

# **KIRKLAND LAKE GOLD INC.**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

**THREE AND NINE MONTH PERIODS ENDED JANUARY 31, 2011**

**(EXPRESSED IN CANADIAN DOLLARS)**

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

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

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

# KIRKLAND LAKE GOLD INC.

## Balance Sheets

As at January 31, 2011 and April 30, 2010

(expressed in Canadian dollars, except share amounts)

	(Unaudited) January 31 2011	April 30 2010
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 37,033,296	\$ 29,323,439
Short-term investments (Note 4)	10,381,291	30,232,554
Accounts receivable	2,043,294	981,585
Inventories (Note 5)	10,195,155	7,874,369
Prepaid expenses and other current assets	367,401	593,489
	<b>60,020,437</b>	<b>69,005,436</b>
<b>Other long-term assets</b>	<b>455,022</b>	<b>291,980</b>
<b>Restricted cash (Note 3)</b>	<b>4,952,597</b>	<b>4,952,597</b>
<b>Mineral properties (Note 6)</b>	<b>83,230,236</b>	<b>64,508,733</b>
<b>Plant and equipment (Note 7)</b>	<b>43,016,562</b>	<b>23,448,589</b>
	<b>\$ 191,674,854</b>	<b>\$ 162,207,335</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 18,971,176	\$ 13,229,894
Current portion of capital lease	-	76,299
	<b>18,971,176</b>	<b>13,306,193</b>
<b>Asset retirement obligation (Note 8)</b>	<b>3,368,998</b>	<b>3,223,922</b>
	<b>22,340,174</b>	<b>16,530,115</b>
<b>Shareholders' equity</b>		
<b>Capital stock (Note 9)</b>		
Authorized		
Unlimited common shares, without par value		
Issued		
68,625,160 (2010 - 67,727,634) common shares	236,982,756	226,933,558
<b>Options (Note 10)</b>	<b>4,402,633</b>	<b>4,848,210</b>
<b>Warrants (Note 11)</b>	<b>976,547</b>	<b>9,315,584</b>
<b>Contributed surplus (Note 12)</b>	<b>10,346,458</b>	<b>4,037,799</b>
<b>Deficit</b>	<b>(83,373,714)</b>	<b>(99,457,931)</b>
	<b>169,334,680</b>	<b>145,677,220</b>
	<b>\$ 191,674,854</b>	<b>\$ 162,207,335</b>

Operations, going concern and measurement uncertainty (Note 1)

Commitments (Note 15)

Subsequent events (Note 18)

Approved by the Board of Directors:

**(signed) "Brian E. Bayley"** Director

**(signed) "Brian Hinchcliffe"** Director

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

# KIRKLAND LAKE GOLD INC.

## Statements of Operations, Comprehensive Income (Loss) and Deficit

(Unaudited)

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars, except share amounts)

	THREE MONTH PERIOD ENDED JANUARY 31 2011	THREE MONTH PERIOD ENDED JANUARY 31 2010 Restated (Note 19)	NINE MONTH PERIOD ENDED JANUARY 31 2011	NINE MONTH PERIOD ENDED JANUARY 31 2010 Restated (Note 19)
<b>Revenue</b>	<b>\$ 25,426,409</b>	<b>\$ 6,177,357</b>	<b>\$ 75,382,194</b>	<b>\$ 35,601,130</b>
<b>Expenses</b>				
Operating costs	15,034,829	7,395,837	44,261,693	34,437,426
Stock-based compensation for operational personnel	370	87,490	124,362	956,087
Amortization and depletion	1,943,970	1,244,600	5,200,998	3,567,865
Royalties	1,018,920	249,399	3,015,971	1,425,336
	<b>17,998,089</b>	<b>8,977,326</b>	<b>52,603,024</b>	<b>40,386,714</b>
	<b>7,428,320</b>	<b>(2,799,969)</b>	<b>22,779,170</b>	<b>(4,785,584)</b>
<b>Other expenses</b>				
General and administrative	744,053	651,417	1,878,317	1,846,767
Exploration	2,709,774	1,260,877	6,003,745	3,669,737
Interest and bank charges	3,557	2,890	8,829	9,686
Stock-based compensation for administrative personnel	2,926	187,709	241,807	403,865
Interest and other income	(238,438)	(7,360)	(537,922)	(163,669)
	<b>3,221,872</b>	<b>2,095,533</b>	<b>7,594,776</b>	<b>5,766,386</b>
Income (Loss) before future income tax recovery	<b>4,206,448</b>	<b>(4,895,502)</b>	<b>15,184,394</b>	<b>(10,551,970)</b>
Future income tax recovery	-	-	899,823	-
<b>Comprehensive income (loss) for the period</b>	<b>4,206,448</b>	<b>(4,895,502)</b>	<b>16,084,217</b>	<b>(10,551,970)</b>
<b>Deficit - beginning of period</b>	<b>(87,580,162)</b>	<b>(92,852,832)</b>	<b>(99,457,931)</b>	<b>(87,196,364)</b>
<b>Deficit - end of period</b>	<b>\$ (83,373,714)</b>	<b>\$ (97,748,334)</b>	<b>\$ (83,373,714)</b>	<b>\$ (97,748,334)</b>
<b>Basic and diluted earnings (loss) per share</b>	<b>\$ 0.06</b>	<b>\$ (0.08)</b>	<b>\$ 0.24</b>	<b>\$ (0.17)</b>
<b>Weighted average number of shares outstanding</b>	<b>68,116,420</b>	<b>63,415,452</b>	<b>67,952,555</b>	<b>61,046,992</b>
<b>Diluted weighted average number of shares outstanding (Note 9)</b>	<b>68,919,593</b>	<b>63,415,452</b>	<b>68,278,391</b>	<b>61,046,992</b>

Operations, going concern and measurement uncertainty (Note 1)

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

# KIRKLAND LAKE GOLD INC.

## Statements of Cash Flows

(Unaudited)

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

	THREE MONTH PERIOD ENDED JANUARY 31 2011	THREE MONTH PERIOD ENDED JANUARY 31 2010 Restated (Note 19)	NINE MONTH PERIOD ENDED JANUARY 31 2011	NINE MONTH PERIOD ENDED JANUARY 31 2010 Restated (Note 19)
<b>Cash flows from (used in) operating activities</b>				
Net income (loss) for the period	\$ 4,206,448	\$ (4,895,502)	\$ 16,084,217	\$ (10,551,970)
Items not affecting cash				
Amortization and depletion	1,943,970	1,244,600	5,200,998	3,567,865
(Gain) loss on investments	(38,483)	(19,100)	(54,033)	(50,031)
Stock-based compensation	3,296	275,199	366,169	1,359,952
Accretion	48,359	45,622	145,076	136,866
Future income tax recovery	-	-	(899,823)	-
Changes in non-cash working capital items				
Accounts receivable	50,790	(530,985)	(1,061,709)	1,845,923
Inventories	(2,239,224)	(2,763,263)	(2,320,786)	1,170,854
Prepaid expenses and deposits	267,123	(67,891)	226,088	(364,701)
Accounts payable, accrued liabilities and other liabilities	1,951,875	419,307	5,261,322	(601,975)
Security deposits	(25,522)	-	(163,042)	-
	<b>6,168,632</b>	<b>(6,292,013)</b>	<b>22,784,477</b>	<b>(3,487,217)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issuance of capital stock	5,682,452	839,901	8,106,897	37,480,849
Proceeds from capital lease	-	-	-	137,160
Repayment of capital lease	(26,990)	(22,490)	(76,299)	(58,931)
	<b>5,655,462</b>	<b>817,411</b>	<b>8,030,598</b>	<b>37,559,078</b>
<b>Cash flows from (used in) investing activities</b>				
Purchase of property, plant and equipment	(7,442,326)	(2,238,462)	(21,109,120)	(6,566,979)
Proceeds from (purchase of) short-term investments	15,004,486	19,996,300	19,905,296	(1,540,281)
Restricted cash	-	-	-	(218,041)
Additions to mineral properties	(8,514,842)	(6,573,857)	(21,901,394)	(17,354,282)
	<b>(952,682)</b>	<b>11,183,981</b>	<b>(23,105,218)</b>	<b>(25,679,583)</b>
<b>Increase in cash and cash equivalents</b>	<b>10,871,412</b>	<b>5,709,379</b>	<b>7,709,857</b>	<b>8,392,278</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>26,161,884</b>	<b>4,489,098</b>	<b>29,323,439</b>	<b>1,806,199</b>
<b>Cash and cash equivalents - End of period</b>	<b>\$ 37,033,296</b>	<b>\$ 10,198,477</b>	<b>\$ 37,033,296</b>	<b>\$ 10,198,477</b>

### Supplemental cash flow information (Note 17)

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

# KIRKLAND LAKE GOLD INC.

## Statement of Changes in Shareholders' Equity

(Unaudited)

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

	THREE MONTH PERIOD ENDED January 31 2011	THREE MONTH PERIOD ENDED January 31 2010	NINE MONTH PERIOD ENDED January 31 2011	NINE MONTH PERIOD ENDED January 31 2010
<b>Capital stock</b>				
Balance, beginning of period	\$230,142,434	\$165,868,585	\$226,933,558	\$165,755,459
Exercise of stock options	2,552,823	143,073	35,580	239,721
Exercise of warrants	4,287,499	2,012,656	-	2,029,134
Private placements	-	37,123,250	-	37,123,250
Share issue costs	-	(2,908,914)	-	(2,908,914)
Share proceeds allocated to warrants	-	(6,730,015)	-	(6,730,015)
Balance, end of period	<b>\$236,982,756</b>	<b>\$195,508,635</b>	<b>\$226,969,138</b>	<b>\$195,508,635</b>
<b>Options</b>				
Balance, beginning of period	\$ 5,173,710	\$ 4,245,515	\$ 4,848,210	\$ 3,630,924
Attribution of options granted	3,296	432,264	366,169	1,359,952
Exercise of options	(774,373)	(50,923)	(801,847)	(88,821)
Forfeiture of options	-	(8,544)	(9,899)	(8,544)
Balance, end of period	<b>\$ 4,402,633</b>	<b>\$ 4,618,312</b>	<b>\$ 4,402,633</b>	<b>\$ 4,893,511</b>
<b>Warrants</b>				
Balance, beginning of period	\$ 1,360,044	\$ 1,496,813	\$ 9,315,584	\$ 1,499,541
Warrants issued in private placements	-	7,651,352	-	7,651,352
Exercise of warrants	(383,497)	(672,030)	(1,140,454)	(674,758)
Expiry of warrants	-	-	(7,198,583)	-
Balance, end of period	<b>\$ 976,547</b>	<b>\$ 8,476,135</b>	<b>\$ 976,547</b>	<b>\$ 8,476,135</b>
<b>Contributed surplus</b>				
Balance, beginning of period	\$ 10,346,458	\$ 3,079,066	\$ 4,037,799	\$ 3,079,066
Expiry of warrants	-	-	7,198,583	-
Forfeiture of options	-	8,544	9,899	8,544
Future tax recovery on expiration of warrants	-	-	(899,823)	-
Balance, end of period	<b>\$ 10,346,458</b>	<b>\$ 3,087,610</b>	<b>\$ 10,346,458</b>	<b>\$ 3,087,610</b>
<b>Deficit</b>				
Balance, beginning of period	\$ (87,580,162)	\$ (92,852,832)	\$ (99,457,931)	\$ (87,196,364)
Comprehensive income (loss) for the period	4,206,448	(4,895,502)	16,084,217	(10,551,970)
Balance, end of period	<b>\$ (83,373,714)</b>	<b>\$ (97,748,334)</b>	<b>\$ (83,373,714)</b>	<b>\$ (97,748,334)</b>

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

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

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### 1. Operations, going concern and measurement uncertainty

#### Operations

Kirkland Lake Gold Inc. (the Company) owns gold mining and milling operations in Kirkland Lake, Canada.

#### Going concern

While the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations into the foreseeable future, certain historical adverse conditions and events could cast significant doubt on the validity of this assumption and, hence, the appropriateness of the use of accounting principles applicable to a going concern.

During the years ended April 30, 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 \$8.4 million, aggregated \$6.1 million for the two years in total. The funds required to continue operations and exploration activities during this period have been financed primarily from the issue of equity.

At January 31, 2011, the Company has working capital of \$41.0 million. Management projects that these funds, together with cash flow from operations, will be sufficient to meet the Company's obligations and capital expenditure plans for the foreseeable future. Nevertheless, differences are likely to occur between actual results and those projected by management, and those differences may be material. It is possible that the operations will not generate sufficient cash flow for the Company to continue in the normal course without funding being provided from outside sources.

Management has been successful in obtaining sufficient funding for the Company's operating and capital exploration requirements in the past and will pursue additional funding in the future, if necessary. There is, however, no assurance that such funding will be available to the Company, or that it will be available on terms which are acceptable to management. If (i) operations do not generate sufficient cash flow and (ii) sufficient funding for the Company's operating and capital expenditure requirements on terms acceptable to management is not available, the Company may not be able to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

### 2. Significant accounting policies

#### Basis of presentation

These unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended April 30, 2010.

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

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### 2. Significant accounting policies (*continued*)

#### Future changes in significant accounting policies

The following Canadian accounting pronouncements were issued and not yet adopted by the Company:

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

### 3. Restricted cash

Restricted cash includes:

	<b>JANUARY 31</b>	<b>APRIL 30</b>
	<b>2011</b>	<b>2010</b>
Letters of Credit:		
Ministry of Northern Development of Mines and Forestry	\$ 4,452,597	\$ 4,452,597
Independent Electricity System Operator of Ontario	500,000	500,000
	<b>\$ 4,952,597</b>	<b>\$ 4,952,597</b>

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

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

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### 4. Short-term investments

Investments include:

	<b>JANUARY 31 2011</b>	<b>APRIL 30 2010</b>
Government of Canada Treasury Bill bears interest at 1.25%, matures April 4, 2011	<b>\$ 10,060,329</b>	\$ -
Guaranteed Investment Certificate bears interest at 0.6%, matures February 11, 2011	<b>5,000,000</b>	5,000,000
Guaranteed Investment Certificate bears interest at 0.6%, matures October 4, 2010	-	10,000,000
Investment in Government Of Canada Treasury Bills	-	19,999,196
Investment in mutual funds	<b>273,559</b>	185,955
Less amounts related to letters of credit (see below)	<b>(4,952,597)</b>	<b>(4,952,597)</b>
	<b><u>\$ 10,381,291</u></b>	<b><u>\$ 30,232,554</u></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 \$4,452,597, and with the Independent Electricity System Operator of Ontario to secure the provision of electricity, for \$500,000. The letters of credit are secured by a portion of the \$5,000,000 Guaranteed Investment Certificate purchased during the current period.

### 5. Inventories

	<b>JANUARY 31 2011</b>	<b>APRIL 30 2010</b>
Gold in process	<b>\$ 7,132,521</b>	\$ 4,063,761
Mine operating supplies	<b>3,062,634</b>	2,300,907
Dore bars	-	1,509,701
	<b><u>\$ 10,195,155</u></b>	<b><u>\$ 7,874,369</u></b>

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

### 6. Mineral properties

	JANUARY 31 2011	JANUARY 31 2010
Balance - Beginning of period	\$ 64,508,733	\$ 43,319,425
Development and rehabilitation costs	21,901,393	10,937,521
Depletion	(3,179,890)	(1,186,900)
Balance - End of period	<u>\$ 83,230,236</u>	<u>\$ 53,070,046</u>

	COST	ACCUMULATED DEPLETION	JANUARY 31 2011	APRIL 30 2010
Acquisition allocation	\$ 2,155,023	\$ 387,961	\$ 1,767,062	\$ 1,844,143
Underground development	90,929,703	11,688,934	79,240,769	60,345,242
Underground pumping	2,050,942	624,274	1,426,668	1,488,901
Mill and surface facilities	149,371	46,167	103,204	107,706
Lakeshore property	1,000,412	307,879	692,533	722,741
	<u>\$ 96,285,451</u>	<u>\$ 13,055,215</u>	<u>\$ 83,230,236</u>	<u>\$ 64,508,733</u>

### 7. Plant and equipment

	JANUARY 31 2011	JANUARY 31 2010
Balance - Beginning of period	\$ 23,448,589	\$ 15,317,751
Additions	21,589,569	6,566,979
Amortization	(2,021,107)	(2,342,222)
Balance - End of period	<u>\$ 43,017,051</u>	<u>\$ 19,542,508</u>

	COST	ACCUMULATED AMORTIZATION	JANUARY 31 2011
Computer equipment	\$ 777,232	\$ 653,492	\$ 123,740
Mine and mill equipment	35,238,281	12,437,535	22,800,746
Vehicles	168,344	124,466	43,878
Buildings	2,599,263	1,728,868	870,395
Capital projects	19,177,803	-	19,177,803
	<u>\$ 57,960,923</u>	<u>\$ 14,944,361</u>	<u>\$ 43,016,562</u>

	COST	ACCUMULATED AMORTIZATION	APRIL 30 2010
Computer equipment	\$ 609,155	\$ 597,137	\$ 12,018
Mine and mill equipment	28,494,586	10,742,610	17,751,976
Vehicles	147,552	105,626	41,926
Buildings	2,561,536	1,481,276	1,080,260
Capital projects	4,562,409	-	4,562,409
	<u>\$ 36,375,238</u>	<u>\$ 12,926,649</u>	<u>\$ 23,448,589</u>

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

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### 8. Asset retirement obligation

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 January 31, 2011 are \$5,524,130 and financial assurance has been provided to the MNDMF by way of a letter of credit in the amount of \$4,452,597 (Note 4).

A reconciliation for asset retirement obligations is as follows:

	<b>JANUARY 31</b>	<b>APRIL 30</b>
	<b>2011</b>	<b>2010</b>
Balance - Beginning of period	\$ 3,223,922	\$ 3,041,434
Accretion	145,076	182,488
Balance - End of period	<b>\$ 3,368,998</b>	<b>\$ 3,223,922</b>

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.

### 9. Capital stock

	<b>Number of</b>	<b>Amount</b>
	<b>shares</b>	
Balance - Beginning of period	67,727,634	\$ 226,933,558
Exercise of options (Note 10)	3,000	35,580
Balance - July 31, 2010	67,730,634	226,969,138
Exercise of options (Note 10)	4,000	47,194
Exercise of warrants (Note 11)	274,623	3,126,102
Balance - October 31, 2010	68,009,257	230,142,434
Exercise of options (Note 10)	219,100	2,552,823
Exercise of warrants (Note 11)	396,803	4,287,499
Balance - End of period	<b>68,625,160</b>	<b>\$ 236,982,756</b>

#### Diluted weighted average number of shares outstanding

The average exercise price of both the three and nine month periods exceeded the exercise price of all outstanding options and warrants therefore no options or warrants were excluded from the calculation of diluted earnings per share. The average exercise price for the three month period was \$10.27 while the nine month period was \$13.81

### 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.

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

### 10. Options (continued)

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.

The changes in stock options issued during the 9 month period ended January 31, 2011 are as follows:

	Number of shares	Weighted average exercise price
Options outstanding - beginning of period	1,404,500	\$ 7.55
Granted	50,000	8.20
Exercised	(226,100)	8.11
Forfeited	(2,500)	7.90
Options outstanding - end of period	<u>1,225,900</u>	7.48
Options exercisable - end of period	<u>1,158,400</u>	\$ 7.42

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

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
\$ 5.05	50,000	50,000	2.69	2.69
6.99	250,000	250,000	2.55	2.55
6.99	428,500	428,500	2.64	2.64
7.90	167,400	167,400	2.29	2.29
8.20	50,000	-	4.64	-
8.65	245,000	245,000	1.00	1.00
9.02	20,000	10,000	3.79	3.79
9.11	15,000	7,500	3.92	3.92
	<u>1,225,900</u>	<u>1,158,400</u>	2.36	2.24

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

	<b>JANUARY 31 2011</b>
Expected life of stock options	<u>1.91 - 2.64 years</u>
Risk-free interest rate	1.44 - 1.72%

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

### 10. Options (continued)

Expected stock price volatility	83.7 - 96.3%
Expected dividend yield	0%
Weighted-average fair value of options	\$ 4.21

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

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

	JANUARY 31 2011	APRIL 30 2010
Balance - Beginning of period	\$ 4,848,210	\$ 3,630,924
Attribution of stock options granted	366,169	1,610,708
Exercise of stock options	(801,847)	(112,580)
Stock options forfeited	(9,899)	(24,710)
Cancellation of options	-	(256,132)
Balance - End of period	\$ 4,402,633	\$ 4,848,210

### 11. Warrants

The following table summarizes information about warrants outstanding at January 31, 2011:

Exercise price	Expiry date	Warrants outstanding
\$ 10.00	3/4/2011	1,174,878

The changes in warrants outstanding are as follows:

	Number of shares	Weighted average exercise price
Warrants outstanding - beginning of period	3,537,936	\$ 9.72
Exercised	(671,426)	9.34
Forfeited	(1,691,632)	9.68
Warrants outstanding - end of period	1,174,878	\$ 10.00

	JANUARY 31 2011	APRIL 30 2010
Balance - Beginning of period	\$ 9,315,584	\$ 1,499,541
Warrants issued in private placements	-	9,315,584
Exercise of warrants	(1,140,454)	(821,650)
Expiry of warrants	(7,198,583)	(677,891)
Balance - End of period	\$ 976,547	\$ 9,315,584

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

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### 12. Contributed surplus

	JANUARY 31 2011	APRIL 30 2010
Balance - Beginning of period	\$ 4,037,799	\$ 3,079,066
Cancellation of options		256,132
Forfeiture options	9,899	24,710
Expiry of warrants	7,198,583	677,891
Tax impact of expiry of warrants	(899,823)	-
Balance - End of period	<u>\$ 10,346,458</u>	<u>\$ 4,037,799</u>

### 13. Financial instruments

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 January 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

The amendments to Section 3862 (Note 2) introduce a fair value hierarchy that reflects the significance of inputs used in making fair value measurements 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 2
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 January 31, 2011, there were no receivables past due.

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

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### 13. Financial instruments (*continued*)

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 January 31, 2011, the Company had a cash and cash equivalents and short term investments balance of \$47,414,587 to settle financial liabilities of \$18,971,176. All of the Company's financial liabilities are current liabilities which will mature within one year of the balance sheet date.

#### 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.

### 14. Related party transactions

The Company paid office facilities and administration services in the amount of \$31,500 (2010 - \$31,500) 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.

### 15. Commitments

As at January 31, 2011, capital commitments included:

Capital Commitments <i>(All commitments in 000s of Canadian Dollars)</i>	\$000
Property, Plant and Equipment	6,671
Underground Development	92
Total	6,763

Capital commitments include the expansion project and ongoing project commitments. 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.

As at January 31, 2011, the Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 865 ounces of gold at an average price of \$1,409 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

# KIRKLAND LAKE GOLD INC.

## Notes to Unaudited Financial Statements

For the three and nine months ended January 31, 2011 and 2010

(expressed in Canadian dollars)

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### 15. Commitments (continued)

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 net smelter royalty is payable to Kinross Gold Corporation on a sliding scale commencing at 2% if the price of gold sold is equal to or greater than US\$300 per ounce and increasing to 4% if the price of gold sold is equal to or greater than US\$500 per ounce. The royalty terminates upon a maximum aggregate payment of \$15 million. During the period ended January 31, 2011, royalties expensed under this agreement amounted to \$3,011,539 (2010 - \$1,422,336). Of the \$15 million the Company has paid \$10,893,394.

### 16. Segmented information

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

### 17. Supplemental cash flow information

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

	THREE MONTH PERIOD ENDED 2011	THREE MONTH PERIOD ENDED 2010	NINE MONTH PERIOD ENDED 2011	NINE MONTH PERIOD ENDED 2010
Value assigned to stock options / warrants exercised	\$ 1,157,870	\$ 188,688	\$ 1,942,301	\$ 952,267
Capital lease	\$ -	\$ -	\$ -	\$ 137,160
Purchase of asset under capital lease	\$ -	\$ -	\$ -	\$ (137,160)

### 18. Subsequent event

Subsequent to the quarter end, a total of 1,068,051 warrants were exercised and an equal number of common shares issued at \$10 each for total proceeds of \$10,680,510. These warrants were issued in February 2010 as part of a bought deal private placement of 4,540,500 units at \$8.25 per unit. Each unit consisted of one common share and one-third of one common share purchase warrant. Each whole warrant was exercisable to purchase one common share for \$10 until March 4, 2011. As at March 4, 2011, a total of 1,406,647 warrants had been exercised for total proceeds of \$14,066,470 and 106,827 warrants expired without being exercised.

### 19. Comparative figures

Capital expenditures in the third quarter 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 \$3.4 million for Q3 of fiscal 2010 and an equivalent decrease to net loss.