

Kirkland Lake Gold Inc.

FINANCIAL STATEMENTS

January 31, 2006

(expressed in Canadian dollars)

The accompanying unaudited financial statements of Kirkland Lake Gold Inc. (the “Company”)

Have been prepared by and are the responsibility of the Company’s management.

These statements have been approved by the Audit Committee and the Board of Directors of the Company.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

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

Kirkland Lake Gold Inc.

Balance Sheet

As at January 31, 2006 and April 30, 2005

(expressed in Canadian dollars)

| | January 31, <u>2006</u> | April 30, <u>2005</u> |
|---|----------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 8,941,337 | 8,632,547 |
| Accounts receivable | 3,424,163 | 780,158 |
| Inventories (note 4) | 4,108,270 | 4,176,844 |
| Prepaid expenses and deposits | <u>889,901</u> | <u>227,277</u> |
| | 17,363,671 | 13,816,826 |
| Investments | 725,000 | 725,000 |
| Mineral properties (note 5) | 28,275,384 | 20,227,298 |
| Property, plant and equipment (note 6) | 12,212,552 | 10,922,002 |
| Mine closure bonds | <u>2,043,435</u> | <u>2,043,435</u> |
| | <u>60,620,042</u> | <u>47,734,561</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 11,941,248 | 9,840,439 |
| | <u>11,941,248</u> | <u>9,840,439</u> |
| Mortgage payable | 26,500 | 54,500 |
| Provision for reclamation and site restoration (note 7) | <u>2,206,341</u> | <u>2,110,583</u> |
| | <u>14,174,089</u> | <u>12,005,522</u> |
| Shareholders' Equity | | |
| Capital stock (note 8) | | |
| Authorized | | |
| Unlimited common shares without par value | | |
| Issued | | |
| 49,422,763 (April 30, 2005 – 45,429,262) common shares | 104,089,419 | 89,070,106 |
| Options (note 9) | 1,410,825 | 1,184,062 |
| Warrants (note 10) | 668,811 | 3,841,480 |
| Contributed surplus | 2,797,768 | 160,755 |
| Deficit | <u>(62,520,870)</u> | <u>(58,527,364)</u> |
| | <u>46,445,953</u> | <u>35,729,039</u> |
| | <u>60,620,042</u> | <u>47,734,561</u> |
| Nature of operations and going concern (note 1) | | |
| Subsequent events (note 14) | | |

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

Kirkland Lake Gold Inc.
Statement of Operations and Deficit
For the nine months ended January 31, 2006 and 2005

(expressed in Canadian dollars)

| | Three Month Period Ended January 31 <u>2006</u> | Three Month Period Ended January 31 <u>2005</u> | Nine Month Period Ended January 31 <u>2006</u> | Nine Month Period Ended January 31 <u>2005</u> |
|---|--|--|---|---|
| Mining revenue | 11,111,262 | 6,374,826 | 24,490,788 | 15,095,752 |
| Operating costs | 6,045,426 | 9,703,075 | 21,490,720 | 28,577,648 |
| Amortization and depletion | 676,048 | 594,341 | 1,868,088 | 1,627,002 |
| | 4,389,788 | (3,922,590) | 1,131,980 | (15,108,898) |
| General and administrative | 203,151 | 198,845 | 842,807 | 932,732 |
| Stock-based compensation | 48,950 | 241,924 | 326,812 | 476,141 |
| Royalties | 332,503 | 191,325 | 734,353 | 429,527 |
| Exploration | 1,774,635 | 1,566,402 | 3,645,523 | 6,192,233 |
| Amortization of finance charges | - | 86,034 | - | 445,109 |
| Interest and bank charges | 5,509 | 168,108 | 34,913 | 775,813 |
| Foreign exchange loss (gain) | - | - | 162 | - |
| Interest and other income | (284,814) | (43,577) | (459,084) | (111,583) |
| | 2,079,934 | 2,409,061 | 5,125,486 | 9,139,972 |
| Earnings (Loss) for the period | 2,309,854 | (6,331,651) | (3,993,506) | (24,248,870) |
| Deficit - Beginning of period | (64,830,724) | (48,285,398) | (58,527,364) | (29,560,929) |
| Adjustment on adoption of accounting standards | - | - | - | (807,250) |
| Deficit – beginning of period, as restated | (64,830,724) | (48,285,398) | (58,527,364) | (30,368,179) |
| Deficit - End of period | (62,520,870) | (54,617,049) | (62,520,870) | (54,617,049) |
| Basic and diluted earnings (loss per share) | 0.05 | (0.14) | (0.08) | (0.60) |
| Weighted average number of shares outstanding | 49,157,954 | 43,759,542 | 47,449,983 | 40,456,828 |

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

Kirkland Lake Gold Inc.

Statements of Cash Flows

For the nine months ended January 31, 2006 and 2005

(expressed in Canadian dollars)

| | Three Month Period Ended January 31 2006 | Three Month Period Ended January 31 2005 | Nine Month Period Ended January 31 2006 | Nine Month Period Ended January 31 2005 |
|--|---|---|--|--|
| Cash flows from operating activities | | | | |
| Earnings (Loss) for the year | \$ 2,309,854 | \$ (6,331,651) | \$ (3,993,506) | \$ (24,248,870) |
| Items not affecting cash | | | | |
| Amortization and depletion | 676,048 | 594,341 | 1,868,088 | 1,627,002 |
| Accretion of interest and amortization of finance charges | - | 102,923 | - | 794,011 |
| Stock-based compensation | 48,950 | 241,924 | 326,812 | 476,141 |
| Asset Retirement Obligation | 31,920 | - | 95,758 | - |
| | <u>3,066,772</u> | <u>(5,392,463)</u> | <u>(1,702,848)</u> | <u>(21,351,716)</u> |
| Changes in non-cash working capital items | | | | |
| Accounts receivable | (2,953,186) | 105,879 | (2,644,005) | (132,944) |
| Inventories | 165,017 | (152,285) | 68,574 | (914,705) |
| Prepaid expenses and deposits | (201,520) | 34,806 | (662,624) | 105,871 |
| Accounts payable and accrued liabilities | 4,496,815 | (1,843,407) | 2,072,809 | (287,776) |
| | <u>4,573,898</u> | <u>(7,247,469)</u> | <u>(2,868,094)</u> | <u>(22,581,269)</u> |
| Cash flows from financing activities | | | | |
| Net proceeds from issuance of capital stock | 435,124 | 18,248,029 | 14,383,608 | 33,762,774 |
| Proceeds from issuance of convertible loans | - | - | - | 2,406,250 |
| Payment of notes payable and convertible loans | - | (2,406,250) | - | (4,593,750) |
| | <u>435,124</u> | <u>15,841,779</u> | <u>14,383,608</u> | <u>31,575,274</u> |
| Cash flows from investing activities | | | | |
| Purchase of short term investments | - | (10,000,000) | - | (10,535,000) |
| Purchase of property, plant, and equipment | (1,037,409) | (397,313) | (2,235,665) | (1,780,919) |
| Additions to mineral properties | (3,813,045) | (2,310,459) | (8,971,059) | (4,824,802) |
| | <u>(4,850,454)</u> | <u>(12,707,772)</u> | <u>(11,206,724)</u> | <u>(17,140,721)</u> |
| Increase (decrease) in cash and cash equivalents | 158,568 | (4,113,462) | 308,790 | (8,146,716) |
| Cash and cash equivalents - Beginning of period | 8,782,769 | 7,687,337 | 8,632,547 | 11,720,591 |
| Cash and cash equivalents – End of Period | 8,941,337 | 3,573,875 | 8,941,337 | 3,573,875 |

Supplemental cash flow information (note
13)

KIRKLAND LAKE GOLD INC.

Notes to Interim Consolidated Financial Statements

Nine Months Ended January 31, 2006

1 NATURE OF OPERATIONS AND GOING CONCERN

Kirkland Lake Gold Inc. (the Company) owns gold mining and milling operations in Kirkland Lake, Canada, which were inactive when acquired in December 2001. The continued operations of the Company are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing as required to sustain the development, and upon future profitable production.

At January 31st, 2006 the Company had a working capital surplus of \$ 5,422,423. Management estimates that these funds, together with funds from operations will be sufficient to meet the Company's obligations for the coming year. If necessary the Company will raise additional financing to meet its obligations for the coming year. Actual funds from operations may vary significantly from management's estimates, due to changes in gold prices and foreign exchange rates, which are outside management's control, and the success of achieving future estimated production volumes and production costs. Differences between actual results and management's estimates will occur, and these differences may be material. Accordingly, there is no assurance that operations will result in significant funds being available to the Company to continue in the normal course. The Company's ability to continue as a going concern is dependent on future financings until the attainment of profitable and cash-generating operations sufficient to sustain the Company. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2 SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual audited financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended April 30, 2005.

Stock based compensation

The Company has a stock option plan as described in note (9). Effective May 1, 2004, the Company adopted the new accounting standard for stock - based compensation. The standard sets out a fair value approach that is required for all stock – based transactions. Prior to May 1, 2004, the Company used the intrinsic value - based method to account for its employee stock incentive plan, and therefore no compensation expense had been recognized under the plan for stock options issued to employees and directors. This change in policy has been applied retroactively without restatement of prior periods.

Stock – based compensation on options is recorded as an expense in the period the options are vested, based on the fair value estimated based on the Black – Scholes option pricing method.

The restatement resulted in a cumulative increase of \$ 807,250 to the opening deficit at May 1, 2004 and increases of \$ 132,009, \$ 54,030 and \$ 621,211 to share capital, contributed surplus, and options respectively.

KIRKLAND LAKE GOLD INC.

Notes to Interim Consolidated Financial Statements

Nine Months Ended January 31, 2006

Asset retirement obligation

On May 1, 2004 the Company retroactively adopted the new CICA accounting standard, section 3110 for "Asset Retirement Obligations". Operating under this section, future obligations to retire an asset or property are recognized and recorded as a liability at fair value as at the time the asset is acquired, or the event occurs giving rise to such an obligation. At each reporting period, asset retirement obligations are increased to reflect the interest element (accretion expense) considered in the initial fair value measurement of the liabilities. In addition, an asset retirement cost is added to the carrying amount of the related asset, and depreciated over the life of the asset. The capitalized asset retirement cost is amortized on the same basis as the related asset and along with the accretion expense, is included in net income. The adoption of this standard did not have any material impact on the Company's financial position or results.

3 SHORT TERM INVESTMENTS

The Company's short-term investments include \$225,000 held as collateral to provide a letter of credit to the Independent Electricity Market Operator as security for payment in connection with ongoing electricity usage, and \$500,000 as a security deposit at the Royal Bank of Canada to cover payroll electronic file transfers.

4 INVENTORIES

| | January 31 2006 | April 30 2005 |
|-------------------------|----------------------------|---------------------|
| Mine operating supplies | \$ 1,009,120 | \$ 979,647 |
| Gold in process | 2,447,982 | 2,164,540 |
| Dore bars | - | 858,825 |
| Surface Stockpile | 651,168 | 173,832 |
| | \$ 4,108,270 | \$ 4,176,844 |

5 MINERAL PROPERTIES

The Company's mineral properties comprise five contiguous mining properties in and around Kirkland Lake, Ontario.

| | January 31 2006 | April 30 2005 |
|--------------------------------------|----------------------------|-------------------|
| Balance - Beginning of Period | \$ 20,227,298 | 14,118,836 |
| Rehabilitation and development costs | 8,971,059 | 7,104,561 |
| Depletion | (922,973) | (996,099) |
| Balance - End of Period | \$ 28,275,384 | 20,227,298 |

KIRKLAND LAKE GOLD INC.

Notes to Interim Consolidated Financial Statements

Nine Months Ended January 31, 2006

| | <u>January 31 2006</u> | <u>April 30 2005</u> |
|--|----------------------------|--------------------------|
| Acquisition allocation | \$ 704,519 | \$ 738,670 |
| Underground development | 24,735,319 | 16,518,329 |
| Underground pumping | 1,819,732 | 1,906,484 |
| Mill and surface facilities rehabilitation | 133,153 | 138,691 |
| Lakeshore underground access ramp | 882,661 | 924,124 |
| | <u>\$ 28,275,384</u> | <u>\$ 20,227,298</u> |

6 PROPERTY PLANT AND EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>January 31, 2006</u> <u>Net</u> |
|-------------------------|----------------------|-------------------------------------|---|
| Computer equipment | \$ 388,493 | \$ 208,833 | \$ 179,660 |
| Mine and mill equipment | 15,150,030 | 3,755,799 | 11,394,231 |
| Vehicles | 135,957 | 44,684 | 91,273 |
| Buildings | 688,926 | 141,538 | 547,388 |
| | <u>\$ 16,363,406</u> | <u>\$ 4,150,854</u> | <u>\$ 12,212,552</u> |

| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>April 30, 2005</u> <u>Net</u> |
|-------------------------|----------------------|-------------------------------------|---|
| Computer equipment | \$ 388,152 | \$ 160,954 | \$ 227,198 |
| Mine and mill equipment | 13,076,107 | 2,912,673 | 10,163,434 |
| Vehicles | 82,759 | 36,847 | 45,912 |
| Buildings | 591,822 | 106,364 | 485,458 |
| | <u>\$ 14,138,840</u> | <u>\$ 3,216,838</u> | <u>\$ 10,922,002</u> |

7 ASSET RETIREMENT OBLIGATION

The Company has assumed responsibility for the reclamation and site restoration plan originally filed with the Ontario Ministry of Northern Development and Mining (MNDM) in connection with Kirkland Lake properties. The estimated total costs of reclamation and site restoration at April 30, 2005 are \$2,658,500 and financial assurance has been provided to the MNDM by way of mine closure bonds in the amount of \$ 2,043,435.

The movement in asset retirement obligations is as follows:

KIRKLAND LAKE GOLD INC.

Notes to Interim Consolidated Financial Statements

Nine Months Ended January 31, 2006

| | <u>January 31, 2006</u> | <u>April 30, 2005</u> |
|-------------------------------|-------------------------|-----------------------|
| Balance – Beginning of period | \$ 2,110,583 | \$ 2,043,435 |
| Accretion | 95,758 | 67,148 |
| Balance – End of period | \$ <u>2,206,341</u> | \$ <u>2,110,583</u> |

8 CAPITAL STOCK

| | <u>Number of shares</u> | <u>Amount</u> |
|---|-----------------------------|-----------------------|
| Balance – May 1, 2005 | 45,429,262 | \$ 89,070,106 |
| Exercise of options (note 9) | 19,800 | 64,940 |
| Exercise of warrants (note 10) | 338,461 | 1,394,986 |
| Balance – July 31, 2005 | 45,787,523 | \$ 90,530,032 |
| Exercise of options (note 9) | 28,200 | 69,120 |
| Exercise of warrants (note 10) | 510,654 | 1,520,594 |
| Private Placements | 2,805,500 | 11,499,750 |
| Share issuance costs | - | (209,908) |
| Balance – October 31, 2005 | 49,131,877 | \$ 103,409,588 |
| Exercise of options (note 9) | 91,500 | 28,042 |
| Exercise of warrants (note 10) | 199,386 | 987,115 |
| Private Placements | - | - |
| Share issuance costs (Prior Period Charges) | - | (335,326) |
| Balance – January 31, 2006 | 49,422,763 | \$ 104,089,419 |

a) On August 25, 2005 the Company completed a sale by private placement of 1,250,000 common shares at a price of \$4.00 per share for gross proceeds of \$5,000,000. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable until May 25, 2006 at a price of \$4.60 per share. The proceeds from the financing will be used for development of and exploration programs at the Company's Kirkland Lake, Ontario mining operations.

b) On September 29, 2005 the Company completed a sale by private placement of 1,000,000 units at a price of \$4.00 per unit for gross proceeds of \$4,000,000. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable until June 28, 2006 at a price of \$4.60 per share. The proceeds of this placement will be used for development of the Company's Ontario mining operations.

c) On October 17, 2005 the Company completed a sale by private placement of 555,500 "flow through" shares at a price of \$4.50 per share for gross proceeds of \$2,499,750. The proceeds from the financing will be used for development of, and exploration programs at the Company's Kirkland Lake, Ontario mining operations.

KIRKLAND LAKE GOLD INC.

Notes to Interim Consolidated Financial Statements

Nine Months Ended January 31, 2006

9 OPTIONS

The Company has adopted a stock option plan. The plan allows the Company to grant options to directors, senior officers and employees of or consultants to the Company and its subsidiaries or employees of a corporation providing management services to the Company. The aggregate number of shares which may be subject to issuance pursuant to options granted under this plan is 3,500,000 shares. The plan provides that the exercise price of an option granted under the plan shall not be less than the market price at the time of granting the option. Options have a maximum term of 10 years and terminate on the 90th day after the optionee ceased to be any of a director, officer, consultant or employee; on the 30th day after the optionee ceased to be an employee or consultant if the optionee was engaged in providing investor relations services for the Company; or the earlier of the 90th day and the third month after the optionee ceased to be an employee or officer if the optionee is subject to the tax laws of the United States of America.

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

The change in stock options issued during the nine month period ended January 31 is as follows:

| | January 31 2006 | | April 30 2005 | |
|--|---------------------|--|---------------------|--|
| | Number of shares | Weighted average exercise price \$ | Number of shares | Weighted average exercise price \$ |
| Options outstanding - Beginning of period | 1,203,999 | 2.58 | 1,426,550 | 2.16 |
| Granted | - | - | 250,000 | 4.70 |
| Exercised | (139,500) | 1.58 | (362,051) | 2.06 |
| Forfeited | (7,000) | 4.70 | (110,500) | 3.67 |
| Options outstanding - End of period | 1,057,499 | 2.70 | 1,203,999 | 2.58 |
| Options exercisable - End of period | 952,999 | 2.48 | 857,749 | 1.88 |

KIRKLAND LAKE GOLD INC.

Notes to Interim Consolidated Financial Statements

Nine Months Ended January 31, 2006

The following table summarizes information about stock options outstanding and exercisable at January 31, 2006:

| Exercise price \$ | Options outstanding | Options exercisable | Outstanding options weighted average remaining life (years) | Exercisable options weighted average remaining life (years) |
|----------------------|------------------------|------------------------|---|---|
| 1.10 | 120,000 | 120,000 | 0.15 | 0.15 |
| 1.35 | 266,000 | 266,000 | 0.67 | 0.67 |
| 1.60 | 4,124 | 4,124 | 1.19 | 1.19 |
| 2.20 | 197,375 | 197,375 | 1.94 | 1.94 |
| 2.45 | 35,000 | 35,000 | 1.35 | 1.35 |
| 2.80 | 35,000 | 35,000 | 2.54 | 2.54 |
| 3.95 | 191,000 | 191,000 | 2.82 | 2.82 |
| 4.70 | 209,000 | 104,500 | 3.65 | 3.65 |
| <u>1.10 – 4.70</u> | <u>1,057,499</u> | <u>952,999</u> | <u>1.91</u> | <u>1.72</u> |

The fair value of each option at the date of grant was estimated using the Black-Scholes option-pricing method with the following assumptions:

| | <u>January 31, 2006</u> | <u>April 30, 2005</u> |
|--|-----------------------------|---------------------------|
| Expected life of options | n/a | 5 years |
| Risk-free interest rate | n/a | 3 - 4% |
| Expected stock price volatility | n/a | 70% |
| Expected dividend yield | n/a | - |
| Weighted-average fair value of options | <u>n/a</u> | <u>\$2.75</u> |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock option.

KIRKLAND LAKE GOLD INC.

Notes to Interim Consolidated Financial Statements

Nine Months Ended January 31, 2006

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

| | January 31, | April 30, |
|-------------------------------|---------------------|---------------------|
| | \$ 2006 | \$ 2005 |
| Balance – Beginning of period | 1,184,062 | 170,451 |
| Options granted | 326,812 | 1,343,184 |
| Exercise of options | (86,530) | (329,573) |
| Options forfeited | (13,519) | - |
| Balance – End of period | \$ 1,410,825 | \$ 1,184,062 |

10 - WARRANTS

The changes in warrants outstanding are as follows:

| | Number of | January 31, |
|--|--------------------|--------------------|
| | shares | 2006 |
| | | Weighted |
| | | average |
| | | exercise |
| | | price |
| Warrants outstanding May 1 st , 2005 | 3,224,465 | \$ 4.22 |
| Warrants issued | 1,125,000 | 4.60 |
| Exercise of warrants | (1,048,501) | 3.19 |
| Expiry of warrants | (2,175,964) | 4.72 |
| Warrants outstanding – January 31 st , 2006 | 1,125,000 | 4.60 |

The value ascribed to unexercised warrants recorded as a component of equity is as follows:

| | January 31, | April 30 |
|--|---------------------|---------------------|
| | 2006 | 2005 |
| Balance – May 1, 2005 | \$ 3,841,480 | \$ 4,983,762 |
| Agents warrants issued in private placements | 668,811 | 238,067 |
| Exercise of warrants | (1,217,988) | (1,380,349) |
| Expiry of warrants | (2,623,492) | - |
| Balance January 31, 2006 | \$ 668,811 | \$ 3,841,480 |

KIRKLAND LAKE GOLD INC.

Notes to Interim Consolidated Financial Statements

Nine Months Ended January 31, 2006

11 RELATED PARTY TRANSACTIONS-

The following related party transactions occurred during the period:

- (a) During the three month period, the Company paid office facilities and administration services in the amount of \$10,500, (2005- \$10,500) to a company related by a director in common.
- (b) At January 31, 2006, accounts payable included \$nil (2004 - \$nil) owing to companies with directors in common. Amounts due to related parties are non-interest bearing and have no fixed terms of repayment.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

12 SEGMENTED INFORMATION

The Company has one operating segment consisting of a mining and mill operation located in Kirkland Lake, Canada. During the periods ended January 31, 2006 and 2005 all of the Company's capital assets, revenues earned, and operations were in Canada.

13 SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents comprise cash on deposit with Canadian chartered banks.

During the period ended January 31, 2006 and 2005, the Company conducted non-cash financing and investing activities as follows:

| | January 31 2006 | January 31 <u>2005</u> |
|--|----------------------------|---------------------------|
| Warrants issued as convertible loans financing costs | \$ - | \$ 238,067 |
| Common stock issued as repayment of Convertible loan | \$ - | \$ 2,406,250 |

14 SUBSEQUENT EVENTS

On February 1, 2006 \$1,577,850 was received from Johnson Matthey in settlement of January 31st sale of 2,455 ounces of gold.