

# **KIRKLAND LAKE GOLD INC.**

*UNAUDITED INTERIM FINANCIAL STATEMENTS*

**THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2011**

**EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS**

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

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

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

# KIRKLAND LAKE GOLD INC.

## CONDENSED INTERIM BALANCE SHEET

AS AT OCTOBER 31, 2011, APRIL 30, 2011

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

	OCTOBER 31 2011	APRIL 30 2011
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 13,488	\$ 25,909
Short-term investments (Note 5)	25,348	25,322
Accounts receivable	6,927	2,348
Inventories (Note 6)	11,143	10,354
Prepaid expenses and other current assets	818	554
<b>Current assets</b>	<b>57,724</b>	<b>64,487</b>
<b>Non-current</b>		
Other long-term assets	997	519
Restricted cash (Note 4)	5,304	4,953
Mineral Properties (Note 7)	106,165	90,418
Property and equipment (Note 7)	60,138	48,995
Deferred tax assets (Note 15)	12,473	-
<b>Non-current assets</b>	<b>\$ 185,077</b>	<b>\$ 144,885</b>
<b>TOTAL ASSETS</b>	<b>\$ 242,801</b>	<b>\$ 209,372</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 19,929	\$ 21,808
Current portion of capital lease	74	-
<b>Current liabilities</b>	<b>20,003</b>	<b>21,808</b>
<b>Non-current</b>		
Provisions (Note 8)	4,295	4,211
Finance lease	145	-
<b>Non-current liabilities</b>	<b>4,440</b>	<b>4,211</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 9)		
Authorized		
Unlimited common shares without par value		
Issued		
69,904,111 (2011 - 69,763,211) common shares	251,657	249,183
Options (Note 10)	5,311	4,224
Contributed surplus (Note 11)	10,436	10,436
Deficit	(49,046)	(80,490)
<b>Total shareholders' equity</b>	<b>218,358</b>	<b>183,353</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 242,801</b>	<b>\$ 209,372</b>

Commitments (Notes 4 and 17)

The accompanying notes are an integral part to these condensed consolidated interim financial statements.

# KIRKLAND LAKE GOLD INC.

## CONDENSED INTERIM STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

	3 months ended October 31		6 months ended October 31	
	2011	2010	2011	2010
REVENUE FROM GOLD SALES	\$ 40,307	\$ 30,418	\$ 76,004	\$ 48,098
PRODUCTION EXPENSES (Note 12)	23,527	20,484	47,847	32,992
GROSS PROFIT	16,780	9,934	28,157	15,106
OTHER EXPENSES				
General and administrative (Note 13)	1,737	605	2,338	1,373
Exploration (Note 3)	3,419	1,792	6,330	3,294
Finance expense	47	46	109	91
Finance income	(208)	(184)	(339)	(299)
	4,995	2,259	8,438	4,459
Income (loss) before income taxes	11,785	7,675	19,719	10,647
Provision for income taxes (recovery) (Note 15)	2,521	(900)	(11,725)	(900)
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>9,264</b>	<b>8,575</b>	<b>31,444</b>	<b>11,547</b>
Weighted average number of common shares outstanding (Note 9)	69,867,941	67,763,116	69,863,184	67,762,116
Diluted Weighted Average number of shares outstanding (Note 9)	70,493,953	67,968,362	70,459,860	67,907,451
<b>BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE</b>	<b>\$ 0.13</b>	<b>\$ 0.13</b>	<b>\$ 0.45</b>	<b>\$ 0.18</b>

The accompanying notes are an integral part to these condensed consolidated interim financial statements.

# KIRKLAND LAKE GOLD INC.

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

SIX MONTH PERIODS ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

	6 months ended October 31	
	2011	2010
<b>OPERATING ACTIVITIES</b>		
NET INCOME	\$ 31,444	\$ 11,547
ADD ITEMS NOT REQUIRING CASH		
Amortization and depletion	6,174	3,294
Deferred income taxes	(11,725)	(900)
Stock based compensation	1,657	363
Investment Gain or Loss	62	(16)
Provisions	84	86
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Accounts receivable	(4,579)	(1,113)
Inventory	(788)	(82)
Prepaid expenses	(264)	(41)
Accounts payable and accrued liabilities	(1,880)	3,202
Other long-term assets	(477)	(138)
<b>CASH INFLOWS FROM OPERATIONS</b>	<b>19,708</b>	<b>16,202</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(13,563)	(13,209)
Proceeds from (purchase of) sale of short-term investments	(88)	4,901
Additions to mineral properties	(19,282)	(13,431)
Restricted cash	(352)	-
<b>CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>	<b>(33,285)</b>	<b>(21,739)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of capital stock	1,156	2,424
Finance lease	-	(49)
<b>CASH INFLOWS (OUTFLOWS) FROM FINANCING ACTIVITIES</b>	<b>1,156</b>	<b>2,375</b>
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>(12,421)</b>	<b>(3,162)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>25,909</b>	<b>29,323</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 13,488</b>	<b>\$ 26,161</b>
<b>CASH FLOW SUPPLEMENTARY INFORMATION</b>		

The accompanying notes are an integral part to these condensed consolidated interim financial statements.

# KIRKLAND LAKE GOLD INC.

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

SIX MONTH PERIODS ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

	Capital Stock	Options	Warrants	Contributed Surplus	Retained Earnings	TOTAL
<b>Balance, May 1, 2010</b>	\$ 226,934	\$ 4,848	\$ 9,316	\$ 4,038	\$ (99,736)	\$ 145,400
Net income	-	-	-	-	11,547	11,547
Options exercised	82	(27)	-	-	-	55
Forfeiture of options	-	(10)	-	10	-	-
Warrants exercised	3,126	-	(757)	-	-	2,369
Attribution of options granted	-	363	-	-	-	363
Expiry of warrants	-	-	(7,199)	6,299	-	(900)
<b>Balance, October 31, 2010</b>	\$ 230,142	\$ 5,174	\$ 1,360	\$ 10,347	\$ (88,189)	\$ 158,834
<b>Balance, April 30, 2011</b>	\$ 249,183	\$ 4,224	\$ -	\$ 10,436	\$ (80,490)	\$ 183,353
Net income (loss)	-	-	-	-	31,444	31,444
Options exercised	1,156	-	-	-	-	1,156
Black-scholes value of options exercised	570	(570)	-	-	-	-
Recovery of deferred taxes	748	-	-	-	-	748
Attribution of options granted	-	1,657	-	-	-	1,657
<b>Balance, October 31, 2011</b>	\$ 251,657	\$ 5,311	\$ -	\$ 10,436	\$ (49,046)	\$ 218,358

The accompanying notes are an integral part to these condensed consolidated interim financial statements.

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

***(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS***

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### 1. DESCRIPTION OF BUSINESS

The Company was incorporated in British Columbia, Canada on June 29, 1983 and transferred into the federal jurisdiction on July 27, 1988 to become governed by the Canada Business Corporations Act. Its registered office is in Vancouver, British Columbia. The Company's common shares trade on the TSX (Toronto Stock Exchange) and AIM (Alternative Investment Market of the London Stock Exchange).

The Company's Head Office and operating gold mine are located in Kirkland Lake, Ontario, Canada. Its operations consist of the Macassa Mine and Mill and four contiguous formerly producing gold mining properties. The Company does not have any subsidiaries.

### 2. BASIS OF PRESENTATION

#### *(a) Statement of Compliance and Conversion to International Financial Reporting Standards*

The financial statements of the Company for the year-ending April 30, 2012 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

These condensed interim financial statements for the three and six month period ended October 31, 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company's first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these condensed interim financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements should be read in conjunction with the Company's 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 20.

The condensed interim financial statements were authorized for issue by the Board of Directors on December 07, 2011.

#### *(b) Basis of Presentation*

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

**(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS**

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### 2. BASIS OF PRESENTATION *(continued)*

These condensed interim financial statements have been prepared on a historical cost basis.

The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3(a).

The accounting policies adopted are consistent with those of the previous quarter ( July 31, 2011).

(c) Standards issued but not yet effective

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosure only and is expected not to impact significantly the Company's disclosures.

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ["IFRS 9"] covers the classification and measurement of financial assets and financial liabilities and is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is still assessing the impact of adopting IFRS 9.

IFRS 10, Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements ["IFRS 10"] is effective for annual periods beginning on or after January 1, 2013 and will replace parts of IAS 27, Consolidated and Separate Financial Statements ["IAS 27"] and interpretation SIC-12, Consolidation - Special Purpose Entities. IFRS 10 establishes principles for identifying when an entity controls other entities and for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. The Company does not expect any impact on its financial position or performance.

IFRS 11, Joint Arrangements

IFRS 11, Joint Arrangements ["IFRS 11"] supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is still assessing the impact of adopting IFRS 11.

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

**(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS**

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### 2. BASIS OF PRESENTATION *(continued)*

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Interests in Other Entities ["IFRS 12"] establishes comprehensive disclosure requirements for all forms of interests in other entities including subsidiaries, joint ventures, and associates. Many of the disclosure requirements were previously included in IAS 27, IAS 1 and IAS 28 while others are new. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company is still assessing the impact of adopting IFRS 12.

IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement ["IFRS 13"] provides guidance on how to measure fair value of financial and nonfinancial assets and liabilities when fair value is required or permitted per IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles could have a significant effect on some entities adopting the standard. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. IFRS 13 shall be applied prospectively. The Company is still assessing the impact of adopting IFRS 13.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *(a) Significant Accounting Estimates & Judgements*

Estimated recoverable reserves and resources

Estimated proven and probable reserves are used in the calculation of the depreciation of the mineral properties, in performing impairment testing and for forecasting the timing of the payment of rehabilitation costs. Estimates are prepared by appropriately qualified persons, but will be impacted by forecast commodity prices, exchange rates, changes in capital, operating, mining, processing and reclamation costs, discount rates and recoveries amongst other factors. Changes in assumptions will impact the carrying value of the mineral properties and the depreciation, amortisation and impairment charges recorded in profit and loss.

Provision – reclamation and remediation

The Company's mining activities are subject to various laws and regulations governing the protection of the environment. The Company recognises management's best estimate for asset retirement obligations in the period in which they occur. Actual costs incurred in future periods could differ materially from the estimates. The ultimate cost of environmental remediation can vary in response to many factors including future changes to environmental laws and regulations, the emergence of new restoration techniques, changes in the life of mine estimates and in discount rates, which could affect the carrying amount of this provision.

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the control of the Company occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

**(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS**

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Amortization and depletion

Amortization and depletion of property, plant and equipment and mineral property assets are dependent upon estimates of useful lives and reserve estimates, both of which are determined with the exercise of judgement. The assessment of any impairment of property, plant and equipment or mineral properties is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets.

#### Income tax expense

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. From time to time, there may be disagreement with the taxation authorities over our interpretation of the income tax rules. The final outcome of these disputes could be materially different from our estimated tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain test at the time the losses are recouped.

#### *(b)* Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

### 4. RESTRICTED CASH

Restricted cash includes:

	<b>OCTOBER 31</b>	<b>APRIL 30</b>
	<b>2011</b>	<b>2011</b>
Letters of Credit:		
Ministry of Northern Development of Mines and Forestry	\$ 4,453	\$ 4,453
Independent Electricity System Operator of Ontario	851	500
	<b>\$ 5,304</b>	<b>\$ 4,953</b>

Letters of credit are secured by the GIC investments as disclosed in Note 5 below.

### 5. SHORT-TERM INVESTMENTS

Investments include:

	<b>OCTOBER 31</b>	<b>APRIL 30</b>
	<b>2011</b>	<b>2011</b>
Government of Canada Treasury Bill bears interest at 0.80%, matures September 1, 2011	\$ 5,002	\$ -
Government of Canada Treasury Bill bears interest at 1.18%, matures December 6, 2011	352	-
Government of Canada Treasury Bill bears interest at 0.6899%, matures January 5, 2012	10,003	-
Government of Canada Treasury Bill bears interest at 1.13%, matures January 3, 2012	5,026	-
Government of Canada Treasury Bill bears interest at 1.05%, matures January 30, 2012	5,031	5,000
Guaranteed Investment Certificate bears interest at 1.02%, matures November 8, 2011	5,027	-
Guaranteed Investment Certificates	-	5,000
Government of Canada Treasury Bills	-	20,002
Investment in mutual funds	211	273
Less amounts related to letters of credit (see below)	(5,304)	(4,953)
	<b>\$ 25,348</b>	<b>\$ 25,322</b>

Letters of credit are in place with the Ministry of Northern Development, Mines and Forestry to cover the estimated total costs of reclamation and site restoration (Note 8), for \$4,453, and with the Independent Electricity System Operator of Ontario to secure the provision of electricity, for \$851. The letters of credit are secured by a portion of the \$5,027 Guaranteed Investment Certificate as well as the 1.18% Government of Canada Treasury Bill purchased during the current period.

### 6. INVENTORIES

	<b>OCTOBER 31</b>	<b>APRIL 30</b>
	<b>2011</b>	<b>2011</b>
Gold in process	\$ 7,667	\$ 7,255
Mine operating supplies	3,476	3,099
	<b>\$ 11,143</b>	<b>\$ 10,354</b>

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

### 7. PROPERTY AND EQUIPMENT AND MINERAL PROPERTIES

COST	Land and Buildings	Vehicles and Computer Equipment	Mine and Mill Equipment	Capital Works in Progress	Mineral Properties	Total
Balance at May 1, 2010	\$ 2,562	\$ 757	\$ 28,495	\$ 4,562	\$ 74,243	\$ 110,619
Additions	4,159	213	10,228	14,364	30,849	59,813
Balance at April 30, 2011	\$ 6,721	\$ 970	\$ 38,723	\$ 18,926	\$ 105,092	\$ 170,432
Additions	3,802	49	8,770	703	19,282	32,606
Disposals	-	-	-	-	-	-
Balance at October 31, 2011	\$ 10,523	\$ 1,019	\$ 47,493	\$ 19,629	\$ 124,374	\$ 203,038
<b>DEPRECIATION</b>						
Balance at May 1, 2010	\$ 1,481	\$ 703	\$ 10,743	\$ -	\$ 10,135	\$ 23,062
Additions	71	28	3,319	-	4,539	7,957
Balance at April 30, 2011	\$ 1,552	\$ 731	\$ 14,062	\$ -	\$ 14,674	\$ 31,019
Additions	283	68	1,830	-	3,535	5,716
Disposals	-	-	-	-	-	-
Balance at October 31, 2011	\$ 1,835	\$ 799	\$ 15,892	\$ -	\$ 18,209	\$ 36,735
<b>CARRYING AMOUNTS</b>						
Balance at May 1, 2010	\$ 1,081	\$ 54	\$ 17,752	\$ 4,562	\$ 64,108	\$ 87,557
Balance at April 30, 2011	\$ 5,169	\$ 239	\$ 24,661	\$ 18,926	\$ 90,418	\$ 139,413
Balance at October 31, 2011	\$ 8,688	\$ 220	\$ 31,601	\$ 19,629	\$ 106,165	\$ 166,303

Depreciation expense for the three month period amounted to \$1,285 (2010 - \$686), and for the six month period amounted to \$2,420 (2010 - \$1,290).

### 8. PROVISIONS - RECLAMATION AND REMEDIATION

The Company has filed a reclamation and site restoration plan in connection with the Kirkland Lake properties and this plan is currently being discussed with the Ontario Ministry of Northern Development of Mines and Forestry (MNDMF). The Company's best estimate of the total costs of reclamation and site restoration at October 31, 2011 are \$5,524 and financial assurance has been provided to the MNDMF by way of a letter of credit in the amount of \$4,453 (Note 5).

A reconciliation for asset retirement obligations is as follows:

	October 31, 2011	April 30, 2011
Balance, beginning of year	\$ 4,211	\$ 4,098
Accretion expense for the period	84	113
Balance, end of the year	\$ 4,295	\$ 4,211

The Wright Hargreaves Property is not included in the closure plan nor are there any requirements to submit financial assurance for this property, however, prior to the end of the quarter the Company submitted a Rehabilitation Plan for this property to the MNDMF. Additionally, progressive rehabilitation plans for the Macassa, Kirkland Minerals, Teck-Hughes, Lakeshore and Joint Venture properties were also submitted at the same time, however, the associated costs have still to be quantified to complete the work listed in the plans.

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

### 9. CAPITAL STOCK

The following is a summary of changes in common share capital.

	Number of Shares	Amount
Balance - April 30, 2010	67,727,634	\$ 226,934
Exercise of options (Note 10)	296,100	3,281
Exercise of warrants	1,739,477	18,968
Balance - April 30, 2011	69,763,211	\$ 249,183
Exercise of options (Note 10)	140,900	1,726
Benefit of share issuance costs tax assets not previously recognized	-	748
Balance, October 31, 2011	69,904,111	\$ 251,657

### Diluted weighted average number of shares outstanding

	3 months ended October 31		6 months ended October 31	
	2011	2010	2011	2010
Basic weighted average shares outstanding:	69,867,941	67,763,116	69,863,184	67,762,116
Dilutive stock options	626,012	205,246	596,676	145,335
Diluted weighted average shares outstanding	70,493,953	67,968,362	70,459,860	67,907,451

Dilutive stock options and warrants were determined using the Company's average share price for the period. The average share price exceeded the exercise price of all outstanding options and warrants therefore no options were excluded from the calculation of diluted earnings per share. The average share price for the period was \$18.02.

### 10. OPTIONS

The Company has adopted a stock option plan which allows the Company to grant options to directors, senior officers and employees of and consultants to the Company and 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 10% of outstanding 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; 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.

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

### 10. OPTIONS (continued)

The changes in stock options issued during the period ended October 31, 2011 are as follows:

	Number of shares	Weighted average exercise price
Options outstanding - beginning of period	1,155,900	\$ 7.56
Granted	817,300	17.99
Exercised	(140,900)	8.21
Forfeited	(3,000)	7.90
Options outstanding - end of period	<u>1,829,300</u>	12.17
Options exercisable - end of period	<u>1,099,500</u>	\$ 8.73

The following table summarizes information about stock options outstanding and exercisable at October 31, 2011:

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
\$ 6.99	250,000	250,000	1.80	1.80
6.99	425,000	425,000	1.89	1.89
7.90	82,500	82,500	1.54	1.54
8.20	40,000	15,000	3.89	3.89
8.65	187,000	187,000	0.25	0.25
9.02	20,000	10,000	3.04	3.04
9.11	7,500	-	3.18	-
17.30	410,000	25,000	4.79	4.79
18.69	407,300	105,000	4.81	4.81
	<u>1,829,300</u>	<u>1,099,500</u>	3.06	1.95

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

	OCTOBER 31 2011
Expected life of stock options	<u>2.22 - 4.24 years</u>
Risk-free interest rate	0.96 - 1.43%
Expected stock price volatility	44.6 - 80.6%
Expected dividend yield	0%
Weighted-average fair value of options	\$ 8.87

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

The value ascribed to unexercised stock options recorded as a component of shareholders' equity is as

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

### 10. OPTIONS (continued)

follows:

	OCTOBER 31 2011	APRIL 30 2011
Balance - Beginning of period	\$ 4,224	\$ 4,848
Attribution of stock options granted	1,657	413
Exercise of stock options	(570)	(1,028)
Stock options forfeited	-	(9)
Balance - End of period	<u>\$ 5,311</u>	<u>\$ 4,224</u>

### 11. CONTRIBUTED SURPLUS

	OCTOBER 31 2011	APRIL 30 2011
Balance - Beginning of period	\$ 10,436	\$ 4,038
Cancellation of options		10
Expiry of warrants	-	7,301
Tax impact of expiry of warrants	-	(913)
Balance - End of period	<u>\$ 10,436</u>	<u>\$ 10,436</u>

### 12. PRODUCTION EXPENSES

	3 months ended October 31		6 months ended October 31	
	2011	2010	2011	2010
Operating costs	\$ 19,403	\$ 17,388	\$ 39,346	\$ 27,621
Stock-based compensation for operational personnel	683	43	730	124
Amortization and depletion	3,271	1,838	6,174	3,250
Royalties	170	1,215	1,597	1,997
	<u>\$ 23,527</u>	<u>\$ 20,484</u>	<u>\$ 47,847</u>	<u>\$ 32,992</u>

### 13. GENERAL AND ADMINISTRATIVE

	3 months ended October 31		6 months ended October 31	
	2011	2010	2011	2010
Stock based compensation for administrative personnel	\$ 927	\$ 93	\$ 927	\$ 239
General corporate and administrative costs	810	512	1,411	1,134
	<u>\$ 1,737</u>	<u>\$ 605</u>	<u>\$ 2,338</u>	<u>\$ 1,373</u>

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

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### 14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, security deposits, accounts payable and accrued liabilities. At October 31, 2011, the carrying values of these instruments approximate their fair values based on the nature of these instruments.

#### Fair Value Measurements of Financial Assets and Liabilities Recognized in the Balance Sheet

Financial assets and liabilities are characterised using a fair value hierarchy as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the balance sheet at fair value are categorized are as follows:

Cash and cash equivalents	Level 1
Short-term investments	
Mutual funds	Level 1
Treasury bills	Level 1
Accounts receivable	Level 2
Security deposits	Level 2
Restricted cash	Level 1
Accounts payable and accrued liabilities	Level 2
Capital lease	Level 2

#### Interest Rate and Credit Risk

The Company has significant cash and short-term investment balances. The Company currently invests excess cash in fixed rate Government of Canada Treasury Bills with maturity dates of approximately 90 days. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary. As at October 31, 2011, there were no receivables past due.

There are no fixed, floating rate or interest free financial liabilities by way of borrowing. Deposits held with banks may exceed the amount of insurance provided on such deposits.

#### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2011, the Company had a cash and cash equivalents and short term investments balance of \$38,836 to settle financial liabilities of \$20,003. All of the Company's financial liabilities are current liabilities which will mature within one year of the balance sheet date.

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

**(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS**

### 14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (continued)

#### Currency Risk

Sales of gold dore bars and the majority of the Company's expenses are incurred in Canadian Dollars therefore the Company is substantially protected against movements in foreign exchange.

#### Sensitivity Analysis

The carrying amount of financial instruments approximates their fair market value. The movement on cash and cash equivalents and short-term investments interest rates by a plus or minus 1% change would have no material impact on the value of those items.

### 15. INCOME TAXES

	October 31, 2011	October 31, 2010
Income (loss) before income taxes	\$ 19,719	\$ 10,647
Combined federal and provincial tax rate	26.00%	27.83%
Expected income tax expense	5,127	2,963
Non-deductible expenses	430	22
Deferred mining tax	1,521	-
Income tax benefit	(18,804)	(850)
Deferred income tax recovery	\$ (11,726)	\$ 2,135

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	October 31, 2011	April 30, 2011
Provisions reclamation - remediation	\$ 1,074	\$ -
Timing differences related to property, plant and equipment and mineral properties	10,652	-
Share issuance costs (directly recognized in equity)	748	-
Deferred income tax assets (liabilities)	\$ 12,474	\$ -

In the current year the Company recognized \$12,474 of previously unrecognized tax benefits as management considered it probable that future taxable profits will be available against which they can be utilized.

At April 30, 2011 the Company had deferred tax assets of approximately \$16,329 that had not been recognized in the financial statements as management did not consider it probable that the Company would have future taxable profits against which they could be utilized. Approximately \$7,288 of the deferred tax assets not recognized related to tax losses which expire between 2017 and 2030. Approximately \$8,134 of the deferred tax assets not recognized related to timing differences related to Company assets and liabilities. The balance of \$907 related to share issuance costs.

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

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### 16. RELATED PARTY TRANSACTIONS

The Company paid office facilities and administration services in the amount of \$12 (2010 - \$11) to a Company related to a director in common.

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

### 17. COMMITMENTS

As at October 31, 2011, capital commitments included:

Capital Commitments <i>(All commitments in 000s of Canadian Dollars)</i>	\$000
Property, Plant and Equipment	11,845
Underground Development	84
Total	11,929

Capital commitments include the expansion project and ongoing project commitments. Major commitments include: i) mobile underground equipment required for maintaining and supporting higher production levels, ii) equipment for underground pumping, iii) the mill upgrade project and iv) the hoisting upgrade and compressor projects.

As at October 31, 2011, the Company had outstanding commodity contracts totaling 3,190 ounces of gold at an average price of \$1,721 per ounce. One of the counter parties 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 October 31, 2011 \$nil was on deposit to cover the margin calls made by this company.

In August, 2010, the Company agreed to enter into a joint venture with Queenston Mining Inc. to explore the potential extension of the SMC onto the north portion of Queenston's 100% owned Amalgamated Kirkland property. Under the terms of the agreement, the Company is required to spend \$400 in exploration expenses in order to earn a 50% interest in the north portion of the Amalgamated Kirkland and the Kirkland Hudson property. The Kirkland Hudson property is located east of the Amalgamated Kirkland. Once this earn-in is complete, further exploration will be expensed on a 50/50 basis by both companies. Underground diamond drilling from the Company's 5300 Level is now underway. As of October 31, 2011 the Company had completed the drilling portion of the option obligation and is currently compiling the results.

### 18. SEGMENTED INFORMATION

The Company has one operating segment consisting of a mining and milling operation located in Kirkland Lake, Canada. During the periods ended October 31, 2011 and 2010 all of the Company's property, plant and equipment, revenues earned and operations were in Canada.

### 19. SUBSEQUENT EVENT

On November 30, 2011, the Company increased its current letter of credit for site reclamation by \$2,345 to \$6,798.

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

**(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS**

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### 20. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the year ending April 30, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was May 1, 2011 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be April 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

#### OPTIONAL EXEMPTIONS

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

##### Business Combinations

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that have occurred prior to its Transition Date and such business combinations have not been restated.

##### Share -based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 Share-based Payment, to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date.

##### Compound Financial Instruments

The Company has elected not to retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the date of transition to IFRS.

##### Provision for Reclamation

As a result of applying the IFRS 1 election related to reclamation and remediation obligations, the Company estimated the amount that would have been included in the cost of the reclamation and remediation asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate that would have applied for that liability over the periods prior to the transition date. Accumulated depreciation on the cost at the transition date was determined using the UOP method based on the current estimate of the life of mine and the recoverable ounces to be mined from estimated proven and probable reserves.

##### Borrowing Costs

The Company has elected to apply the transitional provisions of IAS 23 Borrowing Costs which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date. There was no impact on the financial statements as a result of this election.

# **KIRKLAND LAKE GOLD INC.**

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**

**SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010**

**(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS**

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### MANDATORY EXCEPTIONS

#### Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39. There was no impact on the financial statements as a result of this mandatory exception.

#### Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

### RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP EQUITY AND COMPREHENSIVE INCOME TO IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

### RECONCILIATION OF ASSETS, LIABILITIES AND EQUITY

	As at May 1, 2010			As at October 31, 2010			As at April 30, 2011		
	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS
<b>ASSETS</b>									
Current assets									
Cash and cash equivalents	\$ 29,323	\$ -	\$ 29,323	\$ 26,162	\$ -	\$ 26,162	\$ 25,909	\$ -	\$ 25,909
Short-term investments	30,233	-	30,233	25,347	-	25,347	25,322	-	25,322
Accounts receivable	Note A 982	1,857	2,839	2,094	-	2,094	2,348	-	2,348
Inventories	Note A 7,874	(1,510)	6,364	7,956	-	7,956	10,354	-	10,354
Prepaid expenses and other current assets	593	-	593	634	-	634	554	-	554
<b>Total current assets</b>	<b>69,005</b>	<b>347</b>	<b>69,352</b>	<b>62,193</b>	<b>-</b>	<b>62,193</b>	<b>64,487</b>	<b>-</b>	<b>64,487</b>
Non-current assets									
Other long-term assets	292	-	292	430	-	430	519	-	519
Restricted cash	4,953	-	4,953	4,953	-	4,953	4,953	-	4,953
Mineral properties	Note B 64,509	(401)	64,108	75,928	(394)	75,534	90,748	(330)	90,418
Plant and equipment	23,449	-	23,449	36,305	-	36,305	48,995	-	48,995
<b>Total non-current assets</b>	<b>93,203</b>	<b>(401)</b>	<b>92,802</b>	<b>117,616</b>	<b>(394)</b>	<b>117,222</b>	<b>145,215</b>	<b>(330)</b>	<b>144,885</b>
<b>Total Assets</b>	<b>\$ 162,208</b>	<b>\$ (54)</b>	<b>\$ 162,154</b>	<b>\$ 179,809</b>	<b>\$ (394)</b>	<b>\$ 179,415</b>	<b>\$ 209,702</b>	<b>\$ (330)</b>	<b>\$ 209,372</b>

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

### RECONCILIATION OF ASSETS, LIABILITIES AND EQUITY (Continued)

	As at May 1, 2010			As at October 31, 2010			As at April 30, 2011		
	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS
<b>LIABILITIES</b>									
Current liabilities									
Accounts payable and accrued liabilities	\$ 13,230	\$ -	\$ 13,230	\$ 17,019	\$ -	\$ 17,019	\$ 21,808	\$ -	\$ 21,808
Current portion of capital lease	76	-	76	27	-	27	-	-	-
Total current liabilities	13,306	-	13,306	17,046	-	17,046	21,808	-	21,808
Non-current liabilities									
Provisions	3,224	874	4,098	3,321	863	4,184	3,418	793	4,211
Total liabilities	16,530	874	17,404	20,367	863	21,230	25,226	793	26,019
<b>SHAREHOLDERS' EQUITY</b>									
Capital stock	226,934	-	226,934	230,142	-	230,142	249,183	-	249,183
Options	4,848	-	4,848	5,174	-	5,174	4,224	-	4,224
Warrants	9,316	-	9,316	1,360	-	1,360	-	-	-
Contributed surplus	4,038	-	4,038	10,346	-	10,346	10,436	-	10,436
Deficit	(99,458)	(928)	(100,386)	(87,580)	(1,257)	(88,837)	(79,367)	(1,123)	(80,490)
Total shareholder's equity	145,678	(928)	144,750	159,442	(1,257)	158,185	184,476	(1,123)	183,353
<b>Total liabilities and shareholders' equity</b>	<b>\$ 162,208</b>	<b>\$ (54)</b>	<b>\$ 162,154</b>	<b>\$ 179,809</b>	<b>\$ (394)</b>	<b>\$ 179,415</b>	<b>\$ 209,702</b>	<b>\$ (330)</b>	<b>\$ 209,372</b>

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

### RECONCILIATION OF INCOME AND COMPREHENSIVE INCOME

		Three months ended October 31, 2010			Six months ended October 31, 2010		
		GAAP	Effect of Transition to IFRS	IFRS	GAAP	Effect of Transition to IFRS	IFRS
Revenue	Note A	\$ 30,418	\$ -	\$ 30,418	\$ 49,956	\$ (1,858)	\$ 48,098
Production expenses	Notes A and B	20,535	(51)	20,484	34,605	(1,613)	32,992
		9,883	51	9,934	15,351	(245)	15,106
<b>Other Expenses</b>							
General and administrative		605	-	605	1,373	-	1,373
Exploration		1,792	-	1,792	3,294	-	3,294
Finance expense		3	43	46	5	86	91
Finance income		(184)	-	(184)	(299)	-	(299)
		-	-	-	-	-	-
		2,216	43	2,259	4,373	86	4,459
<b>Net income</b>		7,667	8	7,675	10,978	(331)	10,647
Future income tax recovery		(900)	-	(900)	(900)	-	(900)
<b>Provision for income taxes</b>		(900)	-	(900)	(900)	-	(900)
<b>Comprehensive income for the year</b>		\$ 8,567	\$ 8	\$ 8,575	\$ 11,878	\$ (331)	\$ 11,547

# KIRKLAND LAKE GOLD INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

SIX MONTH PERIOD ENDED OCTOBER 31, 2011 AND 2010

**(UNAUDITED) - EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS**

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Notes to the reconciliations:

The description of the pre-changeover Canadian GAAP to IFRS reconciling items are presented on a pre-tax basis. The deferred income tax effect of the combined adjustments is amalgamated and presented separately.

### A) Revenue recognition

Under IFRS, if an entity retains only an insignificant risk of ownership, for example to protect the collectibility of the amount due, but has transferred the significant risks and rewards of ownership, revenue is recognised,

Under the pre-changeover Canadian GAAP, revenue was recognized upon title transfer, which was upon receipt of payment.

As a result of this change, at the Transition Date of May 1, 2010, accounts receivable was increased by \$1,858 and inventories were reduced by \$1,510, with a corresponding adjustment to retained earnings.

As a result of this change, revenue was reduced by \$1,858 and operating expenses were reduced by \$1,613 for the six months ended October 31, 2010. This change had no additional impact for the year ended April 30, 2011.

### B) Provisions

Under IFRS, the discount rate used when the time value of money is material shall be a pre-tax rate and shall reflect current market assessments of the time value of money and the risks specific to the liability.

Under the pre-changeover Canadian GAAP, the Company was using a credit adjusted risk-free rate.

The Company has determined that under IFRS a discount rate of 4.2% at May 1, 2010 was appropriate while the rate used under the pre-changeover Canadian GAAP was 6% at that date.

As a result of this change, at the Transition Date of May 1, 2010, the decommissioning cost included in the cost of mineral properties was decreased by \$141 and the related accumulated depletion was increased by \$260 for a total impact on mineral properties of \$401 and the decommissioning liability was increased by \$874, with a corresponding adjustment to retained earnings.

As a result of this change, the depletion of the mineral properties was decreased by \$7 for the three months ending October 31, 2010 and by \$14 for the year ending April 30, 2011 with a corresponding adjustment to the accumulated depletion of mineral properties, In addition, the accretion expense was decreased by \$5 for the three months ending October 31, 2010 and by \$21 for the year ending April 30, 2011 with a corresponding adjustment to assets retirement obligation,