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

For the Quarter Ended October 31, 2010

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 December 7, 2010 and covers the results of operations for the quarter ended October 31, 2010. 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.

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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 production to between 1,200 and 1,400 tons per day with the objective of producing at a rate of 180,000 to 200,000 ounces of gold per year by November 2011. This plan also includes major expansions to the Company's exploration and development programs.

The Company has established the following priorities:

1) Safety and Environmental – 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 SECOND QUARTER

Mine Expansion and Production

- ➔ A record total of 21,542 ounces of gold were produced in the quarter for a total of 38,163 ounces produced year to date, which is within the range required to maintain the yearly production target of 90,000 to 100,000 ounces. The completion of the first phase of the Expansion Project in the first quarter allowed the Company to begin to deploy more resources in the second quarter and to begin to ramp up production.

- ➔ The underground haulage ramp between the No. 3 Shaft and the South Mine Complex (SMC) mining area has reached the general area of the truck loading chutes and stations below 53 Level, and excavations for these facilities are underway. The 53 Level track haulage-way has been connected to the ramp and excavation of the dumps and dump access drifts on the 53 Level are also nearing completion. Rockwork for a related ventilation upgrade was also completed and construction work is underway. The first dump at the top of the haulageway above the 51 Level Loading Pocket is also now under construction. This key project is on track for completion by or before November 2011.

- Methane was encountered for the first time at the mine in an underground diamond drill hole. While readings of gas in the immediate area of the hole did not exceed twelve percent of the lower explosive limit, regulations and best practices prescribe that certain policies and procedures be put in place at a mine where explosive gases are encountered before mining or exploration activities may continue. This resulted in delays in operating the mine of one day, in production activities on the 53 Level of the mine of one week, and in exploration activities throughout the mine of three weeks. These delays reduced production in the quarter by approximately 1,400 ounces. Methane is regularly encountered in several other Ontario mines.

- The Company's workforce grew by an additional 117 people to 600 employees in the quarter. The majority of the new employees hired were underground workers in the areas of production, maintenance, and capital projects. Most of these employees will require significant training and the opportunity to gain experience in the mine before becoming fully productive. A significant ongoing training effort is underway intended to continue to bring the new employees up to speed safely and to continue to upgrade the skills of all employees. The number of employees in the Safety and Training Group over the course of the Project has grown from three to eleven, with the activity level per employee also increasing significantly.

- Work to increase the hoisting capacity at the No. 3 Shaft by over 300% to an ultimate capacity of 3,600 tons per day continued in the quarter. The planned start up of the new service hoist in the quarter was delayed by electrical design problems. This hoist is required to begin the upgrade of the third compartment of the No. 3 Shaft for service conveyance operations, which has been pushed back by the delay. As a result, the first step change in hoisting capacity targeted for the end of January 2011 is now targeted for the end of the fourth quarter. Shaft upgrade work did continue in the quarter, focused primarily on the headframe and the shaft services compartment and the underground shaft stations and loading pockets. Crews were also utilized on maintenance projects that were brought forward because of the delay.

- The number of ore mining faces available for production was increased from twenty-five to twenty-eight during the quarter, with another twenty-three ore mining faces in the development and planning stages. The maximum daily ore production remains limited to no more than 700 tons per day until the initial hoisting upgrade is completed due to hoisting capacity restrictions. In practice, the actual average tonnage of ore to be hoisted per day is being limited to that required to meet the yearly ounce production target, as hoisting less ore allows more time for hoisting waste and completing other expansion and exploration project related work. The ore tonnage hoisted was planned to be lighter in the first two quarters of the year and heavier in the last two quarters of the year, as more resources are deployed and more ore headings are brought on line. A lower tonnage and higher grade contingency mine plan has been implemented due to the hoisting limitation being extended by three months.

- Additions and improvements to the surface maintenance facilities, headframe, surface muck handling facilities, warehouse, cold storage facility, offices and parking lots, compressor plant, electrical plant, and backfill plant are now being planned or are underway. This work is planned to be completed as required in fiscal 2011 and 2012.

Exploration

- More diamond drills moved to a seven day per week operating schedule as the contractor added drillers to the workforce as requested by the Company.

- An exploration drift was advanced to the edge of the Amalgamated Kirkland - Queenston joint venture property of the Company and Queenston Mining Inc. in preparation for driving a drift onto that property in order to establish a central diamond drilling station by the second quarter (Q2) of fiscal 2012.

Financial Results

- Net income for the quarter ended October 31, 2010 was $8.6 million or $0.13 per share, which compares to a net income of $3.3 million for the first quarter (Q1) of fiscal 2011, and a restated[1] net loss of $7.3 million for Q2 of fiscal 2010.

- Operating costs were $365 per ton ($809 per ounce), compared with $256 per ton ($709 per ounce) in the prior quarter, and $569 per ton ($2,718 per ounce) in Q2 of fiscal 2010. Total cash costs were $390 per ton ($866 per ounce), compared to $273 per ton ($756 per ounce) in the prior quarter and $583 per ton ($2,788 per ounce) in Q2 of fiscal 2010. The Company target is to get the operating costs down to less than $250 per ton by continuing to expand and upgrade the operating facilities and workforce and by increasing production.[2]

- Cash flows generated from operating activities were $16.0 million in Q2 of fiscal 2011 compared to $0.1 million in Q1 of fiscal 2011 and a use of $4.2 million in Q2 of fiscal 2010. Operating cash flows before working capital changes[3] were $9.7 million in Q2 of fiscal 2011 compared to $5.0 million in Q1 of fiscal 2011 and a use of $5.9 million in Q2 of fiscal 2010. The major components of the working capital changes are gold inventory and accounts receivable changes.

- Gold poured in the quarter was 23,419 ounces, which compares to 14,086 for the previous quarter and 6,622 for the same period in the previous fiscal year.

- After meeting all operating costs, spending $13.6 million on capital and $1.8 million on exploration, total cash resources (including short-term investments) increased $2.9 million during the second quarter to $51.5 million. As at December 7, 2010 this number had decreased to 43.3 million.

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[1] Refer to page 10 of this MD&A for information regarding the prior year restated figures.

[2] 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 2 for a reconciliation of operating costs and total cash costs to reported operating expenses.

[3] Operating cash flows before working capital changes is a non-GAAP measure which the Company believes provides a better indicator of the Company's ability to generate cash flows from its mining operations.

Health and Safety

➔ The Company completed the quarter with the lowest accident frequency in the Province of Ontario in the Large Mines category.

OUTLOOK

The production forecast for fiscal 2011 remains unchanged at between 90,000 and 100,000 ounces of gold. The operating strategy for the year included recovering 38,000 to 42,000 ounces of gold in the May through October 2010 period. These six months were expected to be low production labour months due to the completion of the first phase of the Expansion Project at the end of the first quarter, the need to keep workers on the higher priority expansion project activities throughout the summer, the normal summer holiday period, and the lower initial productivity to be expected from the additional workers to be hired and trained starting in July. Actual production for this period was 38,163 ounces. A total of 21,542 ounces were produced in the second quarter, which was a quarterly record for the Company.

Production in the November 2010 through January 2011 period (Q3 of fiscal 2011) is expected to be 24,000 to 30,000 ounces of gold assuming ongoing success in the critical recruiting and training activities and as more mining areas are brought on line. An increase in project and exploration activities will also take place during this period as more labour is employed in all areas.

February to April 2011 (Q4 of fiscal 2011) production is estimated to be in the range of 28,000 to 32,000 ounces of gold. Achieving this level of quarterly production is dependent on increasing recovered grades as production will be hindered by the expected late completion of the budgeted hoisting upgrade.

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 continue to prioritize the work and investment required to meet our goals of attaining five million ounces in total gold reserves and resources and of reaching a profitable production rate of 180,000 to 200,000 ounces of gold per year by November, 2011.

See ‘Forward Looking Information’ for a description of the factors that may cause actual results to differ from forecast.

CAPITAL PROJECTS UPDATE

During the second quarter the Company spent $7.4 million on underground capital development and $6.2 million on plant and equipment as shown below.

Capital Spending by Quarter *(All amounts in millions of CDN Dollars)*	**Total**	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Ongoing Development	**7.0**			4.4	2.6
Expansion Project Development	**6.3**			3.0	3.3
Total Development	**13.3**			**7.4**	**5.9**
Ongoing Equipment	**5.1**			2.7	2.4
Expansion Project Equipment and Projects	**9.1**			3.5	5.6
Total Equipment and Projects	**14.2**			**6.2**	**8.0**
TOTAL CAPITAL EXPENDITURES in FISCAL 2011	**27.5**			**13.6**	**13.9**

Underground development spending consisted of $4.4 million for ongoing development and $3.0 million for Expansion Project development. Plant and equipment purchases included $2.7 million for capital equipment and $3.5 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 $35.8 million or 60% of the original $60 million estimate. The overall Expansion Project is on schedule and on budget.

OPERATIONS REVIEW

Q2/11 Results	Commentary	Comparatives Q1/11	B/ (W)*	Q2/10	B/ (W)
21,542 Ounces	**Recovered ounces** increased in the quarter to a new quarterly record driven largely by increasing ore grades. Recovered ounces are expected to increase in each consecutive quarter this year. Production activities are being managed to achieve 90,000 to 100,000 recovered ounces by the end of the year.	16,621 Ounces	*30%*	3,911 Ounces	*451%*
0.451 opt	The **recovered ore grade** for the quarter was 0.451 ounces of gold per ton (opt). Head grade was 0.463 opt. The higher than budgeted ore grade (budget was 0.38 opt) was driven by new SMC stopes coming on line below 53 Level earlier than budgeted and all ore being produced by lower dilution cut and fill mining methods in the quarter.	0.36 opt	*29%*	0.21 opt	*120%*
2,223 Tons	The decrease in **waste tonnage going to the mill** was a result of more waste being placed as backfill.	9,829 Tons	*77%*	7,567 Tons	*71%*
615 Feet	The overall level of **operating development** fluctuates as a function of the mining cycles in the various operating areas and varies from quarter to quarter.	662 Feet	*(7)%*	1,334 Feet	*(54)%*
24,324 Tons	**Ore generated from production, development, and exploratory mining in the SMC** throughout Q2/11 was 24,324 tons grading 0.615 ounces of gold per ton containing 14,949 (feed) ounces. Mill recovery for Q2/11 was 97.27% resulting in production grading 0.598 ounces of gold per ton containing 14,541 ounces.	22,030 Tons	*10%*	4,230 Tons	*475%*
23,478 Tons	**Ore generated from production, development, and exploratory mining in the Main Break** area for the Q2/11 was 23,478 tons at a grade of 0.307 ounces of gold per ton containing 7,198 (feed) ounces. Mill recovery for Q1/11 was 97.27% resulting in production grading 0.298 ounces of gold per ton containing 7,001 ounces.	24,070 Tons	*(2)%*	14,485 Tons	*62%*
3,413 Feet	**Capital development** increased due to additional resources being deployed.	2,373 Feet	*44%*	3,006 Feet	*14%*
47,802 Tons	**Tons of ore milled** increased compared to Q1/11 and Q2/10. The delays outlined above due to the first instance of methane being encountered in the mine resulted in a loss of approximately 300 tons from the Main Break and 2,100 tons from the SMC.	46,100 Tons	*4%*	18,692 Tons	*156%*

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

FINANCIAL REVIEW

Q2/2011 Results ($000's)	Commentary	Comparatives Q1/2011	*B/(W)**	Q2/2010	B/(W)*
30,418	**Revenue** increased as 7,665 more ounces of gold were sold with a 5% increase in price compared to the previous quarter and 16,780 more ounces were sold at a 24% increase in price compared to Q2 of fiscal 2010. The month to month grades delivered to the mill can fluctuate significantly depending on the areas being mined and the timing of the delivery of high grade ore in any quarter can cause significant variances in mill inventories and the ounces sold in a quarter.	19,538	*56%*	6,925	*339%*
20,535	**Operating Expenses** Compared to the first quarter of fiscal 2011: Operating expenses increased by $6.4 million primarily due to a $5.2 million change in inventory valuations and levels, and increases in amortization and depletion expenses ($0.4 million), royalties ($0.4 million) and mining and milling costs ($0.4 million) consistent with higher production levels. The inventory of produced ounces increased by 894 ounces in Q1 and fell by 1,850 ounces in Q2 due to the timing of pours and sales. Inventory ounces are valued at the lower of the cost of production or market price and the value of ounces in inventory increased by $214 per ounce in Q1 and decreased by $180 per ounce in Q2. The resulting large swing in the value of inventories is treated as a cost in the quarter and can significantly move quarterly costs and unit costs in a quarter up or down, but tends to have little effect over the longer term. 5,008 ounces were in inventory at the end of Q2. Compared to the second quarter of fiscal 2010: Operating expenses were $8.3 million higher as a consequence of increased production and support activities compared to the same time last year (during the paste-fill disruption). Key contributing areas to the higher costs were mining and milling, amortization and depletion, royalties and general site administration. Almost 30,000 additional tons were mined and milled in Q2 of fiscal 2011 compared to Q2 of fiscal 2010 with the resulting increase in spending.	14,069	*(46%)*	12,198	*(68%)*
512	**General and administrative expenses** were lower than the previous quarter and the same quarter of the previous year as a result of lower expenditure on IFRS and National Instrument 52-109 projects and travel.	622	*18%*	675	*24%*
1,792	**Exploration costs** increased marginally compared to the previous quarter due to the planned increase in exploration drilling hours.	1,502	*(19%)*	1,317	*(36%)*
7,480	**Capital spending on mine development** increased compared to the previous quarter and was comparable to the same quarter the previous year as management continues to focus efforts on ongoing refurbishment work combined with critical new infrastructure improvements and mine development.	5,907	*27%*	7,986	*6%*
6,197	**Capital spending on plant and equipment** decreased compared to the previous quarter as seasonal changes began to limit construction. Spending increased compared to the same quarter in the previous year with larger investments being made in equipment to support the overall increased level of activity and headcount. Projects which continued to progress included the second new changing facility, compressor system upgrades and the hoist expansion initiative.	7,947	*22%*	3,024	*(105%)*

Q2/2011 Results ($000's)	Commentary	Comparatives			
		Q1/2011	*B/(W)**	Q2/2010	B/(W)*
32,328	The increase in **total spending** compared to the previous quarter reflects higher operating costs and capital expenditures as outlined above.	26,430	*(22%)*	21,919	*(47%)*
184	**Other income** increased during the quarter compared to the previous quarter as a result of higher interest rates received on cash investments.	115	*60%*	79	*132%*

SUMMARY OF QUARTERLY RESULTS

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

Quarterly Results *(All amounts in 000's of CDN Dollars, except Loss per share figures)*	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Fiscal 2011				
Revenue			30,418	19,538
Net Income/ (Loss)			8,565	3,313
Loss per Share (Basic & Diluted)			0.13	0.05
Fiscal 2010				
Revenue	15,630	6,177	6,925	22,499
Net Income/ (Loss)	(1,710)	(4,896)	(7,273)	1,617
Loss per Share (Basic & Diluted)	(0.03)	(0.08)	(0.12)	0.03
Fiscal 2009				
Revenue	18,210	8,553	8,827	7,952
Net Income/ (Loss)	2,349	(4,688)	(4,790)	(3,354)
Loss per Share (Basic & Diluted)	0.04	(0.08)	(0.09)	(0.06)

The results in the first three quarters of fiscal 2009 reflect Pre-Expansion Project production rates. The results in the fourth quarter (Q4) of fiscal 2009 and Q1 of fiscal 2010 indicate the beginning of the Expansion Project and a corresponding increase in mining in the SMC. The 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. The results in Q4 of fiscal 2010 and Q1 and Q2 of fiscal 2011 are the result of a planned build up in production as the first phase of the Expansion Project was completed. 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.

Restatement of the Second and Third Quarters of Fiscal 2010

Capital expenditures in the second and third quarters of fiscal 2010 have been restated as a result of adjustments to capital development expenditures and, accordingly, operating expenses have also been restated. The net effect of the restatements was an increase to capital expenditures of $3.1 million and $3.4 million for Q2 of fiscal 2010 and Q3 of fiscal 2010 respectively and an equivalent decrease to net loss in each of those periods.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

To date, the Company has relied primarily on private placement financings of equity securities to finance its operational needs beyond internally generated cash flow. Expenses have often exceeded income. If this were to continue, the liquidity risk could be material, even with current cash resources. Success will depend, for the most part, upon increasing production in stages, adding to reserves and resources as cost effectively as possible, and maintaining tight controls over all expenditures.

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 averse 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 *(All amounts in CDN Dollars)*	**At October 31,**	
	2010	**2009**
Cash	26,161,884	4,489,098
Short-term Investments	25,347,294	45,205,654
Total	51,509,178	49,694,752

Interest received on Canadian dollar deposits range from 0.55 – 1.25% per year. A breakdown of restricted cash and investments is available in Notes 3 and 4 of the financial statements for the quarter.

The Company generated $16.0 million in cash from operations during the second quarter of its 2011 fiscal year. This was mainly a consequence of an $8.6 million net income combined with changes in non-cash working capital items.

Net proceeds from financing activities during the quarter amounted to $2.4 million from the exercise of warrants and options.

Cash flows used in investing activities amounted to $5.6 million for the quarter. Investments included the use of $9.9 million in net purchases of short-term investments, the investment of $8.0 million in mine equipment and surface infrastructure and $7.5 million in capital development and mine refurbishment.

As at December 7, 2010 the Company's cash resources are $43.3 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 October 31, 2010 consist of cash and cash equivalents, short-term investments, security deposits, restricted cash, capital leases, accounts receivable, 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. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Company also has a capital lease bearing interest at 8% per annum, repayable in monthly payments of $8,487. The lease matured in December 2010.

Commitments

As at October 31, 2010, capital commitments made to third parties included:

Capital Commitments	**$000**
Property, Plant and Equipment	7,630
Underground Development	41
TOTAL	7,671

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 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 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 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 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.

As at October 31, 2010, the Company has signed a letter of intent to expand its joint venture with Queenston Mining Inc.

An Amended Closure Plan was submitted to the Ontario Ministry of Northern Development Mines and Forestry (MNDMF) in 2008. The submitted plan did not address all of the prescribed requirements. During a June 2010 meeting with MNDMF, the Company agreed to submit a Closure Plan Amendment (CPA) that would address MNDMF concerns. The Company is currently working with consultants to determine the scope and the cost for the study plan to produce an updated CPA. The Company has briefed the MNDMF on its plans and progress to date and continues to work on the CPA submission. Closure bonds and letters of credit for $4,452,597 from the Company are currently held by the MNDMF.

The Wright Hargreaves Property is not included in the closure plan nor is there any financial assurance in place with respect to this property. The Company will submit a Rehabilitation Plan for this property along with the CPA. Management is expecting to resubmit financial assurance for the study plan required to complete the CPA during Q4 of fiscal 2011.

Related Party Transactions

Pursuant to an agreement between the Company and Ionic Management Corp., the Company pays $3,500 per month to Ionic in consideration of it providing corporate and administrative services to the Company. For the year to date (to October 31, 2010), the total fees paid to Ionic for services performed under the agreement were $21,000 (2009: $21,000). 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

Financial Highlights *(All amounts in 000's of Canadian Dollars, except shares and per share figures)*	**Three months ended,**		
	Oct 31, 2010	**July 31, 2010**	**Oct 31, 2009**
Gold Sales (ounces)	23,392	15,727	6,612
Average Price (per ounce)	1,300	1,242	1,047
Revenue	30,418	19,538	6,925
Operating Expenses	20,536	14,069	15,514
Exploration Expenditure	1,792	1,502	1,062
Net Income (loss)	8,565	3,313	(7,273)
Per share (basic and diluted)	0.13	0.05	(0.12)
Cash Flow from (used in) operating activities	16,046	112	(4,209)
Cash Flow from (used in) financing activities	2,379	(4)	36,532
Cash Flow from (used in) investing activities	(5,635)	(16,060)	(41,054)
Net increase (decrease) in cash	12,790	(15,951)	(8,731)
Cash at end of period	26,162	13,372	4,489
Short-term investments	25,347	35,236	45,206
Total cash resources	51,509	48,608	49,695
Total Assets	179,809	168,692	132,136
Total Liabilities	20,367	19,451	13,298
Working Capital	45,147	46,767	45,524
Weighted average number of shares outstanding	67,763,116	67,728,645	61,168,393
Dividends per share	NIL	NIL	NIL

APPENDIX 2

FINANCIAL REVIEW FOR THE SIX MONTH PERIOD ENDED OCTOBER 31, 2009 AND 2010

October 2010 ($000s)	Commentary	Comparative October 2009 ($000s)	*B/ (W)
49,956	**Revenue** was 70% higher than the previous year reflecting a 20% increase in the realized gold price in Canadian dollars combined with an increase of 11,513 ounces sold.	29,424	*70%*
34,605	**Operating Costs** were $3.2 million higher year on year primarily due to increased mining activities and associated costs. Other contributing factors include increases in royalties and inventory adjustments as discussed on page 7 of this MD&A.	31,414	*(10)%*
1,134	**General and administrative expenses** remained generally consistent for the same period year on year.	1,191	*5%*
3,294	**Exploration costs** increased over the previous fiscal year as a result of increased exploration activity.	2,409	*(37)%*
13,387	**Capital spending on mine development** increased compared to the previous year as more resources were added to existing headings and more development headings were brought on line.	10,768	*24%*
14,148	**Capital spending on equipment** more than tripled compared to the previous year for reasons as explained in the Highlights and Capital Projects Update sections. Spending on surface infrastructure additions and upgrades was a significant component of the increase.	4,333	*227%*
58,759	The increase in **total spending** compared to the previous year reflects the increased investments being made to upgrade surface and underground infrastructure in preparation for the planned production increases.	43,323	*36%*
299	**Other income** has almost doubled year on year due to rising interest rates on cash investments.	156	*92%*

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

APPENDIX 3

NON-GAAP FINANCIAL MEASURE

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 ore milled 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. 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 table provides 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 three months ended October 31, 2010:

All amounts in Canadian Dollars, except tons ore milled and gold ounces produced	Three months ended					
	October 31, 2010		July 31, 2010		October 31, 2009	
Operating Expense per Financial Statements	**$**	**20,535,866**	$	14,069,067	$	12,198,377
Amortization and Depletion		**(1,841,084)**		(1,415,943)		(942,933)
Stock-based compensation (non-cash)		**(42,823)**		(81,169)		(346,606)
Total Cash Costs	**$**	**18,651,959**	$	12,571,955	$	10,908,838
Royalties		**(1,215,345)**		(781,706)		(276,213)
Operating Costs	**$**	**17,436,614**	$	11,790,249	$	10,632,625
Tons Ore Milled		**47,802**		46,100		18,692
Gold Ounces Produced		**21,542**		16,621		3,911
Total Cash Cost per Ton	**$**	**390**	$	273	$	583
Total Cash Cost per Ounce	**$**	**866**	$	756	$	2,788
Operating Cost per Ton	**$**	**365**	$	256	$	569
Operating Cost per Ounce	**$**	**809**	$	709	$	2,718

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.

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 upon 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 $8.9 million, aggregated $6.1 million for the two years in total. The funds required to continue operations and exploration activities during this period were financed primarily from the issue of equity.

At October 31, 2010, the Company had working capital of $45.1 million. Management believes 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 predicted 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.

The 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.

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 $1,051 per ounce versus the average gold price of $1,300 in the second quarter of fiscal 2011 and operating costs similar to historical costs incurred over the past year, that annual production of approximately 65,000 to 80,000 ounces for each year would be required to cover costs of operations and estimated capital expenditures required for mining operations. To date, the Company has not been successful in sustaining this higher rate of production.

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

Internal Control over Financial Reporting

As at the financial year ended April 30, 2010, 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, 2010 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 October 31, 2010, 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. Therefore, effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, IFRS will replace the standards and interpretations currently applicable to publicly accountable, profit-oriented enterprises under Canadian GAAP.

Accordingly, the Company will issue its last financial statements prepared in accordance with Canadian GAAP for its fiscal year ending April 30, 2011. 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 transition to IFRS represents a change in the fundamental principles upon which financial reporting is conducted and requires significant analysis and planning to ensure a proper transition.

The Company is progressing well on the various phases of its implementation plan that comprises the following:

- Identification of adequate resources to conduct the implementation.
- An ongoing extensive analysis and quantification of the expected accounting differences between Canadian GAAP and IFRS.
- An ongoing assessment of the expected impact of the accounting differences on its financial statements, including the review of choices available upon the initial adoption of IFRS.
- Training sessions for key finance personnel and management throughout the implementation process.
- An ongoing review of the potential impact of these new requirements given the extent and pace of change taking place in the business as the Company transforms into a mid tier producer, on its financial reporting processes and systems as well as on its disclosure controls and internal controls over financial reporting.

The Company has identified the areas noted below as those expected to have to 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 prior to May 1, 2011, the changeover date. The Company will continue to disclose additional impacts in future MD&As as they are determined.

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 has not yet been quantified.

- 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 implementation of a new options tracking and reporting system which started following the end of the quarter.

- 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 2010 and a corresponding increase in revenue in fiscal 2011. The impact for the remainder of fiscal 2011 will be dependent upon receipt of gold by the value date of the Early Settlement unless the Company enters into new or different sales agreements.

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 organisation

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.

CHANGES IN ACCOUNTING POLICIES

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

- CICA Handbook Section 1582, Business Combinations. The new section prescribes how an organization recognizes, measures and discloses and 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 1, 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 1, 2011.

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	68,175,490	--
Options	1,350,000*	$7.52
Warrants	1,500,449	$9.96

*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.