



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

### **For the Quarter and Year Ended April 30, 2011**

*This MD&A, including appendices, is intended to help the reader understand Kirkland Lake Gold Inc. ('us', 'KGI' or 'the Company'), our operations and our present business environment. It has been prepared as of July 5, 2011 and covers the results of operations for the quarter and year ended April 30, 2011. It is intended to supplement the audited Financial Statements and notes thereto which are expressed in Canadian Dollars and prepared in accordance with Canadian Generally Accepted Accounting Principles ('GAAP'). These statements together with the following MD&A are intended to provide investors with a reasonable basis for assessing the potential future performance. Additional information relating to the Company is available from the Company's Annual Information Form ('AIF') filed with the Canadian securities regulators on SEDAR at [www.sedar.com](http://www.sedar.com).*

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## COMPANY OVERVIEW

The Company is an operating gold mining company located in Kirkland Lake, Ontario, Canada, which owns the Macassa Mine and Mill and four contiguous formerly producing gold mining properties. The Company's goals are to expand its gold reserves and resources to approximately five million ounces, and to become a profitable and sustainable intermediate gold producer. The Company's common shares trade on the TSX (Toronto Stock Exchange) and AIM (Alternative Investment Market of the London Stock Exchange).

The Company is actively working to increase mine capacity to an average of 1600 tons per day with the objective of realizing an annual production rate of 210,000 to 250,000 ounces of gold per year by November 2012.

The Company has established the following priorities:

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

The Company's directors and management believe that focussing on these priorities will provide the Company with the best opportunity to build a successful and long term mining operation.

## HIGHLIGHTS OF THE QUARTER AND YEAR ENDED APRIL 30 2011

### Mine Expansion and Production

- ➔ In the quarter, 55,033 tons of ore were milled at a head grade of 0.44 ounces of gold per ton (opt) and a recovery of 96.2% to produce 23,466 ounces of gold. For the year, 207,322 tons of ore were milled at a head grade of 0.41 opt and a recovery of 96.4% to produce 81,860 ounces of gold, which met the Company's revised production guidance for the year. During the quarter, the Company was able to shift production towards higher grade working faces, as the Company continues to develop additional mining capacity as part of its current mine expansion project (Expansion Project).
- ➔ The target of the Expansion Project has been revised upwards to an average milling rate of 1600 tons per day from the previously targeted range of 1200 to 1400 tons per day. As a result of studies aimed at potential future expansions to production capacity, management became aware in the fourth quarter of some near term and low cost opportunities to increase the capacity of the mine without adding significantly to the timeline of the current project. The major additions to the project scope include mill upgrades focused primarily on the classification circuit, installation of additional shaft services, some additional equipment and supporting facilities on the underground haulageway, an upgrade to the control systems of the main production hoist, and automation of the 51 level loading pocket. The cost of this additional work is estimated at \$15 million, increasing the overall project budget to \$75 million. The impact to the overall project schedule of the change in scope is four months, extending the project construction period to April 2012, as most work added is not on the critical path.

- Work to increase the hoisting capacity of the No. 3 Shaft continued utilizing the newly installed service hoist and working platform in the fourth quarter, as well as the existing service compartment and shaft stations and the main production hoist and conveyances as required throughout the year. Ongoing work included upgrades to the shaft timberwork and manway brattices and headframe, installation of new shaft services and removal of redundant services, maintenance and refurbishment of existing shaft installations, upgrades to ground support, and improvements to the level stations and headframe. A significant amount of shaft refurbishment work has been moved from the post project period to the project period to take advantage of the working platform in order to improve efficiencies and reduce later shaft delays and minimize the overall timeline. The working platform will remain in the shaft until this work is completed. The hoisting capacity upgrade is the critical path for the extended project.
- Excavation of the truck loading chutes and stations below the 5300 Level and the underground haulage ramp between the No. 3 Shaft and the South Mine Complex (SMC) mining area was completed. Excavation of the dumps and dump access drifts on the 5300 Level is also complete. Excavation and construction work for a related ventilation upgrade targeted for Q1 of fiscal 2012 is on track. The first dump at the top of the haulageway above the 5100 Level Loading Pocket is complete. Work on the second dump raise has begun. Pilot holes for the chute raises are being drilled. Excavation for the related ramp facilities has begun. All haulage ramp work is expected to be complete before the hoisting capacity upgrade is complete.
- The Company's workforce grew by an additional 237 people over the year and by an additional 37 people in the quarter to a total of 685 employees. Due to the expanded training program and resulting internal promotions of employees, more new employees have been hired at the entry level than expected (44% of the total in Fiscal Year 2011 and 62% in Calendar Year 2011 to date). The Company is not experiencing difficulty in meeting its workforce requirements at this time. Most of these entry level hires are coming from the local area, except for those positions with a specific education requirement.
- The number of ore mining faces available for production was increased to thirty-one over the year, with twenty-four of these being actively mined. Another seven faces are currently being developed, with twenty additional ore mining faces at the planning stages. Production continues to be managed around the other higher priority activities, and to maintain the pace of work on these higher priority activities, production guidance for the year was cut to 80,000 to 85,000 ounces of gold from 90,000 to 100,000 ounces at the end of the third quarter. The primary causes for this shortfall in the year were the more than two weeks of unplanned downtime in earlier quarters, and the late delivery of some key equipment.
- Additions and improvements to the surface maintenance facilities, changing facilities, warehouse, cold storage facility, offices and parking lots, compressor plant, electrical plant, mill, and backfill plant are now being planned, are well underway, or are completed. This work is planned to be completed as required in fiscal 2012. Most major projects on surface, with the exception of the mill and hoist upgrade, are nearing completion or are complete. The pace of project work in this area will slow considerably going forward.

## Exploration

- Gains in reserves and resources during the eight month period between May 1, 2010 and January 1, 2011 were primarily in the SMC, where more of the exploration effort was focused. In addition, exploration was successful in replacing the ounces of gold mined in the Main Break area despite only a limited exploration program being carried out due to operating constraints. The end of the reporting period for exploration was moved from April to December this year to better match with the budget exercise, resulting in a shortened exploration reporting period.

- The overall rate of exploration activity more than doubled over the course of the fiscal year, with total expenditures of \$9,001,224 in the year and \$2,997,479 in the quarter. Exploration is fully expensed and, therefore, increases in exploration spending reduce net income.
- A limited surface exploration program on the four eastern properties will be followed up in Fiscal Year 2012 by an expanded program looking primarily at the near surface potential of the five main properties.

## Financial Results

- Net income for the year ended April 30, 2011 was \$20.1 million or \$0.29 per share, which compares to a net loss of \$12.3 million or \$0.20 per share for the previous fiscal year. Net income for the fourth quarter (Q4) ended April 30, 2011 was \$4.0 million or \$0.06 per share, which compares to a net income of \$4.2 million for the previous quarter (Q3) of fiscal 2011, and a net loss of \$1.7 million for Q4 of fiscal 2010.
- Operating costs for the year were \$300 per ton (\$759 per ounce), compared with \$321 per ton (\$1,045 per ounce) in the previous year. Total cash costs for the year were \$321 per ton (\$811 per ounce), compared to \$335 per ton (\$1,091 per ounce) in the previous fiscal year. Operating costs for the quarter were \$324 per ton (\$760 per ounce), compared with \$258 per ton (\$743 per ounce) in the prior quarter, and \$257 per ton (\$803 per ounce) in Q4 of fiscal 2010. Total cash costs for the quarter were \$346 per ton (\$812 per ounce), compared to \$275 per ton (\$794 per ounce) in the prior quarter and \$269 per ton (\$842 per ounce) in Q4 of fiscal 2010. Short term variances in results tend to be caused primarily by fluctuations in the amount of gold inventory held between the periods with increases in the value of gold inventory held reducing the reported costs. The impact on reported operating costs of inventory changes was a decrease in reported costs in Q1 by \$48 per ton, an increase in Q2 by \$61 per ton, a decrease in Q3 by \$37 per ton, and a decrease in Q4 by \$2 per ton, for a net decrease in reported operating costs for the year of only \$10 per ton. The remaining variances in short term results are usually caused by short term swings in the allocation of personnel between operating activities and capital projects. The Company's target is to reduce the operating costs to less than \$250 per ton by completing the Expansion Project and increasing production.<sup>1</sup>
- Cash flows generated from operating activities were \$29.2 million for the year compared to a use of \$1.0 million in the previous fiscal year. Cash flows generated from operating activities were \$6.4 million in Q4 of fiscal 2011 compared to \$6.2 million in Q3 of fiscal 2011 and \$2.5 million in Q4 of fiscal 2010. Cash flows have been positive for five consecutive quarters.
- Gold poured for the year was 77,291 ounces, 60% higher than the previous year (48,447 ounces). A total of 78,809 ounces were sold. Ounces in the mill inventory increased by 3,051 ounces over the year. Gold poured in the quarter was 21,455 ounces, which compares to 18,331 ounces for the previous quarter and 14,995 ounces for the same period in the previous fiscal year.
- After meeting all operating costs, spending \$59.8 million on infrastructure and \$9.0 million on exploration, total cash resources (including short-term investments) as at April 30, 2011 were \$51.2 million. As at July 5, 2011 this number had decreased to \$41.2 million.

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<sup>1</sup> The Company has included non-GAAP performance measures, operating cost and total cash cost per ton ore mined and per gold ounce produced, throughout this document. This is a common performance measure in the mining industry but does not have any standardized meaning. Refer to Appendix 3 for a reconciliation of operating costs and total cash costs to reported operating expenses.

## OUTLOOK

The production forecast for Fiscal Year 2012 is 110,000 to 130,000 ounces of gold. This is a reduction of 10,000 ounces from previous guidance due to the extension of the Expansion Project by four months to April 2012. This extension is largely due to the changes to the hoisting capacity upgrade, which is the critical path of the extended project.

Production guidance for Fiscal Year 2013 remains estimated at 180,000 to 200,000 ounces of gold due to an allowance for a ramp up period for production between May 2012 and November 2012. Full production of 210,000 to 250,000 ounces is not being forecast as a precaution against late completion of any critical portion of the Expansion Project and as a precaution against any delays in delivering or commissioning new equipment. As well, due to differences in mining techniques and conditions between mines throughout the world, it is normal for even experienced employees to take some time to get up to full speed. The Company will be adding an additional 275 employees in Fiscal Year 2012. The extended project period does offer a benefit in that the Company will have more scope to utilize its strengths in employee training and upgrading this year, which should allow the Company to more easily meet its workforce requirements.

Production guidance for Fiscal Years 2014 to 2016 is estimated at 210,000 to 250,000 ounces per year, with the wide range given as an allowance against actual mined grades. The Company continues to encounter significant amounts of unknown ore during mining of known reserves and resources, and this unknown ore tends in general towards a lower grade. The Company currently plans to try to manage ore grades to an average recovered grade of 0.40 opt or higher going forward. As additional high grade mining faces are developed, the ratio of high grade ore mined to lower grade ore mined is being shifted from 1:1 to 2:1. This ratio was achieved in the fourth quarter. The Company's exploration activities are prioritized to increase higher grade reserves and resources while replacing lower grade material mined.

The Company's expansion activities will continue to take priority, and the available resources will be managed accordingly. The tonnage of ore to be hoisted and mined will be managed to meet these targets, provided higher priority activities are not hindered. The Company will prioritize the work and investment required to meet its goals of attaining five million ounces in total gold reserves and resources and of reaching a profitable production rate of 210,000 to 250,000 ounces of gold per year by November 2012.

There are some risks to the Expansion Project timeline that the Company will attempt to manage, but which are not totally within its control. These include:

- 1) Risks related to late delivery of equipment. Activity in the mining industry is picking up substantially and manufacturers may run into unanticipated shortages of skilled labour, material, or other resources. Delivery of some key mining equipment ordered has been delayed up to four months past promised delivery in this fiscal year for these causes. The expected lead time on deliveries is also increasing well beyond that foreseen by manufacturers three months ago.
- 2) Risks related to delays in commissioning equipment due to unforeseen technical issues or shortages of skilled labour affecting manufacturers or contractors. The service hoist installation and the compressor upgrade projects both were delayed due to some combination of these problems, with the critical path hoist project being delayed by a total of five months.
- 3) Risks related to recruiting and retaining skilled labour. Activity in the mining industry continues to pick up and competition for skilled, experienced, and qualified workers and staff is increasing. The Company remains well placed to compete for personnel and maintains an attractive combination of wages, bonuses, benefits, and other recruitment and retention policies. However, as the Expansion Project has

advanced through each stage of recruitment, more training has been required to prepare new employees to work safely and productively. This trend is expected to continue. As well, the Company prioritizes recruitment of personnel from the local area or from those willing to relocate to the local area whenever practicable. This longer term strategy also increases the immediate training burden and may slow immediate progress, but has resulted in a workforce that is relatively loyal and well balanced by age level and by experience level.

These issues may or may not act to extend the Expansion Project timeline, but they will not affect the ultimate completion of the project. The near term impact of these problems to date has been to reduce production while slowing overall spending and lowering operating costs. The Company has allowed for a ramp up period for production during the first six months of Fiscal 2013 as a precaution against these potential problems.

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

## CAPITAL PROJECTS UPDATE

During the fiscal year the Company spent \$30.8 million on underground capital development and \$29.0 million on property and equipment for a total of \$59.8 million invested into the operation as shown below.

<b>Capital Spending by Quarter fiscal 2011</b> <i>(All amounts in millions of CDN Dollars)</i>	<b>Total</b>	<b>4<sup>th</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>1<sup>st</sup> Quarter</b>	<b>Expansion Project to Date (Q3/09 – Q4/11)</b>
Ongoing Development	<b>20.6</b>	8.0	5.6	4.4	2.6	39.2
Expansion Project Development	<b>10.2</b>	1.0	2.9	3.0	3.3	19.2
<b>Total Development</b>	<b>30.8</b>	<b>9.0</b>	<b>8.5</b>	<b>7.4</b>	<b>5.9</b>	<b>58.4</b>
Ongoing Equipment	<b>8.9</b>	1.7	2.1	2.7	2.4	12.6
Expansion Project Equipment and Projects	<b>20.1</b>	5.6	5.4	3.5	5.6	31.5
<b>Total Equipment and Projects</b>	<b>29.0</b>	<b>7.3</b>	<b>7.5</b>	<b>6.2</b>	<b>8.0</b>	<b>44.1</b>
<b>TOTAL CAPITAL</b>	<b>59.8</b>	<b>16.3</b>	<b>16.0</b>	<b>13.6</b>	<b>13.9</b>	<b>102.5</b>

Underground development spending during the year consisted of \$20.5 million for ongoing development and \$10.2 million for Expansion Project development. Plant and equipment purchases included \$8.9 million for ongoing capital equipment and \$20.1 million for Expansion Project related equipment, plant, and engineering. Ongoing capital is the capital required to maintain the mine and sustain production, while project capital is utilized to upgrade the mine and increase the production rate. Total Expansion Project capital spent to date is \$50.7 million or 84.5% of the original \$60 million estimate. Due to the increase in the target production rate for the Expansion Project to 1600 tons per day from 1200 to 1400 tons per day, the revised estimate for the Expansion Project capital cost is \$75 million. The total spent to date on the Expansion Project is 67.6% of that amount.

During the fourth quarter the Company spent \$9.0 million on underground capital development (\$8.0 million on ongoing development and \$1.0 million on Expansion Project development) and \$7.3 million on plant and equipment (\$1.7 million from ongoing requirements and \$5.6 million for

Expansion Project equipment). The spending reflects the ramping down of the development phase of the underground project in relation to increased activity related to the purchase of equipment and the construction of underground facilities.

## OPERATIONS REVIEW

Fiscal 2011 Results	Commentary	Comparative	
		Fiscal 2010	*B/ (W)
81,860 ounces	<b>Ounces of gold recovered by the mill</b> increased due to planned increases in production. Produced ounces for the year were lower than the initial 90,000 to 100,000 ounce guidance due to two unplanned production interruptions and due to late delivery of some key equipment. In July, operations were interrupted for more than a week while a defect discovered in the safety systems of the main hoist was corrected. In September, methane was encountered for the first time in a diamond drill hole at the mine. The equivalent of one week of production was lost while testing equipment was procured and legislated procedures were put in place. Hiring of miners was delayed due to late delivery of a shipment of hand held drills promised for August. The last of these drills did not arrive until January. Produced ounces in fiscal 2011 were a record for the Company.	45,191 ounces	81%
0.39 opt	The <b>recovered ore grade</b> for the year increased as more production workplaces came on line in the higher grade SMC. The head grade for the year was 0.41 opt.	0.31 opt	27%
25,338 tons	The decrease in <b>waste tonnage going to the mill</b> is directly related to the decrease in development on the 53 Level as waste from 53L is being milled until an alternative waste handling system is completed in Fiscal Year 2012. This waste is factored out of all mill production numbers. 53L development decreased as mining activities shifted towards production.	37,992 tons	(33)%
2,773 feet	<b>Operating development</b> decreased because mining activities were shifting from developing ore producing workplaces to mining ore over the year.	3,106 feet	(11)%
118,847 tons	<b>Ore generated from production, development and exploratory mining in the SMC</b> increased as more ore mining workplaces were brought into production.	61,279 tons	94%
89,475 tons	<b>Ore generated from production, development and exploratory mining in the Main Break</b> increased only slightly as the number of ore mining workplaces in this area was relatively stable year over year.	85,679 tons	4%
12,021 feet	<b>Capital development</b> increased as ventilation improvements allowed the use of larger equipment and the opening of more development headings. These development headings will support mine infrastructure improvements and new mining faces in future years.	9,190 feet	31%
207,322 tons	<b>Tons of ore milled</b> increased 41% compared to the previous fiscal year due to the increase in the number of available ore mining workplaces.	146,958 tons	41%

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

## FINANCIAL REVIEW

Fiscal 2011 Results (\$000s)	Commentary	Comparative	
		Fiscal 2010 (\$000s)	*B/ (W)
105,177	<b>Revenue</b> more than doubled from the previous year reflecting a 68% increase in ounces sold (31,848 ounces) and an increase in the realized gold price in Canadian dollars of \$242 per ounce.	51,232	105%
74,409	<p><b>Operating Costs</b> increased \$20.5 million due to increases in mining, milling and maintenance costs (\$15.0 million), general site costs (\$1.9 million), royalty expense (\$2.2 million) and amortization and depletion expense (\$3.7 million), all of which were offset by an adjustment to inventory costs due to the timing of sales between fiscal years (\$1.9 million) and a \$0.4 million decrease in stock based compensation for operations personnel.</p> <p>The increase in mining, milling and maintenance costs of \$15.0 million higher (38%) was directly attributable to the increase in ore tonnage (41%) and associated labour and material costs. The difference between the percent increases is a result of more efficient cost tracking and management resulting in a lower cost per ton.</p> <p>General site costs include support departments such as management, engineering, geology, finance, security, environmental and health and safety. These costs increases (\$1.9 million) were primarily a result of additional staff hired and materials used to effectively manage the expansion projects and overall increase in site-wide activities.</p> <p>Royalty expense is a function of revenue and thus rose 105% with the increase in revenue.</p> <p>Amortization expense increased compared to the previous year as capital projects (outlined above) were completed and became depreciable assets. Mineral property depletion expense increased as well due to increased ounces being hoisted and processed during the year.</p> <p>A favorable inventory adjustment of \$1.9 million occurred between years due to an increase of 3,051 ounces of gold in the inventory circuit throughout the year which was offset by a decreased cost per ounce from lower operating costs.</p> <p>Stock based compensation was \$0.4 million lower when compared to the previous since the majority of the options previously granted became fully expensed and no additional major grants were issued.</p>	53,953	38%
2,917	<b>General and administrative expenses</b> were higher over the previous year as a result of payroll increases (\$0.6 million) which was offset by a decrease in spending on consultants (\$0.2 million). Consultancy fees associated with our International Financial Reporting Standards (IFRS) conversion were lower than the prior year.	2,615	(14)%
9,001	<b>Exploration costs</b> increased over the previous fiscal year as a result of increased exploration activity.	5,285	70%
30,849	<b>Capital spending on mine development</b> increased as a consequence of larger equipment being used, additional headings becoming available, and particularly high levels of refurbishment work which took place during throughout the entire year.	22,522	37%
28,964	<b>Capital spending on equipment</b> rose dramatically for reasons as explained in the Highlights and Capital Projects Update sections.	11,169	159%

Fiscal 2011 Results (\$000s)	Commentary	Comparative	
		Fiscal 2010 (\$000s)	*B/ (W)
126,204	The increase in <b>total spending</b> compared to the previous year reflects the increases in current production levels and in exploration, and investments being made to continue to upgrade the surface and underground infrastructure in preparation for the planned production increases.	82,921	52%
731	<b>Other income</b> increased year on year due to rising interest rates on investments.	445	65%

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

**Note:** Increased spending in Operations, Exploration, Capital Development, Capital Equipment and Total Spending were planned by management and, as such, are considered improvements.

### SUMMARY OF QUARTERLY RESULTS

The quarterly results for the Company for the last eight fiscal quarters are set out in the following table.

Quarterly Results <i>(All amounts in 000's of CDN Dollars, except Earnings/ (Loss) per share figures)</i>	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
<b>Fiscal 2011</b>				
Revenue	29,795	25,426	30,418	19,538
Net Income	4,007	4,206	8,565	3,313
Earnings per Share (Basic & Diluted)	0.05	0.06	0.13	0.05
<b>Fiscal 2010</b>				
Revenue	15,630	6,177	6,925	22,499
Net Income/ (Loss)	(1,710)	(4,896)	(7,273)	1,617
Earnings/ (Loss) per Share (Basic & Diluted)	(0.03)	(0.08)	(0.12)	0.03

The results in Q1 of fiscal 2010 indicate the beginning of the Expansion Project and a corresponding increase in mining in the SMC. Results in Q2 and Q3 of fiscal 2010 were impacted by a severe reduction in production mining due to the loss of the pastefill borehole. Some production crews were placed on project work during this period of reduced production as many production areas were on hold waiting for pastefill.

The improvements in Q4 of fiscal 2010 and Q1, Q2 and Q3 of fiscal 2011 are the result of a planned build up in production as the first phase of the Expansion Project was completed and the second phase of the Expansion Project was initiated. Infrastructure constraints necessitate an ongoing and careful balance between production and project work to ensure that the longer term growth of the Company is not sacrificed for short term results.

All exploration drilling costs are expensed and the increase in exploration costs due to an accelerating exploration program reduced the net income reported in Q3 2011 and Q4 2011 by approximately \$1.0 million and \$1.3 million respectively. Quarterly results are also significantly influenced by the timing of gold pours and sales, and by gold inventory balances, and trends observed or averaged over longer time periods are more reliable. Results in Q2 of fiscal 2011 were boosted by these short term factors.

## LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

To date, the Company has relied primarily on private placement financings of equity securities to finance its operational and development requirements beyond internally generated cash flow. During the Fiscal Year 2011, by virtue of increases in both the gold price and production the Company has reported four consecutive profitable quarters and generated cash flows from operations of \$29.2 million. This trend is expected to continue as production increases; however, expenses in the past exceeded income. If this were to resume, the liquidity risk could be material, even with current cash resources. Success will depend, for the most part, on the ongoing discovery of economically recoverable reserves and the economies of scale envisaged in the Expansion Project from future production.

Sales of gold doré bars and the majority of the Company's expenses are incurred in Canadian dollars. The Company is, therefore, substantially protected against movements in foreign exchange. The Company's principal exchange rate risk relates to movements between the Canadian dollar and US dollar.

The Company's holding of cash balances are monitored constantly and surplus funds are held on deposit. The Company takes a very risk adverse approach to manage cash resources by investing in Government of Canada Treasury Bills of varying denominations and maturity dates. There are no fixed, floating rate or interest free financial liabilities by way of debt.

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

Resource <i>(All amounts in CDN Dollars)</i>	At April 30,	
	2011	2010
Cash	25,908,667	29,323,439
Short-term Investments	25,321,583	30,232,554
Total	51,230,250	59,555,993

Interest received on Canadian dollar deposits during the year ranged from 0.25 – 1.1% per year.

The Company generated \$29.2 million in cash flows from operations during the 2011 Fiscal Year. This was mainly a consequence of a \$20.0 million net income combined with amortization and depletion (items not affecting cash).

Net proceeds from financing activities during the quarter amounted to \$19.1 million primarily from the exercise of warrants and options.

Cash flows used in investing activities amounted to \$51.8 million for the year. Investments included proceeds of \$5.0 million in net purchases of short-term investments which were offset by the net investment of \$25.9 million in mine equipment and surface infrastructure and \$30.8 million in capital development and mine refurbishment.

As at July 5, 2011 the Company's cash resources are \$41.2 million. These funds, together with cash flow from operations, are expected to be sufficient to fund the Company's planned expansion, development and exploration activities for the next twelve months.

### Financial Instruments

The Company's financial instruments as at April 30, 2011 consist of cash and cash equivalents, short-term investments, restricted cash, accounts receivable, accounts payable, and accrued liabilities. At April 30, 2011, the carrying values of these instruments approximate their fair values based on the nature of these instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### Commitments

As at April 30, 2011, capital commitments made to third parties included:

<b>Capital Commitments</b>	<b>\$000</b>
Property, Plant and Equipment	15,400
Underground Development	143
<b>TOTAL</b>	<b>15,543</b>

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

The Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 5,785 ounces of gold at an average price of \$1,452 per ounce to be delivered under this contract. As part of the commodity contract Johnson Matthey Plc. has a right to make a margin call if the price of gold falls below the price of the commodity contract until the full amount of the commodity contract has been satisfied. At year end, \$16,000 was on deposit to cover the margin calls made by Johnson Matthey Plc.

A 4% net smelter royalty is payable to Kinross Gold Corporation on all gold produced by the Company. The royalty terminates upon aggregate payments of \$15 million. During the year ended April 30, 2011, royalties expensed under this agreement amounted to \$4,202,218 (2010 - \$2,044,427). Of the \$15 million the Company has paid \$11,909,270.

As at April 30, 2011, the Company agreed to enter into a new 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 new agreement, the Company is required to spend \$400,000 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 anticipated to begin in early summer of 2011.

A Mine Closure Plan, including financial assurance for \$4,452,597, was submitted to the Ontario Ministry of Northern Development, Mines, and Forestry (MNDMF) in 2008 for the Company's properties. The MNDMF advised that this plan might not address all of the prescribed requirements and requested additional studies.

On April 29, 2011 the Director of Mine Rehabilitation for the MNDMF notified the Company that the Closure Plan Amendment (CPA) for the Macassa, Kirkland Minerals, Teck-Hughes, Lakeshore and Joint Venture Properties including the Amalgamated Kirkland joint venture property was accepted. This filing now allows advanced exploration or mining to take place on all four Company properties within the boundary area defined in the CPA submission including the joint venture properties with Queenston. The mine Closure Plan filed by Kinross in 1999 was for the Macassa and Lakeshore properties and mining and advanced exploration outside this area was not allowed.

During the fourth quarter, the MNDMF agreed to the Company's proposal to resubmit a comprehensive CPA by November 30, 2011. Purchase orders have been issued to Golder Associates and Klohn-Crippen Consultants to complete the studies required to update the required financial assurance by November 30, 2011. Some amount of additional financial assurance, which is still being quantified by management, may be required based on the outcome of the studies. The CPA must also address deficiencies noted in the September 2010 MNDMF inspection for the Macassa, Kirkland Minerals, Teck-Hughes, Lakeshore, and Queenston joint venture properties.

The Wright Hargreaves Property is not included in the Mine Closure Plan nor are there any requirements to submit financial assurance for this property. The MNDMF carried out an inspection of the Wright Hargreaves property in September 2010. The MNDMF concluded that certain Wright Hargreaves shaft and adit caps installed over 25 years ago as well as certain crown pillars may pose a public risk. Golder Associates will be retained to carry out an inspection program in fiscal 2012. Updated rehabilitation plans that outline the inspection program for the Wright Hargreaves property were submitted in June, 2011.

The associated costs to complete the work listed for both the CPA and the Wright Hargreaves rehabilitation work have been included in the 2012 financial year budget.

The MNDMF and the Company continue to liaise constructively on rehabilitation requirements for Kirkland Lake Gold Inc.'s properties.

#### Related Party Transactions

Pursuant to an agreement between the Company and Ionic Management Corp., the Company pays \$4,000 per month to Ionic (\$3,500 up until February, 2011) in consideration of it providing corporate and administrative services to the Company. For the 2011 Fiscal Year, the total fees paid to Ionic for services performed under the agreement were \$43,500 (2010: \$42,000). Ionic is a private management company and has one director (Brian E. Bayley) in common and a corporate secretary (Sandra Lee) in common with the Company.

APPENDIX 1

SELECTED FINANCIAL INFORMATION & REVIEW OF OVERALL PERFORMANCE

<b>Financial Highlights</b> <i>(All amounts in 000's of Canadian Dollars, except shares and per share figures)</i>	Year ended April 30,		
	2011	2010	2009
Gold Sales (ounces)	78,809	46,962	43,545
Average Price (per ounce)	1,333	1,091	1,000
Revenue	105,177	51,232	43,542
Operating Expenses	74,409	53,953	47,536
Exploration Expenditure	9,001	5,285	3,652
Net Income (loss)	20,091	(12,262)	(10,483)
Per share (basic and diluted)	0.29	(0.20)	(0.19)
Cash Flow from (used in) operating activities	29,220	(954)	(5,138)
Cash Flow from financing activities	19,131	69,409	13,079
Cash Flow from (used in) investing activities	(51,766)	(40,938)	(21,737)
Net increase in cash	(3,415)	27,517	(13,796)
Cash at end of period	25,909	29,323	1,806
Short-term investments	25,322	30,233	23,638
Total cash resources	51,230	59,556	25,444
Total Assets	209,703	162,207	100,896
Total Liabilities	25,266	16,530	14,127
Working Capital	42,678	55,699	26,358
Weighted average number of shares outstanding	68,282,898	62,628,013	56,349,826
Dividends per share	NIL	NIL	NIL

APPENDIX 2

OPERATIONS REVIEW FOR THE QUARTER ENDED APRIL 30, 2011

Q4/11 Results	Commentary	Comparatives			
		Q3/11	B/ (W)*	Q4/10	B/ (W)
23,466 Ounces	<b>Recovered ounces</b> increased quarter to quarter due to a planned increase in the ratio of ore coming from higher grade workplaces to ore coming from lower grade workplaces, and year over year due to overall planned increases in production. Recovered ounces in the quarter were a record for the Company.	20,231 Ounces	16%	15,925 Ounces	47%
0.43 Opt	The <b>recovered ore grades</b> increased due to higher grade workplaces coming on line. The head grade for the quarter was 0.44 opt.	0.35 Opt	23%	0.32 Opt	33%
6,641 Tons	The amount of <b>waste tons going to the mill</b> fluctuates with the amount of waste development required on 53L.	6,645 Tons	0%	7,592 Tons	(13)%
347 Feet	<b>Operating development</b> fluctuates depending on the number of stopes being developed in any quarter.	1,149 Feet	(70)%	85 Feet	308%
36,618 Tons	<b>Ore generated from production, development, and exploratory mining in the SMC</b> throughout Q4/11 was 36,618 tons grading 0.53 opt containing 19,368 (feed) ounces. Mill recovery for Q4/11 was 96.2% resulting in production grading 0.51 opt containing 18,627 ounces.	34,875 Tons	5%	25,160 Tons	46%
18,415 Tons	<b>Ore generated from production, development, and exploratory mining in the Main Break</b> area for the Q4/11 was 18,415 tons at a grade of 0.27 opt containing 5,031 (feed) ounces. Mill recovery for Q3/11 was 96.2% resulting in production grading 0.26 opt containing 4839 ounces.	23,512 Tons	(22)%	24,635 Tons	(25)%
2,899 Feet	<b>Capital development</b> decreased over Q3/11 due to the completion of some headings and the redeployment of some crews to mine refurbishment work. Capital development increased slightly over the previous year due to an increase in the number of crews over that period.	3,336 Feet	(13)%	2,537 Feet	14%
55,033 Tons	<b>Tons of ore milled</b> decreased compared to Q3/11 due to planned maintenance activities, and increased over Q3/10 due to an increase in active ore mining workplaces. Thirty one ore mining workplaces are currently available, but not all are currently fully active due to the restricted hoisting capacity. Higher grade workplaces are prioritized.	58,387 Tons	(6)%	49,795 tons	11%

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

## FINANCIAL REVIEW FOR THE QUARTER ENDED APRIL 30, 2011

Q4/11 Results (\$000's)	Commentary	Comparatives			
		Q3/11	B/ (W)*	Q4/10	B/ (W)
29,795	<p><b>Revenue</b> increased with 3,129 more ounces being sold compared to the previous quarter and 7,857 more ounces being sold compared to the same quarter in the previous year combined with increases in the price of gold.</p>	25,426	17%	15,630	91%
21,806	<p><b>Operating Costs</b></p> <p>Compared to the third quarter of fiscal 2011: Operating expenses increased by \$3.9 million mainly due to a \$2.1 million dollar unfavourable adjustment to inventory, a \$0.9 million dollar increase in mining and maintenance costs associated with more planned maintenance in the quarter, a \$0.7 million dollar increase to depreciation expense and a \$0.2 million dollar increase to royalties' expense.</p> <p>The fluctuations in gold inventory levels and valuation occurred as a result of varying operating costs and inventory levels between quarters. Inventory quantity increased by 1,900 ounces in Q3 and increased again by 2,120 ounces in Q4 due to the timing of pours and sales. Inventory ounces are valued at the lower of the underlying cost of production or market price. The value of ounces of gold in inventory increased by \$73 per ounce in Q3 due largely to lower ore grades and higher resulting unit costs and decreased by \$228 per ounce in Q4 due to higher ore grades thus lower unit costs. The resulting large swing in the value of inventories was treated as a credit in Q3 and as a cost in Q4. Inventory changes can significantly move quarterly operating costs and reported unit operating costs in a quarter up or down, but tend to have little effect over the longer term. 9,027 ounces were in inventory at the end of Q4.</p> <p>The increases in mining and maintenance, depreciation, and royalties were all reflective of increased activities.</p> <p>Compared to the fourth quarter of fiscal 2010: Operating expenses increased \$8.3 million mainly due to the increase in site-wide activity and associated labour and material charges. Mining, milling, and maintenance costs increased \$3.4 million, general site costs increased \$0.6 million, amortization and depletion increased \$2.1 million and royalties increased \$0.6 million. In addition to the increased activity costs, a change in the quantity and valuation of inventory caused a negative difference in inventory value (\$1.6 million) bringing the total cost increase to \$8.3 million. More details on the increased activities can be found above in the annual "Operations" and "Financial Review" sections.</p>	17,998	22%	13,560	61%
1,039	<p><b>General and administrative expenses</b> were higher then previous quarters as a result of increased spending on labour as discussed for the annual review above ("Financial Review").</p>	744	(40)%	766	(36)%
2,997	<p><b>Exploration costs</b> increased compared to the previous quarter due to a slight increase in exploration activity. Costs increased drastically over the previous fiscal year as a result of more drills coming online, changes to the shift schedule that increased the manning of drills, and a refinement in cost allocation processes involving exploration.</p>	2,709	11%	1,615	86%
8,947	<p><b>Capital spending on mine development</b> increased compared to the previous quarter and year with more resources being deployed for projects such as ongoing refurbishment combined with more development headings being opened.</p>	8,515	5%	5,168	73%

Q4/11 Results (\$000's)	Commentary	Comparatives			
		Q3/11	B/ (W)*	Q4/10	B/ (W)
7,352	<b>Capital spending on equipment</b> decreased during the quarter compared to the previous quarter and increased compared to the same quarter last year. Property and equipment spending fluctuations are dependent on management's prioritization of project work. Projects which continued to progress included the second changing facility, compressor system upgrades, backfill plant upgrade, and the hoist expansion initiative.	7,463	1%	4,733	55%
35,413	The increase in <b>total spending</b> compared to the previous quarter was largely a result of fluctuations in operating costs (namely inventory adjustments) as explained above. The increase in total spending compared to the previous year was directly attributable to the overall increase in manpower and activities.	32,032	11%	23,324	52%
193	<b>Other income</b> decreased during the quarter compared to the previous quarter due to a decrease in interest received off investment. The decrease from the previous year was a result of the sale of a tower mill that occurred in the previous year.	238	(45)%	282	31%

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

Note: The increased spending on Operations, Exploration, and Total Spending were planned by management and, as such, are considered improvements. Variances in spending on Capital Development and Equipment are planned and are shown as their absolute value.

## APPENDIX 3

### NON-GAAP FINANCIAL MEASURES

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

The Company has included non-GAAP performance measures, total cash cost per ton of ore milled and per ounce of gold produced, throughout this document. This is a common performance measure in the mining industry but does not have any standardized meaning. The Company follows the recommendations of the Gold Institute Production Cost Standard for calculating this measure. Total cash costs include mine site operating costs (mining, processing and refining, inventory adjustments, in-mine drilling expenditures, administration, royalties and production taxes), but are exclusive of other costs (depreciation and depletion, off-site corporate costs, reclamation, capital, long-term development and exploration). The measure, along with sales, is considered to be a key indicator of the Company's ability to generate operating earnings and cash flow from its mining operations. The Company believes that certain investors use this information to evaluate the Company's performance and ability to generate cash flow. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with GAAP and is not necessarily indicative of operating costs presented under GAAP. The following tables provide a reconciliation of operating costs and total cash costs per ton milled and gold ounce produced to operating expenses per the financial statements for the year ended April 30, 2011:

<i>All amounts in Canadian Dollars, except tons ore milled and gold ounces produced</i>	<b>Year Ended April 30,</b>	
	<b>2011</b>	<b>2010</b>
Operating Expense per Financial Statements	\$ 74,409,089	\$ 53,953,088
Amortization and Depletion	(7,852,621)	(4,104,224)
Stock-based compensation (non-cash)	<u>(165,178)</u>	<u>(565,009)</u>
<b>Total Cash Costs</b>	\$ 66,391,290	\$ 49,283,855
Royalties	<u>(4,232,238)</u>	<u>(2,054,201)</u>
<b>Operating Costs</b>	\$ 62,159,052	\$ 47,229,654
Tons Ore Milled	207,322	146,958
Gold Ounces Produced	81,860	45,191
Total Cash Cost per Ton	\$ 320	\$ 335
Total Cash Cost per Ounce	\$ 811	\$ 1,091
<b>Operating Cost per Ton</b>	\$ 300	\$ 321
<b>Operating Cost per Ounce</b>	\$ 759	\$ 1,045

## APPENDIX 4

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of the Company's accounting policies are presented in accordance with Canadian GAAP as set out in Note 2 to the financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The preparation of the Company's financial statements depends upon estimates of proven and probable reserves, measured and indicated mineral resources and recoverable ounces, assumptions of operating costs and future gold prices and possible values assigned to potential resources on exploration properties. Such estimates and assumptions affect the cost recovery of long-lived assets and the rate at which depletion and amortization are charged to earnings. In addition, management must estimate costs associated with mine reclamation and closure costs.

The following estimates are considered by management to be the most critical for investors to understand some of the processes and reasoning that go into the preparation of the Company's financial statements, providing some insight also to uncertainties that could impact the Company's financial results.

#### Basis of Presentation

The Company owns gold mining and milling operations in Kirkland Lake, Canada, which were inactive when acquired in December 2001.

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles on a basis which contemplates that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The future operating cash flows and profitability of the Company are affected by various factors, the most significant of which are the amount of gold produced and sold, the market price of gold, operating costs, and the level of exploration activity and other discretionary costs and activities. These factors are influenced by the ongoing discovery of economically recoverable reserves and the economies of scale envisaged in the Expansion Project from future production on its properties in Kirkland Lake. The Company seeks to manage the risks associated with its business; however, many of the factors affecting these risks are beyond the Company's control.

All dollar amounts are stated in Canadian dollars or otherwise as indicated.

#### Mineral Properties & Deferred Exploration Costs

The Company expenses exploration expenditures and near term ore development costs as incurred. Property acquisition costs and longer term development costs incurred to expand ore reserves are deferred and depleted on a units-of-production basis over proven and probable reserves which are currently accessible by the Company. Management's estimate of gold price, recoverability, proven and probable reserves, operating capital and reclamation costs are subject to risk and uncertainties affecting the recoverability of the Company's investment in mineral properties. The Company assesses capitalized costs for recoverability on an annual basis or more frequently if changes in circumstances suggest that possible impairment. Where information is available and conditions suggest impairment, estimated future net cash flows are calculated using estimated future prices, reserves and operating, capital and reclamation costs on an undiscounted basis. If the net carrying value of the property exceeds the estimated future undiscounted net cash flows, the property will be written down to fair value.

Management estimates, using a constant gold price of \$1,300 per ounce versus the average gold price of \$1,392 in the fourth quarter of fiscal 2011 and operating costs similar to historical costs incurred over the past year, that annual production of approximately 75,000 to 80,000 ounces of gold for each year would be required to cover costs of operations and estimated ongoing capital expenditures required for mining operations. Moving forward, the Company's target is to exceed this rate of production; however to date, the Company has not been successful in sustaining this higher rate of production for more than one year.

#### Closure Costs

The Company has an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. These estimates are recorded as a liability at their fair values in the periods in which they occur. If the estimate of reclamation costs proves to be inaccurate, the Company could be required to increase the provision for site closure and reclamation costs, which would increase the amount of future reclamation expense, resulting in a reduction in the Company's earnings and net assets.

### **NATIONAL INSTRUMENT 52-109 AND IFRS DISCLOSURES**

#### Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at the financial year ended April 30, 2011. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at April 30, 2011 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company.

#### Internal Control over Financial Reporting

As at the financial year ended April 30, 2011, the Chief Executive Officer and Chief Financial Officer evaluated the design and operating effectiveness of the Company's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operating effectiveness of internal control over financial reporting was effective as at April 30, 2011 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the quarter ended April 30, 2011, there has been no change in the Company's internal control over financial reporting that has materially affected the Company's internal control over financial reporting.

### Adoption of International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) and the Canadian Securities Administrators (CSA) have confirmed January 1, 2011 as the date IFRS will replace Canadian Generally Accepted Accounting Principles (Canadian GAAP) for publicly accountable, profit-oriented enterprises.

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

The Company has identified the areas noted below as those expected to have the most significant impact on its IFRS financial statements. The differences and impact described below may be subject to change as modifications to Canadian GAAP and IFRS standards may occur.

#### a) First time adoption of IFRS

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

- Property, plant and equipment, including mineral properties

The Company intends to elect to report any items of property, plant and equipment, including mineral properties, in its opening balance sheet on the transition date at actual cost instead of the deemed cost as defined under IFRS. Therefore, the optional exemption to value assets at deemed cost will have no impact or relevance at the transition date or thereafter.

- Asset retirement obligation

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

The Company intends to elect to measure the asset retirement obligation and the related depreciation effects at the date of transition to IFRS. The expected impact on transition to IFRS is still being quantified.

#### b) Ongoing accounting policies

- Property, plant and equipment, including mineral properties

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

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

- Impairment of long lived assets

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

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

- Provisions, including asset retirement obligation

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

In relation to asset retirement obligation (ARO), measurement under IFRS shall be based on management's best estimate, while measurement under Canadian GAAP is based on the fair value of the obligation (which takes market assumptions into account). Under IFRS, cash flow estimates are discounted to present value where the effect of the time value of money is material; the discount rate utilised should be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, unless those risks have been built into the cash flow estimates. Canadian GAAP requires the use of a credit adjusted risk free rate to discount cash flow estimates. The unwinding of the discount, or accretion, under IFRS shall be included in finance costs whereas under Canadian GAAP there is no prescribed presentation for the accretion which is currently included in operating costs. Under IFRS, the provision for ARO should be reviewed at the end of each reporting period and adjusted to reflect the current best estimate; changes may result from changes in the amount or timing of the cash outflows or changes in discount rates. This is different from Canadian GAAP where changes in discount rates

alone would not result in a change in the ARO. Accordingly, the Company will need to assess the discount rate applicable to the ARO on an ongoing basis. The expected impact of the aforesaid differences related to ARO at the transition date and thereafter is to be determined shortly.

- Share-based payments

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

- Revenue recognition

Under IFRS, the Company will recognise revenue when all significant risks and rewards of ownership of the gold is transferred to the purchaser, which occurs when the gold is received by the purchaser. Under C-GAAP, the revenue is recognised on title transfer of the gold to the purchasers, which up to January 6, 2010 was occurring upon receipt of the gold by the purchaser and subsequent to January 6, 2010 occurs on the value date of the Early Settlement. On the date of transition to IFRS, the Company expects that the last gold bar shipped in fiscal 2010 and received by the purchaser on April 30, 2010 will be recognised in the revenue of fiscal 2011 under C-GAAP while it will be recognised in fiscal 2010 under IFRS. The impact at the date of transition is expected to be a decrease in revenue in fiscal 2011 of \$1,857,528 (\$0.03 per share) and a corresponding increase in revenue in fiscal 2010.

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

c) IFRS impact on the Company

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

The Company has obtained an understanding of IFRS from intensive training of its finance personnel and management believe the impact of the conversion to IFRS, when considered in isolation, on its information systems and on its disclosure controls and internal control over financial reporting will not be significant. The conversion to IFRS in conjunction with the anticipated growth of the organization is, however, already necessitating more careful consideration of the most appropriate organizational structures, reporting lines, systems, controls and procedures which will need to be in place to support a larger and more sophisticated mine in the future.

## APPENDIX 5

### OTHER MATTERS

#### Outstanding Share, Option & Warrant Data

As at the date of this MD&A the following securities are outstanding:

Security	Shares issued or Issuable	Weighted Average Exercise Price
Common Shares	69,775,912	--
Options	1,155,900*	\$7.48

\*if all options have fully vested

#### Forward Looking Information

Certain statements in this MD&A constitute 'forward looking statements'. While these statements are made as of the date hereof they refer to future events. Any forward looking statements are based upon reasonable assumptions, but no guarantees or assurances can be given that actual results will be consistent with such statements.

Forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:

- Risks inherent in natural resource exploration, development and production
- Lack of operating cash flow and the Company's reliance on additional capital
- Competition in the mineral exploration and mining industries
- Governmental regulation and environmental liability
- Uncertainty of title of resource properties
- Results of legal claims made by or against the Company

A comprehensive list of the risks and uncertainties are set out in the Company's AIF. Readers should not place undue reliance on any forward looking statements.