



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

**Management's Discussion & Analysis ('MD&A')  
Third 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 March 13, 2008 and covers the results of operations for the quarter and nine month period ended January 31, 2008. 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 January 31, 2008 was \$1,894,726 or \$0.03 per share, which compares with a loss of \$2,393,263 or \$0.04 per share for the previous quarter and a loss of \$2,530,091 or \$0.05 per share for the same period of fiscal 2007. The reasons for the decrease in this loss are discussed below.

During the quarter:

- 40,813 tons of rock were hoisted from underground operations, of which 30,944 tons were milled as ore producing 10,079 ounces of gold (2007-Q3: hoisted tons: 43,821, milled tons: 33,368, and 10,348 ounces). In the previous quarter: 35,908 tons were hoisted, 23,579 tons were milled, and from that 11,460 ounces were produced.
- Ore grade to the mill was 0.3394 ounces of gold per ton (opt) for the quarter, which is 6% higher than the third quarter of fiscal 2007 (2007- Q3: 0.321 opt). The head grade for the current fiscal year to date is 0.399 opt compared 0.343 opt in the same period of fiscal 2007. This is a consequence of increased mining of higher-grade deposits in the SMC.
- As a percentage of hoisted ore tons during the third quarter, the long-hole mining method only contributed 22% (6,677 tons long-hole/ 30,337 tons total) compared to 50% (17,027 tons long-hole/ 33,801 tons total) in the same quarter of fiscal 2007. Compared to the previous quarter (2008-Q2: 12%), long-hole tons rose 10%. The slight increase over the last quarter was due to more longhole mining opportunities in the Upper D-Zone. Longhole dilution results have been reduced due primarily to a modified drill pattern.
- Ore tonnage generated from the SMC during the quarter accounted for 5,225 tons or nearly 17% of the quarterly milled tonnage compared to the third quarter of fiscal 2007 when production from this zone was 3,102 ore tons or 9% of milled tons. (2008-Q2: 3,251 ore tons, 14% of milled tons)
- Ore grades realized from the SMC for the quarter were 0.43 opt. Since the first ore was mined from this newly discovered area in July 2007, the SMC has produced 23,718 tons at a head grade of 0.60 opt, making it the highest grade zone in production. This trend is expected to continue for the remainder of fiscal 2008 as considerable management time and resources continues to be dedicated to infrastructure development and increasing reserves in this area. Increasing tonnage from multiple faces on multiple zones will be possible following the development of access ramps throughout the SMC which will occur in fiscal 2009, beginning May 1, 2008.
- 292 feet of lateral flow-through development was completed by December 31, 2007 providing access through the 5300 foot level for diamond drill platforms to further explore and define the SMC.
- 2,213 feet (2007-Q3: 2,214 feet) of lateral and vertical operating stope development was completed. Zone development within the New South Zones accounted for 650 feet and took place on four of the newly discovered structures on the 5300 foot level and two new structures located at the 5000 foot level. During the third 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.
- 757 feet (2007-Q3: 1,069 feet) of capital drift and raise development was completed, a decrease of 29% primarily due to the completion of a bored waste pass from 5000 – 5600 foot levels in fiscal 2007- Q3. Development to access the new South Mine Complex (SMC) from the 5000 foot level accounted for 70% of all capital development.

<b>Financial Highlights</b> <i>(All amounts in 000s of Canadian Dollars, except shares and per share figures)</i>	<b>3 months ended January 31</b>		<b>9 months ended January 31</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Gold Sales (ounces)	11,949	11,351	37,966	37,256
Average Price (per ounce)	\$801	\$723	\$744	\$701
Revenue	9,576	8,212	28,239	26,127
Operating Expenses	10,233	10,124	28,182	28,570
Exploration Expenditure	992	857	3,085	4,002
Net Income (loss)	(1,895)	(2,530)	(4,252)	(7,192)
Per share (basic and diluted)	(0.03)	(0.05)	(0.08)	(0.14)
Cash Flow from (used) operating activities	618	15	222	(4,497)
Cash Flow from financing activities	194	1,791	(2,659)	18,341
Cash Flow (used) for investing activities	(1,999)	(1,253)	(5,162)	(6,035)
Net increase (decrease) in cash	(1,186)	554	7,402	7,809
Cash at end of period	18,848	17,221	-	-
Total Assets	90,573	69,473	-	-
Total Liabilities	9,961	10,429	-	-
Working Capital	32,770	13,770	-	-
Weighted average number of shares outstanding	55,676,805	53,152,804	55,394,062	52,824,238
Dividends per share	NIL	NIL	NIL	NIL

Compared to the quarter ended January 31, 2007:

- Gold revenues were 16% higher at \$9,576,271 (2007: \$8,212,184), reflecting an 11% increase in the realized gold price in Canadian dollars, and a 5% increase in ounces sold.
- Operating expenses increased to \$10,232,591 (2007: \$10,123,751), an increase of 1%, which reflects increases in mill expenses, depreciation, inventory adjustments and royalties that were offset by decreases in mining, environmental, general administration and engineering costs.
- Exploration programs increased 16% to \$991,850 (2007: \$856,778) as a consequence of an additional electric drill coming on line on the 5000 level in the South Mine Complex.
- Capital spending on mine development and equipment increased to \$2.0 million (2007: \$1.3 million). There was 29% less capital development performed in 2008-Q3 (757 feet) versus the same period, 2007-Q3 (1,069 feet). A major contributor to higher level of development in fiscal 2007 was a raise bore hole -no such development took place in fiscal 2008. The decrease in capital development was offset by an increase in the purchase of underground equipment and mill end repairs.
- Net proceeds from financing activities were \$1.6 million lower as no flow through financing was completed in the current quarter. (2007-Q3: \$1.8 million)
- Cash and short-term investments at the end of the nine month period was \$34,150,213 (2007: \$17,220,986). Cash and short-term investments include \$15 million of Government of Canada 90 day Treasury Bills and further information is disclosed in Note 4 of the accompanying financial statements.

For the first nine months and compared to the same period in fiscal 2007:

- Gold revenues were 7% higher at \$28,238,708 (2007: \$26,126,929), reflecting a 1% increase in ounces sold and a 6% increase in the realized gold price in Canadian dollars.
- Operating expenses decreased marginally to \$28,182,296 (2007: \$28,570,217), a decrease of 1%. This decrease in spending reflects increases in mining, depreciation, amortization and royalties, which were offset by decreases in mill processing, general administration, and inventory adjustment expenses.
- Exploration expenditure fell 23% to \$3,084,979 (2007: \$4,002,256) as a result of an increase in the level of definition drilling and recovery of costs associated with our exploration joint venture with Queenston.
- Capital spending on mine development and equipment fell 15% (\$0.8 million) to \$5.2 million (2007: \$6.0 million). This change is consistent with the absolute lower level of capital development, offset by an increase in the purchase of capital equipment.
- Cash flows from financing activities was \$6 million lower than for the same period last year. This decrease is a result of a net decrease of \$5.5 million on the issuance of common shares and common share purchase warrants (including \$1.8 million of flow through financing) and a \$0.5 million reduction in security deposits received from our former bankers.

Summary of Quarterly Results

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

All amounts in 000s of Canadian Dollars, except Loss per share figures	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
<b>Fiscal 2008</b>				
Revenue		9,576	7,362	11,300
Net Loss		(1,895)	(2,393)	36
Loss per Share (Basic & Diluted)		(0.03)	(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			
Net Loss	(2,464)			
Loss per Share (Basic & Diluted)	(0.04)			

A major capital development program involving substantial ramp, raise and drift development will start in fiscal 2009. These developments will provide access to new high grade ore stopes between the 5000 foot level to 5600 foot level elevations of the South Mine Complex.

Compared to the same quarter in fiscal 2007, the number of full time employees has increased 12% from 200 to 224. The Company's successful training program is a contributing factor to this increase, being effective in attracting and retaining new young talent within the company. In addition to the program, the Company's improved personnel development processes and employee retention schemes have aided in retaining employees in this highly competitive industry.

The Company had an excellent year in calendar 2007 with regards to safety. There were no lost time accidents on the property (including contractors) and the Company will receive the Angus Campbell Award for Safety on March 19, 2008, which recognises zero frequency for lost time associated with

accidents. Management have also achieved a dramatic decrease in medical aid injury frequency. In calendar 2007, medical aid injury frequency decreased by more than half to 1.9, with only 4 medical aid injuries being reported as compared to 4, with 9 injuries being reported for 2006. In recognition of these positive safety results, the Company received a \$400,000 worker's compensation funding rebate during the quarter.

### Subsequent Events

On February 6, 2008 the Company and Queenston Mining Inc. entered into an agreement to jointly (50%-50%) purchase a 100% interest in the Kirkland Lake West property ("KL West") in Ontario from Newmont Mining Corporation of Canada Limited, a subsidiary of Newmont Mining Corporation, for CDN \$1 million. The KL West adjoins the western boundary of KL Gold's Macassa Mine and contains the western extension of the Main/04 Break Ore horizon from which current and previous mining operators have produced approximately 24 million ounces of gold over the last 90 years.

### Exploration Update

Exploration drilling to the south continues to expand the South Mine Complex and in particular a subset of the SMC called the New South Zone. Drill hole 50-866 returned 2.09 opt uncut (1.44 opt cut) over a core length of 30.0 feet on the New South Zone extending the mineralization to the west. Drill hole 50-854 returned 0.36 opt over a core length of 28.0 feet on the New South Zone, extending the mineralization to the southeast and increasing the down dip component by 290 feet.

Other significant intersections in the New South Zone included drill hole 53-897 which returned 0.58 opt over a core length of 23.3 feet and drill hole 50-854W which returned 0.99 opt over a core length of 20.8 feet. For more information visit our website at [www.klgold.com](http://www.klgold.com).

### Qualified Persons

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 and production staff (which includes a 'qualified person' in each department, Stewart Carmichael P.Geo., the Company's Chief Exploration Geologist in respect of exploration results, and Duncan Middlemiss, P. Eng., the Company's Mine Manager in respect of production results, for the purpose of National Instrument 43-101, *Standards of Disclosure for Mineral Projects, of the Canadian Securities Administrators*). They 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, and
- attract and retain underground employees by adopting and implementing best practices in its employee relations, investing in training programs and promoting employee retention schemes.

Production forecasts for fiscal year ending April 30, 2008 indicate revised annual gold production in the range of 50,000 ounces. See 'Forward Looking Information' for a description of the factors that may cause actual results to differ from this forecast.

Mine design to access and recover ore from higher grade zones in the SMC continues, as well as ongoing definition drilling and development which is needed to provide 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 equity securities to finance its operations. With current cash resources and expenses exceeding income at this stage, the liquidity risk could be material. A series of cost reduction measures as well as control process improvements have been implemented to tighten expenditure controls. However, success will depend, for the most part, upon increased production as well as the Company's ability to add reserves as cost effectively as possible.

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 constant review and surplus funds are held on deposit at the best available market 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-term deposits were as follows:

Currency	At January 31, 2008	At October 31, 2007	At January 31, 2007
Canadian Dollars	34,130,197	34,747,404	16,992,468
US Dollars	20,016	18,700	228,518
Total	34,150,213	34,766,104	17,220,986

Interest received on Canadian Dollar deposits range from 3.5 - 4% per year and interest received on US dollar balances is currently 2.25% per year. A breakdown of cash and short-term deposits is available in Note 4 of the accompanying Financial Statements.

The Company generated \$618,030 in operating cash flows during the quarter. This was primarily a consequence of a reduction in net losses.

Net proceeds from financing activities was \$197,700, resulting from the exercise of common share purchase warrants.

Cash flow applied to investing activities of \$1,998,584 was higher than in previous quarters as a result of an increase in the purchase of underground mobile equipment.

The Company's cash resources of \$34,150,213 are expected to be sufficient to fund the Company's planned exploration and development activities for the next 12-18 months. As at March 13, 2008, the Company had cash resources of \$33,086,285.

### Financial Instruments

The Company's financial instruments as at year end consist of cash and cash equivalents, short-term investments, security deposits, accounts receivable, accounts payable, and other liabilities. At January 31, 2008, 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 year ended 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 January 31, 2008, the Company did not have any outstanding contracts.

### Commitments

At the end of January 2008, the Company submitted a revised closure plan to the Ministry of Northern Development & Mines of the Province of Ontario. If this plan is approved, the value of the closure obligation will increase from \$2,235,829 to \$4,452,975. A letter of credit has been arranged through HSBC Bank Canada to cover the Company's obligation and is disclosed in Note 4 of the accompanying financial statements. The existing mine closure bond of \$2.2 million is likely to be returned upon the approval of the revised plan.

### 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. Year to date, the total fees paid to Quest were \$31,500 (2007: \$32,500). Quest is a private management company and has one director in common and a corporate secretary in common 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 shortfall in operating activities and exploration funds during this period have been financed primarily from the issue of equity and convertible debt instruments.

At January 31, 2008, the Company had working capital of \$32.8 million and spent \$1.8 million of 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 12-18 months. 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 January 31, 2008, 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 \$801) 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 higher 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.

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 January 31, 2008 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, Option & Warrant Data

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

<b>Security</b>	<b>Shares issued or Issuable</b>	<b>Weighted Average Exercise Price</b>
Common Shares	55,703,312	--
Options	420,500*	\$7.51
Warrants	225,000	\$13.00

\*if all options have fully vested

#### Further Information

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