

**KIRKLAND LAKE GOLD INC.**  
**Management Discussion and Analysis**

The following discussion of the financial position of Kirkland Lake Gold Inc. and the results of operations for the quarter ended January 31, 2005, are to be read in conjunction with the audited financial statements dated April 30<sup>th</sup>, 2004 and related notes for the periods then ended. All of the financial information presented herein is expressed in Canadian dollars, unless otherwise indicated. These statements together with the following Management's Discussion and Analysis, dated March 9, 2005 are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward-looking statements relating to the potential future performance. Additional information on the Company can be found in the Company's Annual Information Form ("AIF"), filed in form 20F, and filed with Canadian regulators on SEDAR at [www.sedar.com](http://www.sedar.com) and with the United States Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

**1. Overview**

Kirkland Lake Gold Inc. is an operating gold mining company located in Kirkland Lake, Ontario, which owns the Macassa Mine and Mill and four contiguous former gold producing properties purchased on December 14, 2001. The Company's corporate goal is to expand its gold reserves and to become a low cost gold producer. The shares of Kirkland Lake Gold currently trade on the TSE and on the AIM (Alternative Investment Market) of the London Stock Exchange.

**2. Discussion of Quarterly Results**

Kirkland Lake Gold incurred a loss for the quarter ended January 31, 2005 (Fiscal 2005) of \$6,331,651 or \$0.14 per share, which compares with a loss of \$0.19 per share or a loss of \$5,741,049 for the same period fiscal 2004, and the second quarter 2005 loss of \$ 8,886,037.

Gold revenues were higher on a year over year basis at \$6,374,826 (2004- \$3,390,189), and second quarter revenues of \$ 5,129,390. Operating costs increased in the quarter to \$9,703,075 (2004- \$6,480,161) from second quarter 2005 of \$ 9,505,891. The Company continued an active exploration program with exploration expenditures being \$1,566,402 in the latest quarter, as compared with \$1,293,548 reported for the same period of the prior year, and \$ 2,908,633 in the second quarter 2005. The \$7.7 million raised through flow through shares in late 2003 has been fully expended on eligible exploration expenditures.

Overall, there has been an improvement in production revenues on a quarter over quarter basis for fiscal 2005 from \$3,591,000 to \$5,129,000 to \$6,375,000. Quarterly losses have decreased 2% and 29% from the first quarter of fiscal 2005 resulting in declines in the loss per share: \$0.22, \$0.19, and \$0.14.

<b>Financial Highlights (all amounts in thousands of Canadian dollars, except per share figures)</b>			
	<b>3 months ended January 31 2005</b>	<b>3 months ended January 31 2004</b>	<b>3 months ended October 31 2004</b>
Revenue	6,375	3,390	5,129
Operating Costs	9,703	6,480	9,505
Exploration Expenditure	1,566	1,294	2,908
Net (loss) before unusual item	(6,331)	(5,741)	(8,886)
Per share (basic and diluted)	(0.14)	(0.19)	(0.22)
Cash Flow (used) for operating activities	(7,247)	(5,972)	(7,582)
Net increase (decrease) in cash	(4,113)	6,770	4,547
Cash at end of period	3,574	9,055	7,687
Short Term Investments –unrestricted	10,000	-	-
Total cash and cash equivalents	13,574	9,055	7,687
Total Current Assets	17,526	11,808	11,628
Total Current Liabilities	8,332	7,949	12,322
Working Capital	9,194	3,859	(694)
Weighted average of shares outstanding	43,759,542	30,278,313	40,891,352

Gold sales during the latest fiscal quarter were 11,913 troy ounces with an average gold price of \$528 per ounce as underground production from #3 Shaft continues to increase. This compares with gold sales of 6,416 ounces with an average sales price of \$528 per ounce during the same period of the prior year, and 9,775 ounces at \$525 during the second quarter 2005. During the third quarter of fiscal 2005, negative operating cash flow amounted to \$7,247,469, (2004- negative \$5,972,256), slightly improved over the second quarter, as underground development and stoping activities continue to increase in efforts to raise gold production to positive cash flow levels. Lastly, during the third quarter the Company raised \$14.7 million to fund its operations and exploration activities.

During the third quarter, total capital invested in the Company's operations was \$2,707,772 as compared with \$2,288,564 reported for the same quarter of the prior year. Of the \$2.7 million invested in its operations, \$397,313 (2004-\$1,187,236) was spent on the purchase of equipment, while the remaining \$2,310,459 was invested in developmental projects which included 2,103 feet of lateral development, along with 255 feet of raising. Included is substantial track development on the 3400' Level, ramp development to access the "D" Zone reserves, and drifting on the 4500' and 4900' Levels.

### **3. Discussion of Costs**

During the third quarter of fiscal year 2005, a total of \$9,703,075, (2004 - \$6,480,000) was spent on operating costs with approximately 54% of operating costs related to labor. The increase in operating costs for the latest quarter over the same period last year is due to the significant increase in underground development and stoping activities as evidenced by the fact that 52,599 tons (2004- 28,371 tons) were broken underground, of which 32,222 tons was ore and 20,377 tons was waste, as compared to the second quarter of 54,334 tons broken, of which 37,003 tons was ore and 17,331 tons was waste, at essentially the same spending level.

Furthermore, 2,267 feet of lateral and 634 feet of vertical stope development was completed in the latest quarter, down slightly over the second quarter. Lastly, the third quarter of fiscal 2005 experienced higher diamond drilling costs which totaled \$377,000 with 27,188 feet of definition drilling carried out. This compares to the second quarter's 24,616 feet of definition drilling at a cost of \$352,000.

During the latest quarter, mill throughput was 37,936 tons at a cost of \$ 938,639, or \$24.74 per ton milled, as compared to the second quarter throughput of 39,855 tons at a cost of \$ 969,567, or \$24.33 per ton milled.

Production Highlights	3 months ended	3 months ended	3 months ended
	January 31	October 31	July 31
	2005	2004	2004
Tons broken (ore)	32,222	37,003	24,250
Tons broken (waste)	20,377	17,331	25,905
Tons milled	37,936	39,855	27,589
Ozs. produced	11,921	10,531	6,980
Lateral Development (feet)	2,267	2,982	3,246
Raise Development (feet)	634	598	683
Definition Drilling (feet)	27,188	24,616	22,444

Looking at non-operating expenses, Kirkland Lake Gold incurred \$594,341 (2004-\$368,610) in amortization and depletion of asset costs and \$254,142 (2004 - \$447,690) on interest, bank charges and amortization of finance charges. For the quarter ended January 31, 2005 general and administrative expenses were \$198,845, which is lower when compared to \$426,165 reported for the same period of the prior year, and lower than the second quarter total of \$348,142.

#### ***4. Liquidity, Capital Resources and Financial Condition***

##### **Liquidity**

Kirkland Lake Gold's cash balance at January 31, 2005 was \$3,573,875 and the working capital was \$9,194,435. The Company had a commitment to spend \$7.7 million by December 31, 2004 on exploration under the previous flow through financing agreement. This commitment was completed. On December 22, 2004, the company completed the sale by private placement of 500,000 flow-through common shares at a price of \$6.00 per share for gross proceeds of \$3,000,000. The proceeds from the financing will be used to fund exploration of the Company's mineral properties. Kirkland Lake Gold's ability to continue as a going concern is dependent on future financings until the attainment of profitable and cash-generating operations sufficient to sustain the Company.

##### **Cash Flow Discussion**

Cash flow used for operations was \$7,247,469 (2004-\$5,972,256) representing a small improvement over the prior quarter of 2005, and is explained largely by the fact that the Company has built a significantly larger mining workforce and undertaken significantly more near term development and stoping activity as reviewed earlier.

This also represents an increase of 21% over 2004 levels. During the latest quarter, the total amount of capital invested in Kirkland Lake Gold's operations increased by 18% to \$2,707,772 (2004-\$2,288,564), with \$397,313 of this amount spent on new mining equipment, and \$2,310,459 on developmental work. During the second quarter, capital invested was \$2,289,900 of which \$889,731 was expended on mining equipment and \$1,400,169 was spent on development work.

## 5. Summary of Quarterly Results

<b>Summary of Quarterly Results</b>				
<b>(expressed in 000's of Canadian dollars )</b>				
	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
<b>Fiscal 2005</b>				
<b>Revenue</b>		<b>6,375</b>	<b>5,129</b>	<b>3,591</b>
<b>Net Earnings (Loss)</b>		<b>(6,332)</b>	<b>(8,886)</b>	<b>(9,031)</b>
<b>Earnings (Loss) per share-Basic &amp; diluted</b>		<b>(0.14)</b>	<b>(0.22)</b>	<b>(0.25)</b>
	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
<b>Fiscal 2004</b>				
<b>Revenue</b>	<b>4,114</b>	<b>3,390</b>	<b>1,596</b>	<b>707</b>
<b>Net Earnings (Loss)</b>	<b>(8,215)</b>	<b>(5,741)</b>	<b>(4,655)</b>	<b>(4,005)</b>
<b>Earnings (Loss) per share-Basic &amp; diluted</b>	<b>(0.25)</b>	<b>(0.19)</b>	<b>(0.16)</b>	<b>(0.16)</b>
	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
<b>Fiscal 2003</b>				
<b>Revenue</b>	<b>1,478</b>	<b>2,153</b>	<b>8,073</b>	<b>0</b>
<b>Net Earnings (Loss)</b>	<b>(3,140)</b>	<b>(2,001)</b>	<b>1,366</b>	<b>(1,159)</b>
<b>Earnings (Loss) per share-Basic &amp; diluted</b>	<b>(0.16)</b>	<b>(0.10)</b>	<b>0.07</b>	<b>(0.06)</b>

Revenue generated by the Company is a function of gold production, coupled with prevailing gold prices on the spot market, and the US \$ exchange rate at the time of sale. Efforts are underway to increase production on a sustained basis by improving overall productivity of a significantly larger mining workforce. Revenues rose owing to higher gold production, however not enough to offset the higher cost base.

## 6. Outlook

The Company projects a continuation of rising production levels demonstrated over the first three quarters for the fourth quarter. In addition to seeking to continue to improve efficiencies, finding additional low cost ore reserves remains a top priority for management, along with developing lower cost mining operations such as the "D" Zone, which is currently being mined. Several alterations in the Company's production plan has increased the projected capital spending to now be just under \$9 million.

The increase in capital spending is due primarily to the development of significant exploration results, which have identified ore reserves, the bulk of which will not be mined in the near term, and under Company policy are capitalized. In addition, rehabilitation and development of the 5100' and 5300' levels is to continue, along with the rehabilitation of the recently dewatered 5400' level, and the 5600' level shaft stations.

The need for more station and shaft rehabilitation is now apparent on the 5400' level. Shaft dewatering to the 5750 Loading Pocket is scheduled to be complete by the end of April, 2005, thus allowing for stope access development work to begin on the 5100' and 5300' levels.

The underground mining fleet will continue to be enhanced to meet the requirements of the operation with some of the fleet enhancement being outside the early projections for capital.

## **7. Exploration Update**

Total exploration expenses for the latest quarter were \$1,566,402 (2004 - \$1,293,548), of which \$838,000 was associated with the Company's flow through exploration program. During the latest quarter exploration drilling consisted of 29,979 feet of regular exploration which totaled \$428,000, in addition to the 19,660 feet of regular flow-through drilling (\$343,000), and 31,546 feet of super flow-through drilling (\$495,000). Exploration drilling resulted in several significant discoveries and achievements. These include:

- Significant mineralization intersected at Kirkland Minerals on South Break, and Main Break.
- New near surface mineralization intersected south of #2 Shaft, North-South orientation (ABM Zone)
- Lower and Upper (North and South) "D" Zone extended; new parallel zone discovered, with highest elevation ore found to date (at 2900'); '04 Break (South Branch) above 3800 level extended.
- Drilling began at -2475 Level (#2 Shaft) testing the '05 Narrows Break, intersecting ore grade.  
This is 600' up-plunge from significant mineralization discovered from 4500' Level drilling.
- An airborne magnetic map of Kirkland Lake is incorporated into the data bank.
- Kirkland Lake gold and Queenston Mining have formed a Joint Venture to explore the potential western extension of the Main Break and possible North-South structures to the West of Kirkland Lake gold camp.

## **8. Changes in Accounting Policies**

### **Stock-Based Compensation**

Effective May 1<sup>st</sup> 2004, Kirkland Lake Gold has adopted the fair value method of accounting for stock based compensation. This method results in the recognition in earnings of the cost of stock-based compensation based on the estimated fair value of new stock options granted to directors and employees in the year.

This change in accounting policy, which has been adopted retroactively, is expected to decrease net earnings for fiscal 2005 and beyond, by the fair value of the stock options granted in 2004.

### **Asset Retirement Obligations**

Effective May 1, 2004, the Company has adopted the new accounting standard on asset retirement obligations. Under this standard, asset retirement obligations will be recognized for the costs associated with exit activities and recorded as a liability at fair value. The liability will be accreted over time through periodic charges to earnings. In addition, the asset retirement cost will be capitalized as part of the asset's carrying value and amortized over the asset's useful life. This change in accounting policy, which was adopted retroactively, has not had a significant impact on the Company.

## **9. Risks and Uncertainties**

### **Gold Price/Foreign Exchange**

The profitability of the Company is affected by business risks including the price of gold and the foreign currency exchange rate. The price of gold can be volatile and the Company does not hedge gold sales. Changes in the exchange rate can have a material impact as costs are incurred in Canadian dollars and revenues are in U.S. dollars.

### **Company's Operations**

The Company is also subject to the normal risks of underground mining which affects production rates and costs. Over the past 12 months, Kirkland Lake Gold has hired a significant number of new underground miners within a highly competitive market. The ability of the Company to achieve its' production objectives is dependent in large measure on the training and retention of Kirkland Lake Gold's workforce. Kirkland Lake Gold's mining operations and development and exploration activities are affected by various laws and regulations, including those which cover environmental, health, and safety matters. Existing legislation and regulations are subject to change, the impacts of which are difficult to measure. It is the policy of the Kirkland Lake Gold to maintain safe working conditions at its work site, comply with health and safety legislation, maintain equipment and premises in safe conditions, and ensure that all employees comply with safety procedures. The third quarter was lost time injury free, and the Company formally created a "Health, Safety, and Training Department"

The Company is pleased that Kirkland Lake Gold was found to have exceeded the standards of the Workplace Safety Insurance Board's "Workwell Audit" which examines top to bottom safety procedures with an 81% score.

### **Additional Financings May be Required**

While the Company has been successful in the past, there is no assurance that funding will be available under the terms that are satisfactory to management. The Company's operations have to date resulted in negative cash flow and significant losses.

Funds available from operations may vary significantly from management's estimates, due to changes in gold prices and foreign exchange rates, which are outside the control of management, and to successfully achieve increased gold production volumes at acceptable costs, which the Company has not been able to achieve to date. Differences between actual results and management's estimates will occur, and these differences may be material. Accordingly, there is no assurance that operations will result in sufficient funds being available to the Company to continue in the normal course.

## **10. Environmental and Social Responsibility**

Kirkland Lake Gold has the necessary licenses and permits for its gold mining and milling operations on its Kirkland Lake properties. The current permit allows the discharge of tailings at a mill processing rate of 2,000 tons per day for over 10 years. Under the terms of the formal closure plan filed in respect of the properties, the Company has deposited with the Ontario Ministry of Environment and northern Development the sum of \$2,043,435 to fund the cost of the closure plans

*This report contains "forward-looking statements," including, but not limited to, statements regarding the Company's expectations as to the market price of gold, exchange rate, strategic plans, future commercial production, production targets and timetables, mine operating costs, capital expenditures, work programs, exploration budgets and mineral reserve and resource estimates. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of precious metals, mining industry risks and hazards, environmental risks and hazards, uncertainty as to the calculation of mineral reserves and resources, requirement of additional financing, and other risks described in Kirkland Lake Gold Annual Report on Form 20-F filed as an alternative form of AIF with the Securities Commissions of the provinces of British Columbia and Ontario, and with the United States Securities and Exchange Commission, and with the Toronto Stock Exchange.*