



**P.O. Box 370  
KIRKLAND LAKE, ON, P2N 3J7**

**Management's Discussion & Analysis ('MD&A')  
Second Quarter – Fiscal 2008**

This MD&A is intended to help the reader understand Kirkland Lake Gold Inc. ('us', 'KGI' or 'the Company'), our operations and our present business environment.

This MD&A has been prepared as of November 29, 2007 and covers the results of operations for the quarter ended October 31, 2007. It is intended to supplement the unaudited Financial Statements and notes thereto which are expressed in Canadian Dollars and prepared in accordance with Canadian Generally Accepted Accounting Principles. This MD&A should be read in conjunction with both the annual audited financial statements and notes thereto for the year ended April 30, 2007 and the related annual MD&A. Additional information relating to the Company is available from the Company's Annual Information Form ('AIF') filed with the Canadian securities regulators on SEDAR at [www.sedar.com](http://www.sedar.com).

**FORWARD LOOKING INFORMATION**

Certain statements in this document constitute 'forward looking statements' and these statements are made as of the date hereof. Any forward looking statements are based upon reasonable assumptions, but no guarantees or assurances can be given that actual results will be consistent with such statements.

Forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:

- Risks inherent in the natural resource exploration, development and production
- Lack of operating cash flow and the Company's dependency on additional capital
- Competition in the mineral exploration and mining industries
- Governmental regulation and environmental liability
- Uncertainty of title of resource properties
- Results of legal claims made by or against the Company

A comprehensive list of the risks and uncertainties are set out in the Company's AIF. Readers should not place undue reliance on any forward looking statements.

**OUR BUSINESS**

The Company 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. The Company's corporate goal is to expand its gold reserves and to become a profitable gold producer.

The Company's common shares trade on the TSX (Toronto Stock Exchange) and on the AIM (Alternative Investment Market) of the London Stock Exchange.

**OPERATIONS REVIEW – INCLUDING A REVIEW OF REVENUES AND COSTS**

The loss for the quarter ended October 31, 2007 was \$2,393,263 or \$0.04 per share, which compares with an income of \$36,237 or \$NIL per share for the previous quarter and a loss of \$1,366,979 or \$0.03 per share for the same period of fiscal 2007.

During the quarter:

- 35,908 tons of rock were hoisted from underground operations, of which 23,579 tons were milled as ore producing 11,460 ounces of gold (2007: hoisted tons: 55,370, milled tons: 39,462, and 13,344 ounces).
- 2,298 feet (2007: 2,022 feet) of lateral and vertical operating stope development was completed, an increase of 14%. Stope development within the New South Zones has proceeded on four of the newly discovered structures providing enhanced information important for mine design of the new zones. During the second quarter of fiscal 2008, a significant portion of stope development also occurred in the Upper D-Zone and in the existing ore blocks within the '04 Break.
- 677 feet (2007: 1,667feet) of capital drift and raise development was completed, a decrease of 59% primarily due to the completion of two major ramp systems within the upper mine. Development to access the new South Mine Complex from the 5000 level accounted for 50% of all capital development, the new Upper Waste Pass, which replaced the old upper waste pass system (due to its failure), was 40% of the capital development during the quarter. Also during the quarter, a new refuge station was built on 5300 foot level to support activities in the South Mine Complex.
- Ore grade to the mill was 0.499 ounces of gold per ton (opt) for the quarter compared to the second quarter of fiscal 2007, ore grade to the mill was 43% higher (Q2/07: 0.348 opt). The increase in head grade was anticipated due to increased mining in the higher-grade reserves of both the South Mine Complex and the existing mine. This quarter saw the second highest head grade to the mill since the company re-established operations in 2002. (2005:Q4 - 0.534 opt head grade)
- Ore grade for September was 0.856 opt, which is thought to be the highest single month's production grade in the history of Macassa. On September 25<sup>th</sup>, 755 tons of ore grading 1.60 opt were milled producing 1,206 feed ounces of gold, which is thought to be the highest single day's production grade in the history of Macassa.
- As a percentage of hoisted ore tons, the long-hole mining method only contributed 12% compared to 52% in the fourth quarter of fiscal 2007 (Q1/08: 40%). This was due to increased mining in the flatter dipping zones and lower levels of developed longhole reserves. More longhole reserves are currently being developed and the relative importance on this mining method is lower than in the previous two quarters.
- Ore tonnage generated from the South Mine Complex accounted for 3,251 tons or nearly 14% of the quarterly milled tonnage compared to the first quarter of fiscal 2008 when production from this zone was 5,518 ore tons or 16% of milled tons. (Q2/07: 137 ore tons, 0.3% of milled tons)
- Ore grades realized from the South Mine Complex for the quarter were 1.10 opt, which is significantly above historical mine grades and forecast. Over the past three months, the New South Zone (one zone from within the South Mine Complex) has produced 1,975 tons at a head grade of 1.23 opt, making it a significant contributor to ounces produced during the quarter. This trend is expected to continue for the remainder of fiscal 2008 as considerable management time and resources will be dedicated to infrastructure development and increasing reserves. Consistent delivery of the high-grade ore from the New South Zone should be realized by using cut and fill mining methods. Increasing tonnage from multiple faces on multiple zones will be possible following the development of access ramps throughout the South Mine Complex.

<b>Financial Highlights</b> All amounts in 000s of Canadian Dollars, except shares and per share figures	<b>3 months ended October 31 2007</b>	<b>3 months ended October 31 2006</b>	<b>6 months ended October 31 2007</b>	<b>6 months ended October 31 2006</b>
Gold Sales (ounces)	10,142	13,665	26,017	25,796
Average Price (per ounce)	\$726	\$688	\$717	\$690
Revenue	7,362	9,398	18,662	17,915
Operating Expenses	8,069	9,179	17,950	18,446
Exploration Expenditure	1,306	1,163	2,093	3,145
Net Income (loss)	(2,393)	(1,367)	(2,357)	(4,662)
Per share (basic and diluted)	(0.04)	(0.03)	(0.04)	(0.09)
Cash Flow from (used) operating activities	(3,065)	(4,003)	(493)	(4,012)
Cash Flow from financing activities	5,024	475	12,148	16,049
Cash Flow (used) for investing activities	(1,478)	(1,999)	(3,164)	(4,782)
Net increase (decrease) in cash	481	(5,527)	8,491	7,255
Cash at end of period	34,766	16,667	-	-
Total Assets	91,454	68,497	-	-
Total Liabilities	9,445	8,073	-	-
Working Capital	35,132	15,645	-	-
Weighted average number of shares outstanding	55,309,397	52,952,736	55,248,452	52,659,555
Dividends per share	NIL	NIL	NIL	NIL

Compared to the quarter ended October 31, 2006:

- Gold revenues were 21% lower at \$7,362,326 (2007: \$9,397,693), reflecting a 5% increase in the realized gold price and a 26% decrease in ounces sold.
- Operating expenses decreased to \$8,068,781 (2007: \$9,179,052), a decrease of 12%. This decrease was primarily due to decreased manpower levels and associated costs.
- Exploration programs continued with expenditures of \$1,306,303 (2007: \$1,163,169). This increase was a function of one additional electric drill coming on line during the quarter. This drill is located on the 5000 foot level and is currently drilling the South Mine Complex.
- Total production spending including operating costs, capital spending and royalties fell 5% to \$8.7 million (2007: \$9.8 million).
- Capital spending on mine development and equipment fell to \$1.5 million (2007: \$2.0 million) reflecting the lower level of underground capital development.
- Net proceeds from financing activities were \$4.5 million higher due to a private placement which took place during the quarter.
- Cash at the end of the period was \$34,766,104 (2007: \$16,667,074) as a consequence of share placement and flow through financing initiatives which have taken place in the last year. The change in interest income reflects higher cash balances on deposit.

Compared to the quarter ended July 31, 2007:

- Gold revenues were 35% lower at \$7,362,326 (July: \$11,300,111), of this 36% was due to a decrease in ounces sold but which was offset by a 1% increase in the realized gold price.

- Operating expenses decreased to \$8,068,781 (Q1: \$9,880,924), a decrease of 18%. This decrease was primarily due to a fall in manpower and associated production costs, along with a \$300,000 credit from our insurance provider.
- Total production spending including operating costs, capital spending and royalties decreased 18% to \$8.7 million.
- Capital spending on mine development and equipment fell 12% to \$1.5 million (July: \$1.7 million) consistent with the lower level of underground capital development.
- Operating margins dropped significantly to (\$706,455) due to higher operating development taking place in the south mine complex, in particular, on the 5300 foot level.
- Cash flows from financing activities were \$2.1 million lower than the previous quarter.

### Summary of Quarterly Results

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

<b>Expressed in 000s of Canadian Dollars</b>	<b>4<sup>th</sup> Quarter</b>	<b>3<sup>rd</sup> Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>1<sup>st</sup> Quarter</b>
<b>Fiscal 2008</b>				
Revenue			7,362	11,300
Net Loss			(2,393)	36
Loss per Share (Basic & Diluted)			(0.04)	(0.0)
<b>Fiscal 2007</b>				
Revenue	10,529	8,212	9,398	8,517
Net Loss	(1,191)	(2,530)	(1,367)	(3,295)
Loss per Share (Basic & Diluted)	(0.02)	(0.06)	(0.03)	(0.06)
<b>Fiscal 2006</b>				
Revenue	10,632	11,111		
Net Loss	(2,464)	2,310		
Loss per Share (Basic & Diluted)	(0.04)	0.05		

Notwithstanding the higher levels of operating development taking place in the new South Mine Complex which contributed heavily to a quarterly operating loss, our operating costs per ounce sold and produced continue to improve.

The proportion of capital development costs is likely to remain low until specific areas are accessed and mine design is completed for the new South Mine Complex. Currently a location is being sought for the ramp corridor between the 5000 and 5300 foot levels, however, drilling continues to encounter mineralization and has not been successful in proving up a waste zone for development. Once a proper location is identified, substantial ramp development will occur and result in an upward trend of capital development costs.

### Subsequent Events

In November 2007 the Company de-registered its common shares and terminated its reporting obligations under the United States *Securities Exchange Act of 1934*. Accordingly, the Company is no longer required to file periodic or annual reports with the Securities and Exchange Commission (SEC). The deregistration is expected to substantially reduce the Company's regulatory compliance costs while maintaining the liquidity of its common shares through the two principal stock markets on which the shares trade, the Toronto Stock Exchange (TSX) and the Alternative Investment Market of the London

Stock Exchange (AIM). The Company's board of directors made this decision based on its assessment that: (a) continued compliance with the rules of the SEC and the Exchange Act, in particular Section 404 of the Sarbanes-Oxley Act of 2002, would be excessively burdensome for the Company relative to the limited benefits it might realise from such compliance, and (b) all investors of its common shares are protected by applicable Canadian and UK securities legislation and the Company's listing on, and continued compliance with the rules of, the TSX and AIM.

### Exploration Update

Exploration drilling to the south continues to expand the South Mine Complex. Drill hole 53-574 returned 5.17 opt over a core length of 2.0 feet on the Lower D North Zone at the -5536 elevation or 271 feet (460 feet down the dip) below the -5300 cross cut. A newly designated zone, called Barchetta, was intersected while testing the Lower D North and assayed 5.62 opt uncut (1.75 opt cut) over a core length of 9.8 feet. The Barchetta Zone is located between the New South Zone and the Lower D North Zone and dips at 30 degrees to the south.

Initial definition drilling on the New South Zone has confirmed grade and continuity with drill hole 53-757 returning 9.13 opt uncut (2.54 opt cut) over a core length of 36.0 feet. Within this intersection is a 2.3 foot interval which assayed 92.23 opt and is the third highest recorded drill hole intersection in the history of the Kirkland Lake Mining Camp. To date, four of the five highest recorded drill hole assays in the history of the camp are located within the South Mine Complex.

### Qualified Person

The scientific and technical results of the Company's exploration programs and operations disclosed in this MD&A have been reviewed, verified (including sampling, analytical and test data) and compiled by the Company's geological staff (which includes a 'qualified person', Stewart Carmichael P.Geo., the Company's Chief Exploration Geologist, for the purpose of National Instrument 43-101, *Standards of Disclosure for Mineral Projects, of the Canadian Securities Administrators*). He also supervised the preparation of the information that forms the basis of the technical disclosure in this MD&A.

### Quality Assurance & Control

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.

## **OUTLOOK**

The Company continues to invest heavily in its people and equipment to improve production and partially finance the ongoing exploration program. The Company continues to mitigate competition for underground employees by adopting and implementing HR best practices as well as continuing to invest and in-house training and promote employee retention schemes. Production forecasts for fiscal 2008 indicate annual gold production of between 50,000 and 60,000 ounces. See 'Forward Looking Information' for a description of the factors that may cause actual results to differ from this forecast.

Mine design of the new high grade zones to the south is ongoing with further definition drilling and development providing valuable geotechnical information and insight into future mine plans.

## LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

To date, the Company has relied significantly on private placement financings of its equity securities to finance its operations. With current cash resources and insufficient income at this stage to cover expenses, the liquidity risk is significant. A series of cost reduction measures as well as control and process improvements have been implemented to tighten expenditure controls. However, success will depend largely upon improvements in the execution and efficiency of production and the Company's ability to continue to add to reserves as cost effectively as in the past.

Sales of gold doré bars and the majority of the Company's expenses are incurred in Canadian Dollars therefore the Company is substantially protected against movements in foreign exchange. The Company's principal exchange rate risk relates to movements between the Canadian Dollar and US Dollar on the price of gold.

Our holding of cash balances is kept under review and surplus funds are held on deposit at rates set by reference to the prevailing Prime Rate. There are no fixed, floating rate or interest free financial liabilities by way of borrowing.

Cash and short terms deposits were as follows:

Currency	At October 31, 2007	At July 31, 2007	At October 31, 2006
Canadian Dollars	34,747,404	34,264,230	16,435,872
US Dollars	18,700	20,855	231,202
Total	34,766,104	34,285,175	16,667,074

Interest received on Canadian Dollar deposits range from 4 - 4.50% per year and interest received on US dollar balances is currently 3.75% per year.

The Cash Flow Statement shows that the Company used \$3,065,030 in operating cash flows during the quarter. This is primarily a result of the net loss incurred during the period and an increase in accounts receivable and inventory balances.

Net proceeds from the financing activities were \$5.1 million received from a private placement.

Security deposits include a letter of credit for \$225,000 held for the Independent Electrical System Operator of Ontario (IESO) to secure the provision of electricity to the Macassa property, and a deposit of \$65,000 in favour of Great West Life, our benefits provider, which was re-classified from Prepaid Expenses.

Cash flow applied to investing activities of \$1,477,869 was lower than in previous quarters as a result of lower investment in capital development headings. Major improvements to the primary mill have been completed, however, work still continues to be done on the primary mill motor and will continue into the third quarter.

The Company's cash resources of \$34,766,104 are expected to be sufficient to fund the Company's planned exploration and development activities for the coming 12-18 months. As at November 30, 2007, the Company had cash resources of \$35,309,993.

### Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, security deposits, accounts receivable, accounts payable, and other liabilities. At October 31, 2007, the carrying values of these instruments approximate their fair values based on the nature of these instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As at April 30, 2007, the Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 232 ounces of gold at an average price of \$753 per ounce to be delivered under this contract. Fair value was not significantly different from stated value when the gold was delivered on May 9, 2007. As at October 31, 2007, the Company did not have any outstanding contracts.

### Commitments

The Company will be submitting a revised closure plan to the Ministry of Northern Development & Mines in the next few weeks. If this plan is approved, the value of the closure obligation will increase from \$2,235,829 to \$4,452,597.

### Related Party Transactions

Pursuant to an agreement between the Company and Quest Management Ltd., the Company pays \$3,500 per month to Quest in consideration of Quest providing corporate and accounting services to the Company. During the quarter, the total fees paid to Quest for services performed under the agreement were \$10,500. Quest is a subsidiary of Quest Capital Corp., a publicly traded company (TSX, AMEX and AIM) and has one common director and a common corporate secretary with the Company.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The details of the Company'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 and recoverable ounces, assumptions of operating costs and future gold prices and possible values assigned to potential resources on exploration properties. Such estimates and assumptions affect the cost recovery of long-lived assets and the rate at which depletion and amortization are charged to earnings. In addition, management must estimate costs associated with mine reclamation and closure costs.

The following estimates are considered by management to be the most critical for investors to understand some of the processes and reasoning that go into the preparation of the Company's financial statements, providing some insight also to uncertainties that could impact the Company's financial results.

### Going Concern

While the annual 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, 2007, 2006 and 2005, the Company incurred losses of \$8.4 million, \$6.5 million and \$28.2 million, respectively. Cash flow required for operating activities, including exploration costs charged to operations of \$18.0 million, aggregated \$37.7 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 October 31, 2007, the Company had working capital of \$35.1 million and was committed to spend the remaining \$56,000 on eligible flow-through expenditures before December 31, 2007. 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 next year. However, differences between actual results and those projected by management 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.

While management has been successful in obtaining sufficient funding for the Company's operating and capital exploration requirements in the past, there is 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 funding does not become available, the Company may not be able to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

#### Measurement Uncertainty

The Company's history of operating losses from mining operations indicate at July 31, 2007, that the recorded costs for mineral properties and related fixed assets may not be recoverable. Management estimates, using a constant gold price of approximately CDN \$600 per ounce (average sales price per ounce sold in the quarter was \$726) and operating costs similar to historical costs incurred over the past year, that annual production of approximately 50,000 – 60,000 ounces in fiscal 2008 and 80,000 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 average tonnes of ore processed and ounces of gold produced annually compared to the last three years, a reduction in the workforce and associated mining costs through the curtailment of certain development projects, or both.

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. In addition, 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 the 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.

#### Mineral Reserves & Deferred Exploration Costs

The Company expenses exploration expenditures and near term ore development costs as incurred. Property acquisition costs and longer term development costs incurred to expand ore reserves are deferred and depleted on a units-of-production basis over proven and probable reserves which are currently accessible by the Company. Management's estimate of gold price, recoverability, proven and probable reserves, operating capital and reclamation costs are subject to risk and uncertainties affecting the recoverability of the Company's investment in mineral properties. The Company assesses capitalized costs for recoverability on an annual basis or more frequently if changes in circumstances suggest that possible impairment. Where information is available and conditions suggest impairment, estimated future net cash flows are calculated using estimated future prices, reserves and operating, capital and reclamation costs on an undiscounted basis. If the net carrying value of the property exceeds the estimated future net cash flows, the property will be written down to fair value.

#### Closure Costs

The Company has an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. These estimates are recorded as a liability at their fair values in the periods in which they occur. If the estimate of reclamation costs proves to be inaccurate, the Company could be required to increase the provision for site closure and reclamation costs, which would increase the amount of future reclamation expense, resulting in a reduction in the Company's earnings and net assets.

### Internal Controls over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the period ended October 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **CHANGES IN ACCOUNTING POLICIES**

#### Financial Instruments, Comprehensive Income and Hedges

In January 2005, the CICA Handbook Sections 3855, 'Financial instruments – Recognition and Measurement', 1530, 'Comprehensive Income', and 3865 'Hedges.' These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis.

The Company has evaluated the impact of these new standards on its financial statements and determined that no adjustments are currently required.

### **OTHER MATTERS**

#### Outstanding Share Data

As at the date of this MD&A the following securities are outstanding:

<b>Security</b>	<b>Shares issued or Issuable</b>	<b>Exercise Price</b>
Common Shares	55,674,883	--
Options	444,000	\$2.20, \$2.80, \$3.95, \$4.70, \$9.30, \$8.65, \$12.50
Warrants	225,000	\$13.00

#### Further Information

Additional information relating to the Company, including its Annual Information Form, is on SEDAR at [www.sedar.com](http://www.sedar.com).