

## ***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 period ended April 30<sup>th</sup> 2005, are to be read in conjunction with the audited financial statements and related notes for the periods then ended. All of the financial information presented herein is expressed in Canadian dollars, unless otherwise indicated. The accompanying audited financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These statements together with the following management's discussion and analysis, dated July 27, 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 20-F, 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 is committed to growth and profitability and its corporate goal is to continue to expand its gold reserves and to become a lower cost gold producer. Increased productivity, lower dilution, increased training plus an increase in the number of young miner trainees, and increased use of mechanized mining methods have all had a positive affect on production, with much of the greatest benefits yet to come. Although the Company has not yet achieved and sustained production levels to generate positive cash flow from operations, the fourth quarter was the best yet for the Company, with production at an annualized rate of 66,000 ounces. Annual production for fiscal year 2005, however, was 45,865 ounces, which fell short of the Company's estimated production stated in the prior year MD&A of 65,000 ounces.

Successful exploration results have increased proven and probable ore reserves by 78% since the acquisition of the mining properties as per the Reserves and Resources dated April 30<sup>th</sup>, 2004. More importantly, as a result of the Company's planned \$21 million three year exploration program, the discovery of a completely new ore trend, north-south rather than the classic east-west trend of the Camp from which 24 million ounces of gold have been mined to date, substantially increases the potential for the Corporation to expand its ore resources and reserves. Significant ore-grade intersections were realized with wide-spaced drilling. At least 9 new ore-grade structures have been identified to the south of the previous workings, with strike lengths as great as 3,000 feet indicated to date. The four most significant are the Upper D and Lower D, and the fiscal 2005 discoveries- the LK, and the ABM zones. The LK Zone, a 40 foot wide mineralized zone containing 26.21 ounces of gold over 6.0 feet uncut (or 1.43 oz/ton of gold cut over 6.0 feet) with an unknown true width, is considered the highest-grade intersection in the history of the Kirkland Lake Camp.

The Company is completing an engineering review as part of an updated Reserve and Resource estimate for April 2005 to be filed on Sedar in the near future.

Major changes and enhancements over the course of the past 12 months include: development of a Safety and Training department which has helped to significantly improve the Company's safety performance and to formalize training programs, a vital component in today's labour market shortage; expansion of last year's program of increased underground mechanization; and the ongoing underground dewatering program reaching the target below the 5700 level, opening

the way for a second loading pocket and access to stope mining on 3 additional levels already developed. These new areas access large reserves in ore blocks that can be operated using high productivity mining methods. Gold production for fiscal year 2006 is expected to rise to 90,000 ounces.

The shares of Kirkland Lake Gold continue to trade on the TSX (Toronto Stock Exchange) and earlier in fiscal 2005 began trading on the AIM (Alternative Investment Market) of the London Stock Exchange. As at July 27<sup>th</sup> 2005, there were 45,398,449 common shares outstanding. With 1,203,999 stock options and 3,224,465 warrants outstanding, there are potentially 49,826,913 fully diluted shares outstanding.

Kirkland Lake Gold incurred a loss for the year ended April 30, 2005 of \$28,159,185 or \$0.68 per share, which compares with a loss of \$22,616,158 or \$0.76 per share reported for the same period in fiscal 2004. Gold revenues were higher on a year over year basis at \$22,156,105, (2004-\$9,807,106), due to higher gold sales. Operating costs rose significantly to \$36,217,949, (2003-\$25,045,418), as near term development and stope mining activities increased as part of establishing underground production. The Company has also undertaken an aggressive exploration program to fully capitalize on the exploration potential of its mining properties. As such, annual exploration expenditures rose to \$8,127,896 as compared with \$3,124,589 reported for the prior year.

<b>Financial Highlights (all amounts in thousands of Canadian dollars, except shares and per share figures)</b>			
	<b>12 months ended April 30 2005</b>	<b>12 months ended April 30 2004</b>	<b>12 months ended April 30 2003</b>
Revenue	22,156	9,807	11,705
Operating Costs	36,218	25,045	10,788
Exploration Expenditure	8,127	3,124	1,799
Net (loss) before unusual item	(28,159)	(22,616)	(4,935)
Per share (basic and diluted)	(0.68)	(0.76)	(0.25)
Cash Flow (used) for operating activities	(25,849)	(17,545)	(2,103)
Net increase (decrease) in cash	(3,088)	8,056	(5)
Cash at end of period	8,633	11,721	3,664
Total Assets	47,735	40,530	21,333
Total Liabilities	12,006	12,690	9,611
Working Capital	3,976	3,443	(2,372)
Weighted average number of shares outstanding	41,611,019	29,693,146	19,942,514

Gold sales during the latest fiscal year were 41,900 troy ounces (45,865 produced) with an average price of CDN\$528 per ounce as underground production from #3 Shaft continues to ramp up with the Company's own mining force. This compares with gold sales 18,623 ounces with an average sales price of CDN\$526 per ounce during the prior year.

During fiscal 2005, negative operating cash flow amounted to \$25,849,127 (2004- negative \$17,545,532), as efforts are ongoing to increase production and become cash flow positive. During this time frame the Company raised equity of almost \$33 million on a net basis to fund its operations and exploration initiative. Capital spending on mine development and equipment

decreased to \$9,379,741, down from \$11,113,659 reported for the prior year. Kirkland Lake Gold's cash position at the end of April 2005 was \$8,632,547.

**Highlights of corporate developments for fiscal 2005 include:**

- Kirkland Lake Gold continues to experience positive exciting exploration results, greatly increasing the potential for new reserves and resources in the coming months.
- The dewatering program at #3 Shaft lowered the water level thru the 5700 foot level over the course of fiscal 2005, enabling the rehabilitation at the 5150 foot and 5300 foot levels, containing important ore reserves. The dewatering program is virtually completed with no lower production levels to be accessed in the near term. Re-commissioning the 5700-foot level loading pocket (and rock breaker) at #3 Shaft is now complete, thus attaining another significant milestone needed to increase and make more efficient the Company's hoisting capacity.
- During FY-2005 third quarter, Kirkland Lake Gold successfully passed the Workplace Safety and Insurance Board Audit, and formed a new Department in charge of Health, Safety and Training. Training new young miners, and retraining those experienced miners in more advanced mining methods utilizing specialized equipment has been and continues to be a high priority for management.
- Mining equipment has been renovated and customized to properly operate in the conditions of Kirkland Lake Gold narrow vein mineralization. It includes numerous modifications to scooptrams, re-conversion of older equipment in prototypes of conceptually new ones (including a new type of tracked drilling equipment). The conversion of the mine from manual mining methods to more efficient and productive methods, primarily Long Hole Stopping and a Mechanized variant of conventional mining is underway.
- The establishment of a new level at 3400' is an important development, giving access to a more than 100,000 tons of high grade ore that can be operated with above average productivity. Exploration results continue being positive above this horizon, and the Company is now considering the feasibility of another level at 3000' to extract additional discovered ore.
- A hydraulic backfilling system was started at #2 Shaft, creating the ability to mine more than 150,000 tons of above average and average grade ore, with 30% of this already developed and ready for mining. The hydraulic system was 75% completed at the end of FY-2005 and will be fully operational in the second quarter of FY-2006.

**2. Critical Accounting Estimates**

The details of Kirkland Lake Gold's accounting policies are presented in accordance with Canadian generally accepted accounting principles (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 depend upon estimates of proven and probable reserves, measured and indicated mineral resources, recoverable ounces there from, 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 Kirkland Lake Gold's financial results.

### **Going Concern**

The Company's 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. Certain historical adverse conditions and events cast substantial doubt upon the validity of this assumption.

During the years ended April 30, 2005, 2004 and 2003, the Company incurred losses of \$28.2 million, \$22.6 million and \$4.9 million, respectively. Cash flow required for operating activities, including exploration costs charged to operations of \$13.1 million, aggregated \$45.5 million for the three years in total. The funds required to continue operations and exploration activities during this period have been financed primarily from the issue of equity or convertible debt instruments. At April 30, 2005, the Company has working capital of \$4.0 million and has committed to expend \$2.2 million on eligible flow-through expenditures before December 31, 2005.

Management estimates that these funds, together with cash flow from targeted operations, will be sufficient to meet the Company's obligations and capital expenditure plans for the coming year. However, differences will occur between actual results and those targeted 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 its operating and capital and exploration requirements in the past and believes that it will be able to do so 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 this occurs, the Company may not be able to continue as a going concern.

The Company's financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

### **Measurement Uncertainty**

The Company's history of operating losses from mining operations indicate at April 30, 2005, that the recorded costs for mineral properties and related fixed assets may not be recoverable. Management estimates, using a constant gold price of Canadian \$525 per ounce and operating costs similar to historical costs incurred over the past year, that annual production of approximately 81,000 ounces in fiscal 2006 and between 73,000 ounces and 78,000 ounces for each year thereafter 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 achieving and sustaining this rate of production. To recover these costs, and the carrying values of mineral properties and other mining assets, over the life of the mine will require a significant increase in tonnage of ore processed and ounces of gold produced annually, a reduction in the

workforce and associated mining costs through the curtailment of certain development projects, or both.

Management has set out elsewhere in this discussion the events and conditions which are expected to result in the continued improvement in operating results from those experienced in the past years.

There is significant uncertainty associated with the ability of the Company to achieve the increase in production or reduction in costs necessary to recover the carrying value of the mineral property and related assets. Gold price or Canadian/U.S. dollar exchange rate movements, the success of the Company in realizing the benefit of the production improvements noted above, changes in the costs of labour and other costs or unforeseen production difficulties all would have an impact on the ability of the Company to achieve its goals from operations. The amount of working capital currently available for use by the Company could mean that a minor adverse development could have a significant impact on the Company's operations and ability to recover costs.

As at April 30, 2005, management has determined that the value recorded for mineral property and fixed assets is not impaired, based on the operations improvements set out above, the mine's updated reserves and resource model, the number of high quality underground exploration targets identified and currently being explored within the Kirkland Lake mineral property and available public information about prices achieved for purchase transactions involving other mineral properties. Although no impairment was determined at this time, near term changes in gold prices, the Canadian/U.S. dollar exchange rate, the results of the operations improvements mentioned in this discussion or the lack of success of ongoing exploration programs in locating additional reserves could result in the determination that the assets are impaired and such impairment could be material.

### **Mineral Reserves**

The process of estimating quantities of gold reserves is complex, requiring significant decisions in the evaluation of all available geological, geophysical, engineering and economic data. The data for a given orebody may also change substantially over time as a result of numerous factors, including, but not limited to, additional development activity, production history and the continual reassessment of the viability of orebodies under various economic conditions. A material revision to existing reserve estimates could occur because of, among other things: revisions to geological data or assumptions; a change in the assumed gold prices; and the results of drilling and exploration activities. In the preparation of its reserves and resources estimates, the Company has used a constant gold price of US\$375 per ounce, and a constant exchange rate of \$1.00 Canadian = \$0.75 U.S. Dollar.

### **Closure Costs**

Kirkland Lake Gold 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 estimated costs 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, Kirkland Lake Gold 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.

### **3. Changes in Accounting Policies**

#### **Stock-Based Compensation**

Effective May 1<sup>st</sup> 2004, Kirkland Lake Gold adopted the fair value method of accounting for stock based compensation. This method resulted 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 policy has been applied retroactively without restatement of prior periods as allowed under the section. The restatement resulted in a cumulative increase of \$ 807,250 to the opening deficit at May 1, 2004 and increases of \$ 132,009, \$ 54,030 and \$ 621,211 to share capital, contributed surplus, and options respectively, and will impact the earnings or loss of each year from fiscal year 2005 forward for the amount of any employee stock based compensation.

#### **Asset Retirement Obligations**

Effective with fiscal year 2005, the Company has adopted a new accounting standard on asset retirement obligations. Under this standard, asset retirement obligations are recognized for the costs associated with exit activities and recorded as a liability at fair value. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the asset's useful life. Any changes in estimates are accounted for prospectively. This change in accounting policy, which was adopted retroactively, did not have a significant impact on the Company's financial position or results of operations.

### **4. Results of Operations**

During the fiscal year 2005, a total of \$36,217,949, (2004 - \$25,045,418) was spent on operating costs - (#3 Shaft – \$20,756,167 versus 2004 - \$14,524,087) – Lakeshore Ramp – \$3,276,060 versus 2004 – \$1,960,508) – Milling – (\$3,254,906 versus 2004-\$2,707,342), and other related costs, with approximately 60% of current operating costs relating to labor. Fiscal 2005 experienced higher diamond drilling costs that reached \$1.53 million (2004- \$1.4 million), with 108,700 feet of definition drilling carried out, which also contributed to a rise in operating costs.

During fiscal 2005, 210,357 tons were broken underground, of which 109,908 tons was ore and 100,449 tons was waste, virtually doubling 2004 levels: (during FY-2004 the numbers were 110,186 tons broken underground, of which 58,828 tons was ore and 51,358 tons was waste.) Furthermore, 22,250 feet (in FY-2004, 8,864 feet) of lateral and vertical stope development was completed, an increase of 251%. Long hole drilling during FY-2005 was 128,937 feet and paste filling 56,980 tons (in both cases several times more than in FY-2004). While results show a substantial increase with respect to FY-2004, some results such as the ratio waste/ore mined continued to be very high in FY-2005, as a result of continuing high levels of development work. The waste/ore ratio will be significantly better during FY-2006 due to the development having been completed for several important ore blocks.

Looking at other expenses, Kirkland Lake Gold incurred \$2,354,335 (2004- \$1,229,508) in amortization and depletion of asset costs and \$1,258,250 (2004 - \$940,280) on interest and bank charges and amortization of finance charges. The interest, bank charges and finance charges for fiscal year 2005 were impacted by accrued finance charges on a convertible loan of \$417,145, (on February 11, 2005, a promissory note, in the amount of \$1,000,000 was converted to 250,000 common shares of the Company). For the year ended April 30, 2005, general and administrative expenses were \$2,219,775, which is higher when compared to \$1,808,263 reported for the prior year in large part due to \$366,680 which was incurred for the assimilation and distribution of a

publication featuring the Company, and \$116,356 which was paid in conjunction with the AIM admission process.

### **Exploration and Ore Reserve Update**

In November 2003, the Company embarked on a planned \$21 million three year exploration program drilling large mineralized structures- premised on a 25% historical success ratio for the total Kirkland Lake Camp - on 500 to 1,000 foot centres to identify areas that have a combined potential to host 15,000,000 tons of gold ore. Where such mineralization is located, additional drilling is required to be carried out on 200 foot centres to establish gold resources and on 30 to 100 foot centres to establish gold reserves.

The campaign is being carried out by Heath & Sherwood (1986) Inc., an independent drilling contractor based in Kirkland Lake, Ontario. The most significant result from the drilling in the 2004 fiscal year was the discovery of the Lower D Zone on the Macassa Property. Not only is it a different style of mineralization (wide sulphide system), but it is running north-south as compared to the east-west nature of the mineralization from which 24 million ounces of gold have been mined to date from the area. It shows continuity with the D Zone discovered above the 3800-foot level of the Macassa Property. The dimensions at this time indicate a strike length of 3,000 feet with a down-dip component of up to 3,200 feet. A further four zones were also discovered in the 2004 fiscal year. The discovery of a completely new ore trend, north-south rather than the classic east-west trend of the Camp, beyond the original goals of the exploration program, also opens up areas for new resources to be added.

### **2005 Fiscal Year**

An aggressive exploration drill program was undertaken in the Corporation's 2005 fiscal year, primarily funded by 'flow-through' investments made by Canadian investors which entitle the investors to certain tax write-offs. A total of \$7.23 million was spent on drilling, with \$5.7 million in exploration drilling, \$1.5 million in definition drilling with a further \$1.3 million spent in exploration development and rehabilitation. The Corporation was required to spend \$7.7 million raised in a 'flow-through' financing on exploration by December 31, 2004. By April 30, 2004 a total of \$2.5 million had been spent on qualifying expenditures, with the balance of \$5.2 million being spent by the December 31, 2004 deadline. A total of 498,000 feet of drilling took place, with 209,900 feet in surface drilling and the remainder being underground. The average cost was \$14.51 (surface was \$15.37) per foot.

The most significant results from the drilling in the 2005 fiscal year were the discovery of the LK Zone in August 2004, and the discovery of the ABM Zone October 2004." Positive exploration results also continued to be obtained from the D, Lower D, #2 Shaft area, '04 Break above the 38 level towards surface, and the '05 Zone. The Company was successful on all underground drilling, with a success ratio at or better than the projected 25%.

Major drill programs included the South Break (surface and underground), north-south trending zones such as the D Zone (surface and underground), the '05/Narrows Break (surface and underground) and the Main Break (and subsidiary hanging wall veins) on the Kirkland Lake Gold Property. Most of this drilling was carried out on 500 to 1,000 foot centres. As a result, even though significant ore-grade intersections were realized, most drill centres were too far apart to establish the necessary continuity of ore under applicable Canadian resource and reserve criteria. Generally, where drilling conformed to the applicable criteria, such as in the case of the ABM, and some of the Lower D, reserves and/or resources have been defined and will be reported in due course.

Of the 575,000 feet planned for in 2005, a total of 391,000 feet was not completed for a variety of reasons including lack of access. In particular, both the No. 5 shaft (from which 126,000 feet of drilling was budgeted with none having been completed) and the No. 2 shaft (from which

development is currently being completed now, however, the Corporation only carried out 45,000 out of a total of 310,000 feet of planned underground drilling) were behind schedule. These continue to be critical areas for exploration, where the bulk of expected new ore tonnage was originally anticipated.

Looking forward, the Company plans also to focus its exploration efforts on underground drilling delineating the newly discovered areas and zones with a view to further increasing gold resources and reserves. Since drilling began in 2002 the Company estimates that 462,000 ounces of gold have been discovered through exploration drilling, within large areas hosting wide-spaced ore grade intersections. Newly-discovered mineralized zones found through this successful program (namely the LK, Lower D, Upper D and ABM zones) substantially increase the potential for the Corporation to expand its ore resources and reserves. Feasibility studies will ensue with the objective of mining the new discoveries to the South and North of the existing mine workings through existing infrastructure.

The reserves/resources as at April 30, 2004 are depicted below. During 2006, a feasibility study is to be undertaken to establish whether most of the resources that exist between 6150 and 7050 levels should be upgraded to reserve status, and, if positive, this will be confirmed by an independent review (as dictated by Canadian resource and reserve criteria).

<b>Reserves</b>	<b>TONS</b>	<b>GRADE</b>	<b>OUNCES</b>
Proven	586,400	0.42	248,900
Probable	735,200	0.52	381,200
<b>Total Proven + Probable</b>	<b>1,321,600</b>	<b>0.48</b>	<b>630,100</b>
<b>Resources</b>			
Measured	923,300	0.37	337,300
Indicated	2,329,500	0.30	708,800
<b>Total Measured + Indicated</b>	<b>3,252,800</b>	<b>0.32</b>	<b>1,046,100</b>
<b>Total Proven + Probable + Measured + Indicated</b>	<b>4,574,400</b>	<b>0.37</b>	<b>1,676,200</b>
Inferred Resource	642,800	0.30	191,300

#### **National Instrument 43-101 Disclosure**

The reserves and resources have been estimated using definitions and procedures which conform to National Instrument 43-101. These reserves/resources were completed internally by Kirkland Gold personnel, for 2003 and 2004, while the previous reserves/resources were completed in Dec.2002 internally by Kirkland Gold personnel and confirmed by Roscoe Postle Associates Inc. (an independent geological and mining consulting firm). Reported reserves are not part of the reported resources. The reserves and resources are estimated using the polygonal method. All higher grades are cut to 3.50 ounce per ton and the cut-off grade is 0.25 ounce per ton over the horizontal mining width. All intersections are calculated out to a 5.0 foot minimum horizontal mining width. Dilution is added to proven and probable reserves at varying rates depending on mining method, and the width of the ore. Dilution in the reserve estimate overall averages 26% at 0.02 oz. per ton.

The area of influence of the proven reserves and measured resource categories is 30 feet from development chip samples, for probable and indicated categories a 50 feet radius from a known sample point (drill holes) is used; for inferred resource an additional 50 feet of influence. A 94% mining recovery of reserved tons is used. Continuity of the veins appear very good. The Company is not aware of any environmental, permitting, legal, title, taxation, socio-political, marketing or other issue that may materially affect its estimate of mineral resources. The assumptions used include \$375 U.S. per ounce of gold, and an exchange rate of \$1.00 Canadian = \$0.75 U.S. (\$500 Canadian per ounce). The full breakdown of the reserves/resources can be seen on the Kirkland Lake Gold website.

The results of the Company's underground diamond drilling program have been reviewed, verified (including sampling, analytical and test data) and compiled by the Company's geological staff (which includes a 'qualified person', Michael Sutton P.Geol. for the purpose of National Instrument 43-101, *Standards of Disclosure for Mineral Projects*).

The Company has implemented a quality assurance and control (QA/QC) program to ensure sampling and analysis of all exploration work is conducted in accordance with the best possible practices. The drill core is sawn in half with half of the core samples shipped to the Swastika Laboratories in Swastika, Ontario or to the Macassa mine laboratory for analysis. The other half of the core is retained for future assay verification. Other QA/QC includes the insertion of blanks, and the regular re-assaying of pulps/rejects at alternate certified labs (Polymet, Accurassay). Gold analysis is conducted by fire assay using atomic absorption or gravimetric finish. The laboratory re-assays at least 10% of all samples and additional checks may be run on anomalous values.

The Company's Kirkland Lake properties are the subject of a report prepared by Roland H. Ridler, B.A.Sc.(hons.), M.A.Sc., Ph.D.(Econ.Geol.), P.D., entitled *Kirkland Lake Mineral Properties (Macassa Mine, Kirkland Lake Gold, Teck-Hughes, Lake Shore, Wright-Hargreaves* dated November 30, 2001. The Company's Macassa Mine Property is the subject of a reserve report prepared by David W. Rennie, P.Eng. and Richard E. Routledge, M.Sc., P.Geol. entitled *Review of Mineral Resources and Mineral Reserves of the Macassa Mine Property, Kirkland Lake, Ontario Prepared for Kirkland Lake Gold Inc* dated December 23, 2002, a reserve report prepared by Michael Sutton P.Geol., and Stewart Carmichael, P.Geol. entitled *Mineral Resources and Mineral Reserves of the Macassa Mine Property, Kirkland Lake, Ontario (Kirkland Lake Gold Inc.) as at April 30, 2003* dated August 30, 2003, and a reserve report prepared by Michael Sutton P.Geol., and Stewart Carmichael, P.Geol. entitled *Mineral Resources and Mineral Reserves of the Macassa Mine Property, Kirkland Lake, Ontario (Kirkland Lake Gold Inc.) as at April 30, 2003* dated August 31, 2004. All of these technical reports have been filed on SEDAR ([www.sedar.com](http://www.sedar.com) <<http://www.sedar.com>>).

## 5. Summary of Quarterly Results

<b>Summary of Quarterly Results</b>				
<b>(expressed in 000's of Canadian dollars )</b>				
<b>Fiscal 2005</b>	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
Revenue	7,062	6,374	5,129	3,591
Net Earnings (Loss)	(3,911)	(6,331)	(8,886)	(9,031)
Earnings (Loss) per share-Basic & diluted	(0.07)	(0.14)	(0.22)	(0.25)
<b>Fiscal 2004</b>	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
Revenue	4,114	3,390	1,596	707
Net Earnings (Loss)	(8,215)	(5,741)	(4,655)	(4,005)
Earnings (Loss) per share-Basic & diluted	(0.25)	(0.19)	(0.16)	(0.16)

Revenue generated by the Company is a function of gold production, coupled with prevailing gold prices on the spot market. Efforts are underway to increase production on a sustained basis by improving overall productivity of a significantly larger mining workforce. Despite production and revenues rising sequentially for the fourth consecutive quarter in 2005, higher levels of operating expenses increased losses for the first three quarters of 2005, with this trend being reversed in the fourth quarter with the operating loss substantially reduced as compared to the same period of the prior year.

## 6. Liquidity, Capital Resources and Financial Condition

### Liquidity

Kirkland Lake Gold's cash balance at April 30, 2005 was \$8,632,544 and working capital surplus was \$3,976,387. The Company has committed to expend approximately \$2.2 million on qualifying mineral exploration expenditures prior to December 31, 2005. While Kirkland Lake Gold is targeting its operations to work in a profitable and cash-generating environment, sufficient to sustain the Company's operations in the normal course, there are factors which may affect the ability of the Company to maintain operations, as discussed under the section "Going Concern".

### Cash Flow Discussion

Cash flow used for operations was \$25,849,127 (2004-\$17,545,532), during fiscal 2005, explained largely by the fact that the Company has built a significantly larger mining workforce, undertaken significantly more near term development work, and invested in the renovation and specialization of the mining equipment in its quest to reach sustainable and profitable production levels.

During the latest fiscal year proceeds from the issuance of equity generated cash of \$32.5 million (\$6.4 million from the exercise of options and warrants), and \$2.4 million was raised by issuing a convertible debenture in June of 2004. The final \$2 million of the \$5 million purchase price was paid to Kinross during the fiscal year 2004.

The total amount of new capital invested in Kirkland Lake Gold's operations stood at \$9,379,741 for fiscal 2005, (2004-\$11,113,659), with 22% of this amount for new mining equipment and

72% in development expenditures as Kirkland Lake Gold strives to reach profitability. The dewatering campaign continued and as a result the 5700 foot level was dewatered during fiscal 2005, and the microseismic system coverage was expanded down to provide for accurate and timely seismic event location.

## **7. 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 subject to high turnover rates. 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 regulation 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.

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

The funding of its announced 3-year \$21 million exploration program by Kirkland Lake Gold will likely require outside financing. 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 the success in achieving further production volumes and production 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.

## **8. 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.

### **9. Contractual Obligations**

	<b>Total</b>	<b>Payable within 1 year</b>	<b>Payable 1-3 years</b>	<b>Payable after 3 years</b>
Mortgage Payable	\$84,000	\$29,500	\$54,500	Nil
Vehicle and Equipment Leases	\$53,804.	\$44,710	\$9,094	Nil

### **10. Outlook**

Over the past 12 months, the Company continued to make considerable strides in developing the Kirkland Lake camp with its own mining workforce. The Company projects rising production levels so as to generate positive operating cash flow. In addition to seeking to continue to improve efficiencies, finding additional low cost ore reserves remains a top priority of Management as part of Exploration Program. (see Exploration and Ore Reserve Update, Section 4).

Looking forward, the requirements for expenditures related to capital equipment should begin to noticeably decline, as a result of Company's efforts in fiscal 2005. Capital expenditures in fiscal 2006 are expected to be 5.8 million, or 3.6 million lower than reported levels reported for the latest fiscal year, with roughly 84% of program spending on longer-term developmental work.

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 express, as at the date of this report, the Company's plans, estimates, forecasts or beliefs as to the future events or results. 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.

### **11. Related Party Transactions**

Pursuant to an agreement between Kirkland Lake Gold and Quest Management, the Company pays \$3,500 per month to Quest Management in consideration of Quest providing office, reception, secretarial and accounting services to Kirkland Lake Gold. During fiscal year 2005, the total fees paid to Quest Management for services performed under the agreement were \$54,500.