

KIRKLAND LAKE GOLD INC.

UNAUDITED FINANCIAL STATEMENTS

THREE AND SIX MONTH PERIOD ENDED OCTOBER 31, 2006

(EXPRESSED IN CANADIAN DOLLARS)

The accompanying unaudited financial statements of Kirkland Lake Gold Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

These statements have been approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

KIRKLAND LAKE GOLD INC.

Balance Sheet

(Unaudited)

As at October 31, 2006 and April 30, 2006

(expressed in Canadian dollars, except per share amounts)

	October 31 2006	April 30 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 16,667,074	\$ 9,411,925
Accounts receivable	831,636	2,729,475
Inventories (Note 4)	3,944,170	4,295,899
Prepaid expenses and deposits	197,400	70,250
	<u>21,640,280</u>	<u>16,507,549</u>
Security deposits (Note 3)	224,388	725,000
Mineral properties (Note 5)	32,678,949	29,986,447
Property, plant and equipment (Note 6)	11,910,058	11,504,100
Mine closure bonds	2,043,435	2,043,435
	<u>\$ 68,497,110</u>	<u>\$ 60,766,531</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12(b))	\$ 5,995,476	\$ 9,702,880
Contingencies	150,000	150,000
Other liabilities	26,500	85,500
Asset retirement obligation (Note 7)	1,901,154	1,845,780
	<u>8,073,130</u>	<u>11,784,160</u>
Shareholders' Equity		
Capital stock (Note 8)		
Authorized		
Unlimited common shares without par value		
Issued		
53,066,888 (2006 - 50,868,138) common shares	125,672,003	110,088,761
Options (Note 9)	715,011	1,079,766
Warrants (Note 10)	879,467	-
Contributed surplus (Note 11)	2,803,822	2,797,768
Deficit	<u>(69,646,323)</u>	<u>(64,983,924)</u>
	<u>60,423,980</u>	<u>48,982,371</u>
	<u>\$ 68,497,110</u>	<u>\$ 60,766,531</u>

Operations, going concern and measurement uncertainty (Note 1)

Approved by the Board of Directors:

(signed) "Brian E. Bayley" Director

(signed) "S. Paul Kostuik" Director

See accompanying notes to interim financial statements.

KIRKLAND LAKE GOLD INC.

STATEMENTS OF OPERATIONS AND DEFICIT (UNAUDITED)

PERIODS ENDED October 31, 2006 AND 2005

(EXPRESSED IN CANADIAN DOLLARS)

	THREE MONTH PERIOD ENDED OCTOBER 31 2006	THREE MONTH PERIOD ENDED OCTOBER 31 2005	SIX MONTH PERIOD ENDED OCTOBER 31 2006	SIX MONTH PERIOD ENDED OCTOBER 31 2005
Mining revenue	\$ 9,397,693	\$ 5,985,574	\$ 17,914,745	\$ 13,379,526
Operating expenses				
Operating costs	7,968,523	4,985,052	16,063,072	15,445,295
Stock-based compensation for operational personnel	6,104	15,314	16,442	67,156
Amortization and depletion	864,682	625,608	1,683,503	1,192,040
Royalties	339,743	181,042	683,449	401,850
	<u>9,179,052</u>	<u>5,807,016</u>	<u>18,446,466</u>	<u>17,106,341</u>
Operating margin	218,641	178,558	(531,721)	(3,726,815)
Other expenses				
General and administrative	593,031	416,840	1,326,101	639,656
Stock-based compensation for administrative personnel	10,229	105,552	38,866	210,706
Exploration	1,163,169	648,100	3,145,477	1,870,888
Interest and bank charges	59,667	657	78,896	29,567
Interest and other income	(240,476)	(91,444)	(458,662)	(174,270)
	<u>1,585,620</u>	<u>1,079,705</u>	<u>4,130,678</u>	<u>2,576,547</u>
Loss for the period	(1,366,979)	(901,147)	(4,662,399)	(6,303,362)
Deficit - beginning of period	(68,279,344)	(63,929,577)	(64,983,924)	(58,527,362)
Deficit - end of period	\$ (69,646,323)	\$ (64,830,724)	\$ (69,646,323)	\$ (64,830,724)
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)	\$ (0.09)	\$ (0.14)
Weighted Average number of shares outstanding	52,952,736	47,675,166	52,659,955	46,595,997

See accompanying notes to interim financial statements.

KIRKLAND LAKE GOLD INC.

STATEMENT OF CASH FLOWS (UNAUDITED)

PERIODS ENDED October 31, 2006 AND 2006

(EXPRESSED IN CANADIAN DOLLARS)

	THREE MONTH PERIOD ENDED OCTOBER 31 2006	THREE MONTH PERIOD ENDED OCTOBER 31 2005	SIX MONTH PERIOD ENDED OCTOBER 31 2006	SIX MONTH PERIOD ENDED OCTOBER 31 2005
Cash flows from operating activities				
Loss for the period	\$ (1,366,979)	\$ (901,147)	\$ (4,662,399)	\$ (6,303,362)
Items not affecting cash				
Amortization and depletion	864,682	625,608	1,683,503	1,192,040
Stock-based compensation	16,333	120,866	55,308	277,862
Asset retirement obligation	27,687	32,179	55,374	63,840
Changes in non-cash working capital items				
Accounts receivable	156,810	96,670	1,897,839	309,181
Inventories	608,935	(1,464,175)	351,729	(96,443)
Prepaid expenses and deposits	25,620	(406,978)	(127,150)	(461,104)
Accounts payable, accrued liabilities and other liabilities	(4,836,379)	(3,515,941)	(3,766,402)	(2,424,006)
	(4,503,291)	(5,412,918)	(4,512,198)	(7,441,992)
Cash flows from financing activities				
Net proceeds from issuance of capital stock & warrants	475,022	12,891,401	16,048,700	13,948,484
Security deposits	500,612	-	500,612	-
	975,634	12,891,401	16,549,312	13,948,484
Cash flows applied to investing activities				
Purchase of property, plant and equipment	(521,166)	(396,817)	(1,306,203)	(1,198,256)
Additions to mineral properties	(1,478,332)	(2,899,830)	(3,475,760)	(5,158,014)
	(1,999,498)	(3,296,647)	(4,781,963)	(6,356,270)
Increase (decrease) in cash and cash equivalents	(5,527,155)	4,181,836	7,255,151	150,222
Cash and cash equivalents - Beginning of period	22,194,229	4,600,933	9,411,923	8,632,547
Cash and cash equivalents - End of period	\$ 16,667,074	\$ 8,782,769	\$ 16,667,074	\$ 8,782,769

Supplemental cash flow information (Note 14)

See accompanying notes to interim financial statements.

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2006 and 2005

(expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Operations

Kirkland Lake Gold Inc. (the company) owns gold mining and milling operations in Kirkland Lake, Canada, which were inactive when acquired in December 2001.

Going concern

These 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 business as they come due.

At October 31, 2006, the company has working capital of \$15.6 million and has committed to spend \$362,000 on eligible flow-through expenditures before December 31, 2006. The funds required to continue operations and exploration activities during this period have been financed primarily from the issue of equity.

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.

The Company's ability to continue as a going concern, and the recoverability of its mineral properties and property, plant and equipment, is dependent on the gold price, its ability to fund its development and exploration programs, and manage and generate positive cash flows from operations. These financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the going concern assumption be inappropriate, and these adjustments could be material.

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2006 and 2005

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principals ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual audited financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the company's financial statements including the notes thereto for the year ended April 30, 2006.

(b) STOCK-BASED COMPENSATION

The company has a stock option plan as described in note 9. Effective May 1, 2004, the company adopted the new accounting standard for stock-based compensation. The standard sets out a fair value approach that is required for all stock-based transactions. Prior to May 1, 2004, the company used the intrinsic value-based method to account for its employee stock incentive plan and therefore no compensation expense had been recognized under the plan for stock options issued to employees and directors. This change in policy has been applied retroactively without restatement of prior periods.

Stock-based compensation on options is recorded as an expense in the period the options are vested, based on the fair value estimated based on the Black-Scholes option pricing method.

3. SECURITY DEPOSITS

The company's security deposits include \$224,388 held as collateral to provide a letter of credit to the Independent Electricity Market Operator as security for payment in connection with ongoing electricity usage.

4. INVENTORIES

	OCTOBER 31	APRIL 30
	2006	2006
Mine operating supplies	\$ 1,021,961	1,147,502
Gold in process	2,922,209	2,657,417
Surface stockpile	-	490,980
	\$ 3,944,170	4,295,899

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2006 and 2005

(expressed in Canadian dollars)

5. MINERAL PROPERTIES

	OCTOBER 31 2006	APRIL 30 2006
Balance - Beginning of period	\$ 29,986,447	\$ 20,227,298
Additions:		
Development costs	3,475,760	11,867,437
Depletion	(783,258)	(2,108,288)
Balance - End of period	<u>\$ 32,678,949</u>	<u>\$ 29,986,447</u>

	COST	ACCUMULATED AMORTIZATION	OCTOBER 31 2006	APRIL 30 2006
Acquisition allocation	\$ 795,648	\$ 114,796	\$ 680,852	\$ 688,935
Underground development	32,875,308	3,625,579	29,249,729	26,516,153
Underground pumping	2,050,942	287,216	1,763,726	1,784,666
Mill & surface facilities	149,371	21,631	127,740	129,617
Lakeshore property	1,000,411	143,509	856,902	867,076
	<u>\$ 36,871,680</u>	<u>\$ 4,192,731</u>	<u>\$ 32,678,949</u>	<u>\$ 29,986,447</u>

6. PROPERTY, PLANT AND EQUIPMENT

	COST	ACCUMULATED AMORTIZATION	OCTOBER 31 2006 NET
Computer equipment	\$ 490,822	\$ 358,036	\$ 132,786
Mine and mill equipment	16,392,694	5,165,296	11,227,398
Vehicles	129,493	67,955	61,538
Buildings	688,926	200,590	488,336
	<u>\$ 17,701,935</u>	<u>\$ 5,791,877</u>	<u>\$ 11,910,058</u>

	COST	ACCUMULATED AMORTIZATION	APRIL 30 2006 NET
Computer equipment	\$ 433,471	\$ 298,532	\$ 134,939
Mine and mill equipment	15,227,406	4,438,354	10,789,052
Vehicles	115,957	56,132	59,825
Buildings	688,926	168,642	520,284
	<u>\$ 16,465,760</u>	<u>\$ 4,961,660</u>	<u>\$ 11,504,100</u>

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2006 and 2005

(expressed in Canadian dollars)

7. ASSET RETIREMENT OBLIGATION

The company has assumed responsibility for the reclamation and site restoration plans originally filed with the Ontario Ministry of Northern Development and Mining (MNDM) in connection with the all the Kirkland Lake properties. The estimated total costs of reclamation and site restoration at October 31, 2006 are \$2,711,670 and financial assurance has been provided to the MNDM by way of mine closure bonds in the amount of \$2,043,435.

A reconciliation for asset retirement obligations is as follows:

	OCTOBER 31 2006	APRIL 30 2006
Balance - Beginning of year	\$ 1,845,780	\$ 2,110,583
Revision to timing of estimate mining life	-	(391,438)
Accretion	55,374	126,635
Balance - End of period	<u>\$ 1,901,154</u>	<u>\$ 1,845,780</u>

There were no liabilities incurred or settled during 2007 and 2006.

The provision for asset retirement obligations is based on the following key assumptions.

- The total undiscounted cash flow as at April 30, 2007 is \$2,711,670.
- The expected settlement to be in 2016.
- A credit adjusted risk free rate at which the estimated payments have been discounted of 6%.
- An inflation rate of 2%.

8. CAPITAL STOCK

	Number of shares	Stated value
Balance - Beginning of period	50,868,138	\$ 110,088,761
Exercise of options (Note 9)	405,250	1,350,172
Private placements	1,793,500	16,500,200
Share issuance costs	-	(1,387,663)
Share proceeds allocated to warrants	-	(879,467)
Balance - End of period	<u>53,066,888</u>	<u>\$ 125,672,003</u>

On May 24 and 25, 2006 and June 2, 2006, the company completed a private placement of 1,793,500 units at a price of \$9.20 per unit totalling \$16,500,200 (\$15,113,340 net). Each unit consisted of one common share and one-half of a share purchase warrant. 271,750 warrants are exercisable until May 24, 2007, 615,000 warrants are exercisable until May 25, 2007 and 10,000 warrants are exercisable until June 2, 2007 at a price of \$10.50 per share. The share purchase warrants issued as part of this placement have been recorded at a fair value of \$879,467.

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2006 and 2005

(expressed in Canadian dollars)

9. OPTIONS

The company has adopted a stock option plan. The plan allows the company to grant options to directors, senior officers and employees of or consultants to the company or employees of a corporation providing management services to the company. The aggregate number of shares which may be subject to issuance pursuant to options granted under this plan is 3,500,000 shares.

The plan provides that the exercise price of an option granted under the plan shall not be less than the market price at the time of granting the option. Options have a maximum term of 10 years and terminate on the 90th day after the optionee ceased to be any of a director, officer, consultant or employee; on the 30th day after the optionee ceased to be an employee or consultant if the optionee was engaged in providing investor relations services for the company; or the earlier of the 90th day and the third month after the optionee ceased to be an employee or officer if the optionee is subject to the tax laws of the United States of America.

Notwithstanding that options can have a maximum term of 10 years it is presently the policy of the company to issue options for terms of five years.

The change in stock options issued during the 6 month period ended October 31, 2006 are as follows:

	Number of shares	Weighted average exercise price
Options outstanding - May 1	737,124	\$ 2.87
Exercised	(405,250)	2.31
Options outstanding - October 31	331,874	\$ 3.55
Options exercisable - October 31	331,874	\$ 3.55

The following table summarizes information about stock options outstanding and exercisable at October 31, 2006:

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
1.60	624	624	0.44	0.44
2.20	80,750	80,750	1.19	1.19
2.45	35,000	35,000	0.60	0.60
2.80	10,000	10,000	1.79	1.79
3.95	106,500	106,500	2.07	2.07
4.70	99,000	99,000	2.90	2.90
1.60 - 4.70	331,874	331,874	1.94	1.94

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2006 and 2005

(expressed in Canadian dollars)

9. OPTIONS (CONT'D)

The company grants all employee stock options with an exercise price equal to the market value of the underlying common shares on the date of grant. Compensation costs for all grants under the employee stock option plan have been determined by the fair value method. Compensation expense recorded for the six months ended October 31, 2006 was \$55,308.

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

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the company's stock options.

For the period ended October 31, 2006, the value ascribed to unexercised options recorded as a component of shareholders' equity is as follows:

	OCTOBER 31	APRIL 30
	2006	2006
Balance - Beginning of period as restated	\$ 1,079,766	\$ 1,184,062
Accretion of options granted	55,308	365,440
Exercise of options	(414,009)	(456,217)
Options forfeited	(6,054)	(13,519)
Balance - End of period	\$ 715,011	\$ 1,079,766

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2006 and 2005

(expressed in Canadian dollars)

10. WARRANTS

The changes in warrants outstanding are as follows:

	Number of shares	Weighted average exercise price
Warrants outstanding - May 1, 2006	-	\$ -
Granted	896,750	10.50
Warrants outstanding - October 31, 2006	896,750	\$ 10.50

The value ascribed to unexercised warrants recorded as a component of shareholders' equity is as follows:

	OCTOBER 31 2006	APRIL 30 2007
Balance - Beginning of period	\$ -	\$ 3,841,480
Unit proceeds allocated to warrants	-	-
Agents warrants issued in private placement	879,467	517,559
Exercise of warrants	-	(1,735,548)
Expiry of warrants	-	(2,623,491)
Balance - End of period	\$ 879,467	\$ -

11. CONTRIBUTED SURPLUS

	OCTOBER 31 2006	APRIL 30 2006
Balance - Beginning of period	\$ 2,797,768	\$ 160,755
Forfeited options	6,054	13,519
Forfeited warrants	-	2,623,494
Balance - End of period	\$ 2,803,822	\$ 2,797,768

KIRKLAND LAKE GOLD INC.

Notes to Unaudited Financial Statements

For the three and six months ended October 31, 2006 and 2005

(expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the six month period:

(a) The company paid office facilities and administration services in the amount of \$21,000 (2005 - \$21,000) to a company related by directors in common.

(b) At October 31, 2006, accounts payable included \$4,000 (2005 - \$nil) owing to companies with directors in common. Amounts due to related parties are non-interest bearing and have no fixed terms of repayment.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

13. SEGMENTED INFORMATION

The company has one operating segment consisting of a mining and milling operation located in Kirkland Lake, Canada. During the periods ended October 31, 2006 and 2005 all of the company's capital assets and operations were in Canada.

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the three and six month periods ended October 31, 2006 and 2005, the company conducted non-cash financing and investing activities as follows:

	THREE MONT PERIOD ENDED OCTOBER 31 2006	THREE MONT PERIOD ENDED OCTOBER 31 2005	SIX MON PERIOD ENDED OCTOBER 31 2006	SIX MON PERIOD ENDED OCTOBER 31 2005
Agent warrants issued as part of share placement (Note 10)	\$ -	\$ -	\$ 879,467	\$ -