

**KIRKLAND LAKE GOLD INC.**

*Management Discussion and Analysis*

*Third Quarter – Fiscal 2006*

## *Introduction*

The following discussion of the financial position of Kirkland Lake Gold Inc. and the results of operations for the quarter ended January 31, 2006 are to be read in conjunction with the audited financial statements dated April 30, 2005 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 February 28, 2006 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, having purchased the Macassa Mine and Mill together with four contiguous former gold producing properties on December 14, 2001. The Company's corporate goal is to expand its gold reserves/resources, 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 realized earnings for the quarter ended January 31, 2006 (Fiscal 2006) of \$2,309,854 or \$0.05 per share, which compares with a loss \$901,147 or \$0.02 per share in the previous quarter, and a loss of \$6,331,651 or \$0.14 per share for the same period fiscal 2005.

Gold revenues were higher on a year over year basis at \$11,111,262 (2005 - \$ 6,374,826), while the previous quarter was \$5,985,574. Operating costs incurred in the quarter of \$6,045,426, compares to operating costs of \$9,703,075 incurred during the same period in fiscal 2005, and \$4,984,889 for the prior quarter. The Company continues with its active exploration program with exploration expenditures of \$1,774,635 being expensed in the latest quarter, as compared with \$1,566,402 during the same period fiscal 2005.

<b>Expressed in 000's of Canadian dollars except share information</b>	<b>3 months ended January 31, 2006</b>	<b>3 months ended October 31, 2005</b>	<b>3 months ended January 31, 2005</b>
Revenue	11,111	5,986	6,375
Operating Costs	6,045	4,985	9,703
Exploration Expenditure	1,775	648	1,566
Earnings (Loss)	2,310	(901)	(6,332)
Per share (basic and diluted)	0.05	(0.02)	(0.14)
Cash Flow from (Used) operating activities	4,574	(5,413)	(7,247)
Net increase (decrease) in cash	159	4,182	(4,113)
Cash at end of period	8,941	8,283	3,574
Short Term Investments - Unrestricted	-	500	10,000
Total Cash and Cash Equivalents	8,941	8,783	13,574
Total Current Assets	17,364	14,215	17,526
Total Current Liabilities	11,941	7,416	8,332
Working Capital	5,423	6,799	9,194
Weighted average of shares outstanding	49,157,954	47,675,166	43,759,542

During the third quarter of fiscal 2006, gold production was 16,434 ounces from 40,252 tons milled, at a head grade of 0.4187 ounces per ton, and mill recovery of 97.51%. This compares to 11,922 ounces produced from 37,936 milled tons at a head grade of 0.3240 ounces per ton during the same period in 2005. The percentage of total milled tonnage from development sources was 27%, similar to the previous quarter. Since gold content in development headings is more difficult to forecast, and is lower grade than that in production stopes, the higher the proportion of mill feed from development headings, the greater the negative effect on overall grade.

Gold sales during the quarter were 18,624 ounces with an average price of CDN\$597 per ounce as underground production from #3 Shaft continues to increase. This compares with gold sales of 11,913 ounces with an average sales price of CDN\$535 per ounce during the same period of the prior year, and 11,084 at CDN\$539 during the previous quarter. During the third quarter of fiscal 2006, cash generated from operating activities before changes in non-cash working capital was \$3,066,772 versus \$122,494 used during the second quarter, and \$5,392,463 used during the same period in fiscal 2005, as underground development and stoping activities continue to increase in efforts to raise gold production, and increase cash flows.

During the third quarter, total capital invested in the Company's equipment and mineral properties was \$4,850,454 as compared with \$2,707,772 reported for the same quarter of the prior year, and \$3,296,647 during the prior quarter. Of the \$4.8 million invested in its operations, \$1.0 million (2005 - \$0.4 million) was spent on the purchase of equipment, while the remaining \$3.8 million was invested in development projects including the completion of the D-Zone South ramp, which links the 3400' Level with the 3800' Level, the commencement of the ramp system for the D-Zone North, and continuation of both the 4721 Complex ramp, and the 5036 Complex. These projects serve to access sizeable reserves and further production goals of the Company two to four years hence. In addition to the reserve development, infrastructure (power, egress, loading pocket, ventilation, microseismic system expansion, communications etc.) to facilitate the development and mining of the 5150' Level and 5300' Level was completed during the quarter.

The Company continues to expand the developed portion of the property, and increase its operational flexibility. The current gold production of 16,434 ounces from 40,252 tons represents the highest average monthly production achieved by the operation in its previous sixty-six years of continuous production

### *3. Discussion of Costs*

During the third quarter of fiscal 2006, a total of \$ 6,045,426 was expended on operating costs with approximately 49% of operating costs relating to labor. This compares to \$9,703,075 for the same period of fiscal 2005, and \$4,984,889 during the previous quarter. The increase in operating costs for the latest quarter, as compared to the second quarter of fiscal 2006 is, for the most part, due to a gold inventory reduction of \$810,280. (gold inventory at January 31, 2006 was \$2,447,982, while at October 31, 2005 was \$3,258,268).

During the latest quarter, mill throughput was 40,252 tons at mill operating costs of \$921,637 or \$22.90 per ton milled, as compared to 37,936 tons at a mill operating cost of \$938,639 or \$24.74 per ton milled during the same period in 2005.

	<b>3 months ended January 31, <u>2006</u></b>	<b>3 months ended October 31, <u>2005</u></b>	<b>3 months ended January 31, <u>2005</u></b>
Tons hoisted (ore)	37,846	39,954	38,011
Tons hoisted (waste)	23,826	23,789	20,392
Tons milled	40,252	41,893	37,936
Ozs. produced	16,434	13,859	11,922
Longhole drilling (feet)	25,688	36,629	32,008
Lateral development Oper.(feet)	2,662	2,259	2,267
Lateral development Cap.(feet)	2,521	1,993	2,103
Raise development Oper.(feet)	153	475	634
Raise development Cap.(feet)	246	134	255
Definition drilling (feet)	25,824	25,824	27,188

For the quarter ended January 31, 2006 general and administrative expenses were \$203,151 as compared to \$416,840 during the previous quarter, and \$198,845 reported for the same period of the prior year. One time payments, listing and filing fees, legal, and investor relations made during the second quarter have decreased significantly during the third quarter.

Exploration costs expensed during the quarter were \$1,774,635. This compares to \$1,566,402 expensed during the third quarter of 2005. Included in the current quarter's costs is \$397,998 relating to the Company's 2006 Flow-Thru commitment to spend \$2,500,000 by December 31, 2006. The Company has fulfilled its 2005 Flow-Thru commitment to spend \$3,000,000 by December 31, 2005 on eligible exploration expenses.

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

Kirkland Lake Gold's cash balance at January 31, 2006 was \$8,941,337 and working capital was in a surplus position \$5,422,423. The Company has a commitment to spend \$2.5 million by December 31, 2006 on eligible exploration expenses under the current flow through financing agreement. As at January 31, 2006, \$0.4 million has been expended.

On August 25, 2005 the Company completed a sale by private placement of 1,250,000 common shares at a price of \$4.00 per share for gross proceeds of \$5,000,000. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable on or before May 25, 2006 at a price of \$4.60 per share. The proceeds from the financing will be used for development of, and exploration programs at the Company's Kirkland Lake, Ontario mining operations.

On September 29, 2005 the Company completed a sale by private placement of 1,000,000 units at a price of \$4.00 per unit for gross proceeds of \$4,000,000. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable until June 28, 2006 at a price of \$4.60 per share. The proceeds of this placement will be used for development of the Company's Ontario mining operations.

On October 17, 2005 the Company completed a sale by private placement of 555,500 "flow through" shares at a price of \$4.50 per share for gross proceeds of \$2,499,750. The proceeds from the financing will be used for development of, and exploration programs at the Company's Kirkland Lake, Ontario mining operations.

### *Cash Flow Discussion*

During the third quarter of fiscal 2006, cash generated from operating activities was \$4,573,898 (\$3,066,772 before changes in non-cash working capital), this compares to cash used in operating activities of \$5,412,918 during the previous quarter, and \$7,247,469 during the third quarter of the prior year, as underground development and stoping activities continue to increase in efforts to raise gold production to sustained positive cash flow levels.

### *5. Summary of Quarterly Results*

(expressed in 000's of Canadian dollars )				
	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
<b>Fiscal 2006</b>				
Revenue		11,111	5,986	7,394
Earnings (Loss)		2,310	(901)	(5,402)
Earnings (Loss) per share-Basic & diluted		0.05	(0.02)	(0.12)
<b>Fiscal 2005</b>				
Revenue	7,061	6,375	5,129	3,591
Earnings (Loss)	(3,910)	(6,332)	(8,886)	(9,031)
Earnings (Loss) per share-Basic & diluted	(0.09)	(0.14)	(0.22)	(0.25)
<b>Fiscal 2004</b>				
Revenue	4,114	3,390	1,596	707
Earnings (Loss)	(8,215)	(5,741)	(4,655)	(4,005)
Earnings (Loss) per share-Basic & diluted	(0.25)	(1.19)	(0.16)	(0.16)

Revenue generated by the Company is a function of gold production, coupled with prevailing gold prices on the spot market, 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.

### *6. Outlook*

The Company is seeking to raise production levels and to improve efficiencies. While our operating costs per ton decreased significantly in the third quarter, the Company is targeting additional decreases in operating costs for each of the next two fiscal quarters to below \$C140 a ton. The Company is planning ore production for the last quarter of the fiscal year to be 40,000 – 42,000 tons, and gold grade to range between 0.38 and 0.40 ounces per ton.

Over the latest quarter, the amount of ore extracted using the more cost efficient longhole stoping has risen from an average 39% for the previous three quarters to the current 42%. The amount of ore scheduled to be mined using longhole stopes is expected to rise to 50% by May 1, 2006.

During this latest quarter, the Company continued with its training program to develop new hires into fully trained miners. Recruitment and retention of skilled miners remains a focus. However, the availability of this sector of the workforce is currently reduced due to the large worldwide demands. The Company continues to adapt and improve its mobile and stationary equipment to provide for enhanced efficiency and availability. In addition to this emphasis, the Company continues seeking to improve efficiencies and finding additional low cost ore reserves remains a top priority of Management as part of the 3-year \$21 million program that commenced during the fiscal third

quarter, 2004. The availability of the existing underground mining fleet will continue to be enhanced to meet the requirements of the operation.

## ***7. Exploration Update***

The Company has announced the formation of a 50%-50% joint venture to explore the Kirkland Lake West (KLW) property owned by Newmont Mining Corporation of Canada Limited. The KLW property adjoins the western boundary of the Company's Macassa Mine, and is thought to contain the western extension of the Main/04 Break ore horizon which produced 24 million ounces of gold along strike (6.3 miles east to west). Development, followed by drilling, is to commence in the fourth quarter.

The Company has completed three additional drill holes on the New South Zone (see news releases dated July 11<sup>th</sup>, 2005, August 15<sup>th</sup>, 2005 and November 22<sup>nd</sup>, 2005), as a follow-up to drill hole 50-627 that had intersected 90.4 feet assaying 2.3 ounces (uncut) and 1.43 (uncut) ounces of gold per ton over 124.5 feet of core length (uncut) giving a combined 8 new gold zones located 600' to 3,000' to the south of the 04 Break ore horizon at an elevation of 4,700 to 5,500 feet below surface..

Highlights of the current results:

- A further eight (or more) mineralized zones have been identified (in addition to six other previously mineralized zones) south of the mine workings. These zones are in the area encompassing the New South/LK Zone and have returned assays from drilling which include 21.98 ounces of gold per ton (opt gold) over 1.0 feet, 0.25 opt gold over 21.6 feet, 0.72 opt of gold over 3.3 feet, 3.85 opt gold over 3.3 feet and 2.26 opt gold over 1.5 feet (see figure 1).
- The latest drill hole (#50-696) has intersected mineralization assaying 1.31 opt over 9.6 feet (core length or CL), within a wider 55.9 foot interval which assayed 0.32 opt gold, similar to the New South/LK 880 feet down dip of 50-666 and 628 feet down dip from the discovery hole #50-627 which assayed 2.3 opt gold over 90.4 feet of CL. This large step-out will require infill drilling to prove continuity.
- The intersection in drill hole #50-665 assayed 0.05 opt gold over 113.5 feet of CL and may represent a further up-dip extension of the New South/LK. Although this intersection is not ore grade value, the widths and consistency of mineralization are significant, and present a potential dip component of 1,300 feet for the zone between the -5100 and -5500 elevations.
- Drill hole 50-669W1 assayed 0.38 opt gold over 42 feet of CL and intersected the New South/LK Zone 225 feet up-dip from the wedged hole 50-627W1 at the -5161 elevation, the highest level intersected to date with significant gold mineralization.
- Drill hole # 50-669W1 intersected 21.98 opt gold per ton over a core length of 1.0 feet, and demonstrates continuity with the intersection in hole #50-696 which assayed 0.48 opt gold over 3.8 feet of CL, and previously released intersections in #50-666 which assayed 1.55 opt gold over 1.5 feet of CL and #50-669 which assayed 0.32 opt gold over 1 feet of CL. The mineralization is associated with a strong break structure and may be associated with the #6 Break, dipping at approximately 47 degrees south and parallel to the `04 Break and footwall to the Lower D Zone.
- The new 5300 exploration cross-cut is now 380 feet to the south of the 04 Break, and the first drill bay is now being cut. Closer spaced drilling is expected to begin shortly to test the #6 Break and other mineralized zones discovered by KGI south of the mine workings over the previous two years.

The 5300 exploration drift should reach the mineralization by the summer of 2006.

The mineralization remains open in all directions.

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

There were no changes to Accounting policies in the quarter.

## ***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.

### **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, prior to this quarter, 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 prior to this quarter. 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.*