2,794	*111%*
7,947	**Capital spending on plant and equipment** increased during the quarter compared to the previous quarter and the same quarter last year due to ongoing investment equipment to support the overall increased level of activity and headcount. Projects which continued to progress included the new changing facility, compressor system upgrades, and the hoist expansion initiative.	4,733	*68%*	1,305	*509%*
26,427	The increase in **total spending** compared to the previous quarter reflects higher operating costs and capital expenditures as outlined above.	23,324	*(13%)*	21,413	*(23%)*
115	**Other income** decreased during the quarter compared to the previous quarter as a result of a sale of a tower mill in the previous quarter.	282	*(59%)*	76	*50%*

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 *(All amounts in 000's of CDN Dollars, except Loss per share figures)*	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Fiscal 2011				
Revenue				19,538
Net Income/ (Loss)				3,313
Loss per Share (Basic & Diluted)				0.05
Fiscal 2010				
Revenue	15,630	6,177	6,925	22,499
Net Income/ (Loss)	(1,710)	(4,896)	(7,273)	1,617
Loss per Share (Basic & Diluted)	(0.03)	(0.08)	(0.12)	0.03
Fiscal 2009				
Revenue	18,210	8,553	8,827	
Net Income/ (Loss)	2,349	(4,688)	(4,790)	
Loss per Share (Basic & Diluted)	0.04	(0.08)	(0.09)	

The results in Q2 and Q3 of fiscal 2009 reflect Pre-Expansion Project production rates. The results in Q4 of fiscal 2009 and Q1 of fiscal 2010 indicate the beginning of the Expansion Project and a corresponding increase in mining in the SMC. The results in Q2 and Q3 of fiscal 2010 were impacted by a severe reduction in production mining due to the loss of the pastefill borehole. Some production crews were placed on Project work during this period of reduced production. The results in Q4 of fiscal 2010 and Q1 of fiscal 2011 are the result of a planned build up in production as the first phase of the Expansion Project is completed. Infrastructure constraints necessitate an ongoing and careful balance between production and Project work to ensure that the longer term growth of the Company is not sacrificed for short term results.

Capital expenditures in the second and third quarters of fiscal 2010 have been restated as a result of adjustments to capital development expenditures, and accordingly, operating expenses have been restated. The net effect of the restatements was an increase to capital expenditures of $3.1 million and $3.4 million for Q2 of fiscal 2010 and Q3 of fiscal 2010 respectively and an equivalent decrease to net loss in each of those periods.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

To date, the Company has relied primarily on private placement financings of equity securities to finance its operational needs beyond internally generated cash flow. Expenses have often exceeded income. If this were to continue, the liquidity risk could be material, even with current cash resources. 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 all expenditures.

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 are monitored constantly 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 *(All amounts in CDN Dollars)*	**At July 31,**	
	2010	**2009**
Cash	13,372,262	13,219,660
Short-term Investments	35,235,505	15,142,864
Total	48,607,767	28,362,524

Interest received on Canadian dollar deposits range from 0.25 – 0.6% per year. A breakdown of restricted cash and investments is available in Notes 3 and 4 of the financial statements for the quarter.

The Company generated $0.1 million in cash from operations during the first quarter of its 2011 fiscal year. This was mainly a consequence of a $3.3 million net income combined with changes in non-cash working capital items.

Net proceeds from financing activities during the quarter amounted to $3,520 from the issuance of common shares, which was offset by the repayment of a capital lease.

Cash flows used in investing activities amounted to $16.1 million for the quarter. Investments included $5.0 million in net purchases of short-term investments, $5.2 million in net mine equipment and surface infrastructure and $5.9 million in capital development and mine refurbishment.

As at September 13, 2010 the Company's cash resources are $46.0 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 July 31, 2010 consist of cash and cash equivalents, short-term investments, security deposits, restricted cash, capital leases, accounts receivable, accounts payable, and accrued liabilities. At July 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.

The Company also has a capital lease bearing interest at 8% per annum, repayable in monthly payments of $8,487. The lease matures in four months.

Commitments

As at July 31, 2010, capital commitments made to third parties included:

Capital Commitments	**$000**
Property, Plant and Equipment	6,413
Underground Development	216
TOTAL	6,629

Capital commitments include the expansion project and ongoing capital project commitments as discussed above in the Capital Project Update section of this MD&A. Major commitments include: i) the second dry expansion project, ii) the hoisting upgrade and compressor projects and iii) mobile underground equipment required for maintaining and supporting higher production levels.

The Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 3,037 ounces of gold at an average price of $1,307 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, $16,000 was on deposit to cover the margin calls made by Johnson Matthey Plc.

A 4% net smelter royalty is payable to Kinross Gold Corporation on all gold produced by the Company. The royalty terminates upon aggregate payments of $15 million. During the quarter ended July 31, 2010, such royalties amounted to $488,437 (2009: $899,724). Of the $15 million payable the Company has paid $8,278,640.

An agreement between Queenston Mining Inc. and the Company was formed in April 2007 to explore the Morgan Property. The Company agreed to spend $770,000 on exploration of this property for the twelve month period ended July 2010. As at July 31, 2010, the Company fulfilled the requirement of the agreement and entered negotiations to extend the joint venture exploration programs.

An amended Closure Plan has been submitted to the Ministry of Northern Development of Mines and Forestry (MNDMF) of the Province of Ontario. Upon ministry review of the submission, the MNDMF advised the Company that the amended closure plan submitted did not address all of the prescribed requirements for a certified closure plan. In response, the Company has briefed the MNDMF on its plans and progress to date and continues to work on the required revisions to the closure plan. Closure bonds and letters of credit of $4,452,597 are currently in place.

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. The Company is working on plan for Progressive Rehabilitation of this property to be submitted along with the amended revised closure plan. Management is expecting to resubmit a revised plan to the MNDMF during Q4 of fiscal 2011.

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. During the first quarter of fiscal 2011 the total fees paid to Ionic for services performed under the agreement were $10,500 (2009: $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.

APPENDIX 1

SELECTED FINANCIAL INFORMATION & REVIEW OF OVERALL PERFORMANCE

Financial Highlights *(All amounts in 000's of Canadian Dollars, except shares and per share figures)*	**Three months ended,**		
	July 31, 2010	**April 30, 2010**	**July 31, 2009**
Gold Sales (ounces)	15,727	13,522	20,994
Average Price (per ounce)	1,242	1,153	1,072
Revenue	19,538	15,630	22,499
Operating Expenses	14,069	13,566	19,216
Exploration Expenditure	1,502	1,615	1,092
Net Income (loss)	3,313	(1,710)	1,617
Per share (basic and diluted)	0.05	(0.03)	0.03
Cash Flow from operating activities	112	2,533	7,001
Cash Flow from (used in) financing activities	(4)	31,850	210
Cash Flow from (used in) investing activities	(16,060)	(15,259)	4,203
Net increase (decrease) in cash	(15,951)	19,125	11,413
Cash at end of period	13,372	29,323	13,220
Short-term investments	35,236	30,233	15,143
Total cash resources	48,608	59,556	28,363
Total Assets	168,692	162,207	103,233
Total Liabilities	19,451	16,530	14,122
Working Capital	46,767	55,699	25,856
Weighted average number of shares outstanding	67,728,645	62,628,013	58,557,132
Dividends per share	NIL	NIL	NIL

APPENDIX 2

NON-GAAP FINANCIAL MEASURE

Total Cash Cost and Operating Cost per Ton Milled and Ounce Produced

The Company has included non-GAAP performance measures, total cash cost per ton ore milled and per gold ounce produced, throughout this document. This is a common performance measure in the mining industry but does not have any standardized meaning. The Company follows the recommendations of the Gold Institute Production Cost Standard for calculating this measure. Total cash costs include mine site operating costs (mining, processing and refining, inventory adjustments, in-mine drilling expenditures, administration, royalties and production taxes), but are exclusive of other costs (depreciation and depletion, off-site corporate costs, reclamation, capital, long-term development and exploration). The measure, along with sales, is considered to be a key indicator of the Company’s ability to generate operating earnings and cash flow from its mining operations. The Company believes that certain investors use this information to evaluate the Company’s performance and ability to generate cash flow. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with GAAP and is not necessarily indicative of operating costs presented under GAAP. The following table provides a reconciliation of operating costs and total cash costs per ton milled and gold ounce produced to operating expenses per the financial statements for the three months ended July 31, 2010:

All amounts in Canadian Dollars, except tons ore milled and gold ounces produced	Three months ended					
		July 31, 2010		April 30, 2010		July 31, 2009
Operating Expense per Financial Statements	**$**	**14,069,067**	$	13,566,374	$	19,215,635
Amortization and Depletion		**(1,415,943)**		(536,359)		(1,380,331)
Stock-based compensation (non-cash)		**(81,169)**		391,078		(521,991)
Total Cash Costs	**$**	**12,571,955**	$	13,421,093	$	17,313,313
Royalties		**(781,706)**		(628,865)		(899,724)
Operating Costs	**$**	**11,790,249**	$	12,792,228	$	16,413,589
Tons Ore Milled		**46,100**		49,795		54,306
Gold Ounces Produced		**16,621**		15,925		17,135
Total Cash Cost per Ton	**$**	**273**	$	270	$	319
Total Cash Cost per Ounce	**$**	**756**	$	843	$	1,010
Operating Cost per Ton	**$**	**256**	$	257	$	302
Operating Cost per Ounce	**$**	**709**	$	803	$	958

APPENDIX 3

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. 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, 2010 and 2009, the Company incurred losses of $12.3 million and $10.5 million, respectively. Cash flow required for operating activities, including exploration costs charged to operations of $8.9 million, aggregated $6.1 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 July 31, 2010, the Company had working capital of $46.8 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 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.

The 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.

Mineral Properties & 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.

Management estimates, using a constant gold price of $1,051 per ounce versus the average gold price of $1,242 in the first quarter of fiscal 2011 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.

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.

NATIONAL INSTRUMENT 52-109 AND IFRS DISCLOSURES

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company’s disclosure controls and procedures as at the financial year ended April 30, 2010. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at April 30, 2010 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company. During the quarter ended July 31, 2010, there has been no change in the Company’s disclosure controls and procedures that has materially affected the Company’s disclosure controls and procedures.

Internal Control over Financial Reporting

As at the financial year ended April 30, 2010, 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, 2010 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 quarter ended July 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 (date of transition) 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 presents a change in the fundamental principles upon which financial reporting is conducted and requires significant analysis and planning to ensure a proper transition.

The Company is progressing well on the various phases of its 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.
- Training sessions for key finance personnel and management throughout the implementation process.
- A review of the potential impact on the business activities of the Company, on its disclosure controls and internal controls over financial reporting, and on its financial reporting systems.

The Company has identified the areas noted below as those expected to have to most significant impact on its IFRS financial statements. The differences and impact described below may be subject to change as modifications to Canadian GAAP and IFRS standards may occur prior to May 1, 2011, the changeover date. The Company will continue to disclose additional impacts in future MD&As as they are determined.

a) First time adoption of IFRS

The Company's adoption of IFRS will require the application of IFRS 1, *First Time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity applies all IFRS effective at the end of its first IFRS reporting period retrospectively, with a number of optional exemptions and mandatory exceptions. The most significant IFRS 1 exemptions that are expected to apply to the Company upon adoption are summarized below.

- Property, plant and equipment, including mineral properties

  The Company may elect to report items of property, plant and equipment, including mineral properties, in its opening balance sheet on the transition date at a deemed cost instead of the actual cost that would be determined under IFRS. The deemed cost of an item may be either its fair value at the date of transition to IFRS or an amount determined by a previous revaluation under Canadian GAAP (as long as that amount was close to either its fair value, cost or adjusted cost). The exemption can be applied on an asset-by-asset basis.

  The Company intends to elect not to report any items of property, plant and equipment, including mineral properties, in its opening balance sheet on the transition date at a deemed cost instead of the actual cost that would be determined under IFRS. The Company will instead report the items at cost. Therefore, this optional exemption is expected to have no impact at the transition date and thereafter.

- Asset retirement obligation

  In accounting for changes in obligation to dismantle, remove and restore items of property, plant and equipment, the guidance in IFRS requires changes in such obligations to be added to or deducted from the cost of the asset to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. Rather than recalculating retrospectively the effect of all such changes throughout the life of the obligation, an entity may elect to measure the liability and the related depreciation effects at the date of transition to IFRS.

  The Company intends to elect to measure the asset retirement obligation and the related depreciation effects at the date of transition to IFRS. The expected transition impact has not yet been quantified.

b) Ongoing accounting policies

- Property, plant and equipment, including mineral properties

  Under IFRS, either a historical cost model or a revaluation model can be used to value property, plant and equipment. The Company intends to value its property, plant and equipment using the cost model. This is expected to have no impact at the transition date and thereafter.

  In addition, under IFRS, where part of an item of property, plant and equipment has a cost that is significant in relation to the cost of the item as a whole, it must be depreciated separately from the remainder of the item. Canadian GAAP is similar in this respect but has less extensive guidance. The expected impact at the transition date and thereafter has not yet been quantified.

- Impairment of long lived assets

  Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IFRS uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is based on discounted future cash flows. This may potentially result in more impairment losses where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. This is expected not to have an impact at the transition date. Subsequent to the transition date, any potential impact will be dependent upon future circumstances as described above.

In addition, under IFRS, impairment losses previously recognised must be reversed if the circumstances leading to the impairment changed and caused the impairment to be reduced. Canadian GAAP prohibits reversal of impairment losses. The Company has not recognised any impairment losses in the past so no reversal of impairment losses would be required on the transition date to IFRS.

- Provisions, including asset retirement obligation

IFRS requires a provision to be recognized when there is a present obligation as a result of a past transaction or event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligation. “Probable” in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is “likely”, which is a higher threshold than “probable”. Therefore, it is possible that there may be some liabilities not recognized under Canadian GAAP which would require a provision under IFRS. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low end), and the requirement under IFRS for provisions to be discounted where material. These differences are not expected to have a material impact at the transition date. Subsequent to the transition date, provisions may be recognized more frequently under IFRS than under Canadian GAAP.

In relation to asset retirement obligation (ARO), measurement under IFRS shall be based on management’s best estimate, while measurement under Canadian GAAP is based on the fair value of the obligation (which takes market assumptions into account). Under IFRS, cash flow estimates are discounted to present value where the effect of the time value of money is material; the discount rate utilised should be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, unless those risks have been built into the cash flow estimates. Canadian GAAP requires the use of a credit adjusted risk free rate to discount cash flow estimates. The unwinding of the discount, or accretion, under IFRS shall be included in finance costs whereas under Canadian GAAP there is no prescribed presentation for the accretion which is currently included in operating costs. Under IFRS, the provision for ARO should be reviewed at the end of each reporting period and adjusted to reflect the current best estimate; changes may result from changes in the amount or timing of the cash outflows or changes in discount rates. This is different from Canadian GAAP where changes in discount rates alone would not result in a change in the ARO. Accordingly, the Company will need to assess the discount rate applicable to the ARO on an ongoing basis. The expected impact of the aforesaid differences related to ARO at the transition date and thereafter has not yet been quantified.

- Share-based payments

Under IFRS, each installment of share options that vest in installments shall be treated as a separate award with a different fair value. Unlike Canadian GAAP, IFRS does not provide for an election to treat such options as a pool and recognise the expense on a straight line basis. Currently the Company records forfeitures as they occur. However, upon transition to IFRS, the Company will be required to make an estimate of the forfeiture rates for use in the determination of the total share based compensation expense. The Company has established that the use of the Black-Scholes model will be an acceptable method to estimate the fair value of the options at the date of grant under IFRS, and this is consistent with the Company's current practice. The aforesaid differences will result in a difference in valuation of the share based awards and timing differences for the recognition of compensation expenses. The expected impact has not yet been quantified.

- Revenue recognition

  Under IFRS, the Company will recognise revenue when all significant risks and rewards of ownership of the gold are transferred to the purchaser, which occurs when the gold is received by the purchaser. Under C-GAAP, the revenue is recognised on title transfer of the gold to the purchasers, which up to January 6, 2010 was occurring upon receipt of the gold by the purchaser and subsequent to January 6, 2010 occurs on the value date of the Early Settlement. On the date of transition to IFRS, the Company expects that the last gold bar shipped in fiscal 2010 and received by the purchaser on April 30, 2010 will be recognised in the revenue of fiscal 2011 under C-GAAP while it will be recognised in fiscal 2010 under IFRS. The impact at the date of transition is expected to be a decrease in revenue. The impact for the remainder of fiscal 2011 will be dependent upon future circumstances as described above.

The above list and related comments should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight those areas believed to be most significant. The differences described are those existing based on Canadian GAAP and IFRS as of the date of this report.

c) IFRS impact on the organisation

The conversion to IFRS will impact the way the Company presents its financial results. The first financial statements prepared using IFRS (i.e. interim financial statements for the three months ended July 31, 2011) will be required to include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies.

The Company has obtained an understanding of IFRS from intensive training of its finance personnel. The Company believes that the impact of the conversion to IFRS on its information systems, and on its disclosure controls and internal control over financial reporting will not be significant.

CHANGES IN ACCOUNTING POLICIES

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.

APPENDIX 4

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	67,830,635	--
Options	1,399,000*	$7.55
Warrants	3,264,636	$9.85

*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.