

KIRKLAND LAKE GOLD INC.

UNAUDITED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2010

(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 October 31, 2010 and April 30, 2010

(expressed in Canadian dollars, except share amounts)

	(Unaudited) October 31 2010	April 30 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 26,161,884	\$ 29,323,439
Short-term investments (Note 4)	25,347,294	30,232,554
Accounts receivable	2,094,085	981,585
Inventories (Note 5)	7,955,931	7,874,369
Prepaid expenses and other current assets	634,524	593,489
	62,193,718	69,005,436
Other long-term assets	429,500	291,980
Restricted cash (Note 3)	4,952,597	4,952,597
Mineral properties (Note 6)	75,928,385	64,508,733
Plant and equipment (Note 7)	36,305,217	23,448,589
	\$ 179,809,417	\$ 162,207,335
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 17,019,300	\$ 13,229,894
Current portion of capital lease	26,990	76,299
	17,046,290	13,306,193
Asset retirement obligation (Note 8)	3,320,640	3,223,922
	20,366,930	16,530,115
Shareholders' equity		
Capital stock (Note 9)		
Authorized		
Unlimited common shares, without par value		
Issued		
68,009,257 (2010 - 67,727,634) common shares	230,142,434	226,933,558
Options (Note 10)	5,173,710	4,848,210
Warrants (Note 11)	1,360,044	9,315,584
Contributed surplus (Note 12)	10,346,458	4,037,799
Deficit	(87,580,159)	(99,457,931)
	159,442,487	145,677,220
	\$ 179,809,417	\$ 162,207,335

Operations, going concern and measurement uncertainty (Note 1)

Commitments (Note 15)

Subsequent events

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 Loss and Deficit

(Unaudited)

For the three and six months ended October 31, 2010 and 2009

(expressed in Canadian dollars, except share amounts)

	THREE MONTH PERIOD ENDED OCTOBER 31 2010	THREE MONTH PERIOD ENDED OCTOBER 31 2009 Restated (Note 18)	SIX MONTH PERIOD ENDED OCTOBER 31 2010	SIX MONTH PERIOD ENDED OCTOBER 31 2009 Restated (Note 18)
Revenue	\$ 30,417,650	\$ 6,924,765	\$ 49,955,786	\$ 29,423,774
Expenses				
Operating costs	17,436,614	10,632,625	29,226,863	27,046,214
Stock-based compensation for operational personnel	42,823	346,606	123,992	868,597
Amortization and depletion	1,841,084	942,933	3,257,027	2,323,265
Royalties	1,215,345	276,213	1,997,051	1,175,937
	20,535,866	12,198,377	34,604,933	31,414,013
	9,881,784	(5,273,612)	15,350,853	(1,990,239)
Other expenses				
General and administrative	512,460	675,383	1,134,264	1,190,725
Exploration	1,792,152	1,316,599	3,293,971	2,408,860
Interest and bank charges	2,842	2,541	5,272	6,796
Stock-based compensation for administrative personnel	93,321	85,658	238,881	216,156
Interest and other income	(184,160)	(79,467)	(299,484)	(156,309)
	2,216,615	2,000,714	4,372,904	3,666,228
Income (Loss) before future income tax recovery	7,665,169	(7,274,326)	10,977,949	(5,656,467)
Future income tax recovery	899,823	-	899,823	-
Comprehensive income (loss) for the period	8,564,992	(7,274,326)	11,877,772	(5,656,467)
Deficit - beginning of period	(96,145,151)	(85,578,505)	(99,457,931)	(87,196,364)
Deficit - end of period	\$ (87,580,159)	\$ (92,852,831)	\$ (87,580,159)	\$ (92,852,831)
Basic and diluted earnings (loss) per share	\$ 0.13	\$ (0.12)	\$ 0.18	\$ (0.09)
Weighted average number of shares outstanding	67,763,116	61,168,393	67,762,116	59,862,762
Diluted weighted average number of shares outstanding (Note 9)	67,968,362	61,168,393	67,907,451	59,862,762

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 six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

	THREE MONTH PERIOD ENDED OCTOBER 31 2010	THREE MONTH PERIOD ENDED OCTOBER 31 2009 Restated (Note 18)	SIX MONTH PERIOD ENDED OCTOBER 31 2010	SIX MONTH PERIOD ENDED OCTOBER 31 2009 Restated (Note 18)
Cash flows used in operating activities				
Net income (loss) for the period	\$ 8,564,992	\$ (7,274,326)	\$ 11,877,772	\$ (5,656,467)
Items not affecting cash				
Amortization and depletion	1,841,084	942,933	3,257,027	2,323,265
(Gain) loss on investments	(15,550)	(18,947)	(15,550)	(30,931)
Stock-based compensation	136,144	432,264	362,873	1,084,753
Accretion	48,359	45,622	96,718	91,244
Future income tax recovery	(899,823)	-	(899,823)	-
Changes in non-cash working capital items				
Accounts receivable	810,184	219,627	(1,112,500)	2,376,908
Inventories	2,566,764	2,415,593	(81,562)	3,934,118
Prepaid expenses and deposits	277,078	(133,361)	(41,035)	(296,810)
Accounts payable, accrued liabilities and other liabilities	2,748,811	(838,409)	2,851,683	(1,021,282)
Security deposits	(32,000)	-	(137,520)	-
	16,046,043	(4,209,004)	16,158,083	2,804,798
Cash flows from financing activities				
Net proceeds from issuance of capital stock	2,400,745	36,568,448	2,424,445	36,640,948
Proceeds from capital lease	-	-	-	137,160
Repayment of capital lease	(22,089)	(36,441)	(49,309)	(36,441)
	2,378,656	36,532,007	2,375,136	36,741,667
Cash flows used in investing activities				
Purchase of property, plant and equipment	(8,059,268)	(3,023,645)	(13,209,032)	(4,341,021)
Proceeds from (purchase of) short-term investments	9,903,758	(34,996,440)	4,900,810	(26,489,178)
Proceeds from disposition of property, plant and equipment	-	-	-	12,500
Restricted cash	-	4,952,597	-	4,734,556
Additions to mineral properties	(7,479,567)	(7,986,077)	(13,386,552)	(10,780,423)
	(5,635,077)	(41,053,565)	(21,694,774)	(36,863,566)
Increase (decrease) in cash and cash equivalents	12,789,622	(8,730,562)	(3,161,555)	2,682,899
Cash and cash equivalents - Beginning of period	13,372,262	13,219,660	29,323,439	1,806,199
Cash and cash equivalents - End of period	\$ 26,161,884	\$ 4,489,098	\$ 26,161,884	\$ 4,489,098

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 six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

	THREE MONTH PERIOD ENDED October 31 2010	THREE MONTH PERIOD ENDED October 31 2009	SIX MONTH PERIOD ENDED October 31 2010	SIX MONTH PERIOD ENDED October 31 2009
Capital stock				
Balance, beginning of period	\$226,969,138	\$165,868,585	\$226,933,558	\$165,755,459
Exercise of stock options	47,194	143,073	82,774	239,721
Exercise of warrants	3,126,102	2,012,656	3,126,102	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	\$230,142,434	\$195,508,635	\$230,142,434	\$195,508,635
Options				
Balance, beginning of period	\$ 5,053,160	\$ 4,245,515	\$ 4,848,210	\$ 3,630,924
Attribution of options granted	136,144	432,264	362,873	1,084,753
Exercise of options	(15,594)	(50,923)	(27,474)	(88,821)
Forfeiture of options	-	(8,544)	(9,899)	(8,544)
Balance, end of period	\$ 5,173,710	\$ 4,618,312	\$ 5,173,710	\$ 4,618,312
Warrants				
Balance, beginning of period	\$ 9,315,584	\$ 1,496,813	\$ 9,315,584	\$ 1,499,541
Warrants issued in private placements	-	7,651,352	-	7,651,352
Exercise of warrants	(756,957)	(672,030)	(756,957)	(674,758)
Expiry of warrants	(7,198,583)	-	(7,198,583)	-
Balance, end of period	\$ 1,360,044	\$ 8,476,135	\$ 1,360,044	\$ 8,476,135
Contributed surplus				
Balance, beginning of period	\$ 4,047,698	\$ 3,079,066	\$ 4,037,799	\$ 3,079,066
Expiry of warrants	7,198,583	-	7,198,583	-
Forfeiture of options	-	8,544	9,899	8,544
Future tax recovery on expiration of warrants	(899,823)	-	(899,823)	-
Balance, end of period	\$ 10,346,458	\$ 3,087,610	\$ 10,346,458	\$ 3,087,610
Deficit				
Balance, beginning of period	\$ (96,145,151)	\$ (85,578,505)	\$ (99,457,931)	\$ (87,196,364)
Comprehensive income (loss) for the period	8,564,992	(7,274,326)	11,877,772	(5,656,467)
Balance, end of period	\$ (87,580,159)	\$ (92,852,831)	\$ (87,580,159)	\$ (92,852,831)

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 six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

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 October 31, 2010, the Company has working capital of \$45.1 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 six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

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 business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.
- CICA Handbook Section 1601, Consolidated Financial Statements. The new section prescribes consolidation accounting standards. This standard is not expected to have a significant impact on the Company's financial position or results. This is effective for fiscal years beginning on or after January 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:

	OCTOBER 31	APRIL 30
	2010	2010
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
	\$ 4,952,597	\$ 4,952,597

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 six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

4. Short-term investments

Investments include:

	OCTOBER 31 2010	APRIL 30 2010
Government of Canada Treasury Bill bears interest at 0.55%, matures December 9, 2010	\$ 10,060,329	\$ -
Government of Canada Treasury Bill bears interest at 0.75%, matures January 20, 2011	10,011,836	-
Government of Canada Treasury Bill bears interest at 1.25%, matures April 4, 2011	4,992,650	-
Guaranteed Investment Certificate bears interest at 0.6%, matures February 11, 2011	5,000,000	-
Guaranteed Investment Certificate bears interest at 0.6%, matures October 4, 2010	-	10,000,000
Guaranteed Investment Certificate bears interest at 0.6%, matures February 11, 2011	-	5,000,000
Investment in Government Of Canada Treasury Bills	-	19,999,196
Investment in mutual funds	235,076	185,955
Less amounts related to letters of credit (see below)	(4,952,597)	(4,952,597)
	\$ 25,347,294	\$ 30,232,554

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 \$10,000,000 Guaranteed Investment Certificate purchased during the current period.

5. Inventories

	OCTOBER 31 2010	APRIL 30 2010
Gold in process	\$ 4,803,932	\$ 4,063,761
Mine operating supplies	3,008,704	2,300,907
Dore bars	-	1,509,701
Surface stockpile	143,295	-
	\$ 7,955,931	\$ 7,874,369

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

6. Mineral properties

	OCTOBER 31 2010	OCTOBER 31 2009
Balance - Beginning of period	\$ 64,508,733	\$ 43,319,425
Development and rehabilitation costs	13,386,552	7,716,994
Depletion	(1,966,900)	(819,507)
Balance - End of period	<u>\$ 75,928,385</u>	<u>\$ 50,216,912</u>

	COST	ACCUMULATED DEPLETION	OCTOBER 31 2010	APRIL 30 2010
Acquisition allocation	\$ 2,155,023	\$ 361,256	\$ 1,793,767	\$ 1,844,143
Underground development	82,414,862	10,536,236	71,878,626	60,345,242
Underground pumping Mill and surface facilities	2,050,942	602,714	1,448,228	1,488,901
Lakeshore property	149,371	44,607	104,764	107,706
	1,000,413	297,413	703,000	722,741
	<u>\$ 87,770,611</u>	<u>\$ 11,842,226</u>	<u>\$ 75,928,385</u>	<u>\$ 64,508,733</u>

7. Plant and equipment

	OCTOBER 31 2010	OCTOBER 31 2009
Balance - Beginning of year	\$ 23,448,589	\$ 15,330,252
Additions	14,146,755	4,328,520
Amortization	(1,290,127)	(1,500,700)
Balance - End of year	<u>\$ 36,305,217</u>	<u>\$ 18,158,072</u>

	COST	ACCUMULATED AMORTIZATION	OCTOBER 31 2010
Computer equipment	\$ 757,268	\$ 633,893	\$ 123,375
Mine and mill equipment	33,162,168	11,827,785	21,334,383
Vehicles	165,252	120,382	44,870
Buildings	2,599,263	1,634,717	964,546
Capital projects	13,838,043	-	13,838,043
	<u>\$ 50,521,994</u>	<u>\$ 14,216,777</u>	<u>\$ 36,305,217</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 six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

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 October 31, 2010 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:

	OCTOBER 31	APRIL 30
	2010	2010
Balance - Beginning of period	\$ 3,223,922	\$ 3,041,434
Accretion	96,718	182,488
Balance - End of period	\$ 3,320,640	\$ 3,223,922

The Company continues to correspond with the MNDMF regarding the Wright Hargreaves property. The Company has retained a consultant to assist in the identification of any potential hazards and related obligations to the Company. This process is currently ongoing, the outcome of which is currently indeterminable at this time.

9. Capital stock

	Number of	Amount
	shares	
Balance - Beginning of period	67,727,634	\$ 226,933,558
Exercise of options (Note 10)	7,000	82,774
Exercise of warrants (Note 11)	274,623	3,126,102
Balance - End of period	68,009,257	\$ 230,142,434

Diluted weighted average number of shares outstanding

The following lists the equity securities excluded from the calculation of diluted earnings per share. The equity securities were excluded as the exercise prices related to the particular security exceed the average market price of the common shares of the Company of \$8.27 for the period.

	OCTOBER 31
	2010
Options	355,000
Warrants	1,571,681

10. Options

The Company has adopted a stock option plan which allows the Company to grant options to directors, senior officers and employees of and consultants to the Company and employees of a corporation providing management services to the Company. The aggregate number of shares which may be subject to issuance pursuant to options granted under this plan is 10% of outstanding shares.

The plan provides that the exercise price of an option granted under the plan shall not be less than the market price at the time of granting the option. Options have a maximum term of 10 years and terminate on the 90th day after the optionee ceased to be any of a director, officer,

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

10. Options (continued)

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 6 month period ended October 31, 2010 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	(7,000)	7.90
Forfeited	(2,500)	7.90
Options outstanding - end of period	<u>1,445,000</u>	7.57
Options exercisable - end of period	<u>1,335,000</u>	\$ 7.48

The following table summarizes information about stock options outstanding and exercisable at October 31, 2010:

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	2.94	2.94
6.99	250,000	250,000	2.81	2.81
6.99	487,500	487,500	2.89	2.89
7.90	252,500	252,500	2.54	2.54
8.20	50,000	-	4.89	-
8.65	245,000	245,000	1.25	1.25
9.02	20,000	-	4.04	-
9.11	15,000	-	4.18	-
9.25	75,000	50,000	2.56	2.56
	<u>1,445,000</u>	<u>1,335,000</u>	2.62	2.50

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

	OCTOBER 31 2010
Expected life of stock options	<u>1.91 - 2.64 years</u>
Risk-free interest rate	1.44 - 1.72%
Expected stock price volatility	83.7 - 96.3%
Expected dividend yield	0%
Weighted-average fair value of options	\$ 4.21

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

10. Options (continued)

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:

	OCTOBER 31 2010	APRIL 30 2010
Balance - Beginning of period	\$ 4,848,210	\$ 3,630,924
Attribution of stock options granted	362,873	1,610,708
Exercise of stock options	(27,474)	(112,580)
Stock options forfeited	(9,899)	(24,710)
Cancellation of options	-	(256,132)
Balance - End of period	\$ 5,173,710	\$ 4,848,210

11. Warrants

The following table summarizes information about warrants outstanding at October 31, 2010:

Exercise price	Expiry date	Warrants outstanding
\$ 8.90	2/4/2011	58,207
10.00	3/4/2011	1,513,474
		1,571,681

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	(274,623)	8.63
Forfeited	(1,691,632)	9.68
Warrants outstanding - end of period	1,571,681	\$ 9.96

	OCTOBER 31 2010	APRIL 30 2010
Balance - Beginning of period	\$ 9,315,584	\$ 1,499,541
Warrants issued in private placements	-	9,315,584
Exercise of warrants	(756,957)	(821,650)
Expiry of warrants	(7,198,583)	(677,891)
Balance - End of period	\$ 1,360,044	\$ 9,315,584

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

12. Contributed surplus

	OCTOBER 31 2010	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 October 31, 2010, 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 October 31, 2010, there were no receivables past due.

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

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 October 31, 2010, the Company had a cash and cash equivalents and short term investments balance of \$51,509,178 to settle financial liabilities of \$17,019,300. 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 \$21,000 (2009 - \$21,000) to a company related by 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 October 31, 2010, capital commitments included:

Capital Commitments (All commitments in 000s of Canadian Dollars)	\$000
Property, Plant and Equipment	7,630
Underground Development	41
Total	7,671

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.

The Company has a capital lease bearing interest at 8% per annum, repayable in monthly payments of \$8,487. The lease matures in 1 month.

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2010 and 2009

(expressed in Canadian dollars)

15. Commitments *(continued)*

As at October 31, 2010, the Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 7,644 ounces of gold at an average price of \$1,360 per ounce to be delivered under this contract. As part of the commodity contract Johnson Matthey Plc. has a right to make a margin call if the price of gold falls below the price of the commodity contract until the full amount of the commodity contract has been satisfied. At the end of the quarter, \$16,000 was on deposit to cover the margin calls made by Johnson Matthey Plc.

A 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 October 31, 2010, royalties under this agreement amounted to \$1,997,051 (2009 - \$1,175,937). Of the \$15 million the Company has paid \$9,678,049.

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 October 31, 2010 and 2009 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.

	OCTOBER 31 2010	OCTOBER 31 2009
Value assigned to stock options / warrants exercised	\$ 784,431	\$ 14,362

18. Comparative figures

Capital expenditures in the second 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 \$3.1 million for Q2 of fiscal 2010 and an equivalent decrease to net loss.