



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

**Management's Discussion & Analysis ('MD&A')
For the Year Ended April 30, 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 July 16, 2008 and covers the results of operations for the fourth quarter and year ended April 30, 2008. It is intended to supplement the audited Financial Statements and notes thereto which are expressed in Canadian Dollars and prepared in accordance with Canadian Generally Accepted Accounting Principles ('GAAP'). These statements together with the following management's discussion and analysis are intended to provide investors with a reasonable basis for assessing the potential future performance. 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.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A constitute 'forward looking statements'. While these statements are made as of the date hereof they refer to future events. 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 natural resource exploration, development and production
- Lack of operating cash flow and the Company's reliance 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, Canada which owns the Macassa Mine and Mill and four contiguous formerly producing gold mining properties. The Company's corporate goal is to expand its gold resources and reserves and reduce its operating costs to become a profitable gold producer.

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

The Company's senior management and Board of Directors have extensive experience in the natural resource and mining sectors that include exploration, mining and marketing, as well as experience in the legal and corporate finance areas.

OPERATIONS REVIEW – INCLUDING A REVIEW OF REVENUES AND COSTS

The Company incurred a loss for the year ended April 30, 2008 of \$3,345,980 or \$0.06 per share, which compares with a loss of \$8,383,405 or \$0.16 per share reported for fiscal 2007. The income for the quarter ended April 30, 2008 was \$905,772 or \$0.00 per share, which compares with a loss of \$1,894,726 or \$0.03 per share for the previous quarter and a loss of \$1,190,914 or \$0.01 per share for the same quarter in fiscal 2007. The principal causes of these quarterly and annual variations are discussed below.

(1) Compared to fiscal 2007:

- a) Gold production was 48,833 ounces, an 8% (4,125 ounces) decrease compared to fiscal 2007. This was due primarily to the low level of developed reserves within the South Mine Complex ('SMC') and a higher level of definition and delineation drilling taking place. Head grade for the year improved 10% to 0.401 ounces per ton of gold ('opt') (2007: 0.365 opt) due to a higher proportion of production coming from the higher-grade deposits in the SMC.
- b) The level of lateral and vertical development decreased 10% to 8,817 feet (2007: 9,792 feet). Operating development associated with the SMC (ore and waste) represented 37% (3,250 feet) of all operating development for fiscal 2008. The development plan for fiscal 2009 envisages a 15% increase in activity associated with the SMC to 3,708 feet.
- c) Ore generated from the development and delineation of the SMC throughout fiscal 2008 was 21,856 tons grading 0.670 opt with a recovery rate of 97% for 14,207 ounces produced. The contribution from this important new and significant area represented only 17.3% of the tons milled yet generated 29% of ounces produced. Significantly the grade realized in the SMC was 67% higher than the annual head grade milled (0.67 opt versus 0.40 opt).
- d) The level of capital development decreased 50.4% to 3,083 feet (2007: 6,223 feet). This sharp reduction in capital development is due to the SMC being in an intensive definition and delineation stage in order to provide the required upfront information for mine planning. Capital development expenditure planned for fiscal 2009 will, however, be considerable with 6,376 feet planned for the SMC. The majority of this planned development will be for muck passes, a vent raise and access development (track drift and ramps).
- e) During fiscal 2008, a newly developed waste pass system servicing the 3400 – 4750 foot levels was built to handle waste development from the upper portion of the main '04 break. This pass system replaced an existing pass system which had reached the end of its useful economic life in fiscal 2007.
- f) During fiscal 2008 and in advance of the anticipated increase in development and mining activity in the SMC, the Company invested heavily in plant and machinery. Investments included underground locomotives, ore cars, a new scoop tram, and rebuilding two electric scoop trams. The Company also initiated a program, in conjunction with suppliers, to rebuild scoops which will be better suited to the working conditions and anticipated future requirements of the mine. In total, three new scoops will be built at an anticipated cost of \$0.45 million.
- g) The Company, in conjunction with suppliers, has invested in the development and manufacture of a remote controlled, low profile, drill carrier capable of drilling rounds and installing ground support. The Company invested \$0.42 million into the project in fiscal 2008, and anticipates spending a further \$0.15 million in fiscal 2009. This new equipment will come into use before October, 2008 and is expected to improve operating effectiveness in areas with poor ground conditions and enhance worker safety.

- h) Significant improvements were also made to the mill in fiscal 2008 with the replacement of the ball mill discharge trunion end and the purchase of a spare discharge trunion end. The improvements and spares are required to maintain the current level of throughput, without causing extended down times. Improvements planned for fiscal 2009 include a new crusher screen deck which will increase throughput from 80 to 120 tons an hour. This in turn may result in cost savings by reducing water and electricity consumption.

(2) During the fourth quarter:

- a) A total of 44,432 tons of rock were hoisted from underground operations, of which 33,166 tons were milled as ore producing 14,089 ounces of gold (2007-Q4: hoisted tons: 50,839, milled tons: 40,128, and 16,558 ounces of gold). In the previous quarter: 40,813 tons were hoisted, 30,338 tons were milled, and from that 10,080 ounces were produced. The hoisted rock for the fourth quarter was down over the same quarter of last year due to the heightened definition and delineation of the SMC as mentioned in paragraph (1)a.
- b) Ore grade to the mill was 0.404 opt for the quarter, 5% lower than the fourth quarter of fiscal 2007 (2007- Q4: 0.426 opt) and 19% higher than in the previous quarter (2008- Q3: 0.339 opt). The lower grade in the fourth quarter of fiscal 2008 compared to the same quarter of fiscal 2007 was due to more stope mining of higher grade zones in fiscal 2007. In comparison to the previous quarter, the grades were higher due to increased mining of higher-grade deposits in the SMC.
- c) As a percentage of hoisted ore tons during the fourth quarter and consistent with the last quarter, the long-hole mining method only contributed 21% (6,992 tons long-hole/ 33,166 tons total) compared to 52% (21,642 tons long-hole/ 41,616 tons total) in the same quarter of fiscal 2007. This trend is due to development of less steeply dipping reserves which are more prevalent in the SMC and now represent the largest proportion of developed reserves. Initiatives to control longhole dilution have been very successful due to a modified drill pattern and explosives selection. In the next fiscal year, longhole mining is expected to contribute 40% of the ore mined as more longhole mining reserves are developed.
- d) Ore tonnage generated from the SMC during the quarter accounted for 7,862 tons or nearly 21.8% of the quarterly milled tonnage compared to the fourth quarter of fiscal 2007 when ore production from this zone was 5,315 tons or 13.2% of milled tons (2008-Q3: 5,225 ore tons, 16.9% of milled tons). Moving forward, the contribution of tons milled from the SMC on a quarterly basis is planned to be in the range of 16% to 28%.
- e) Ore grades realized from the SMC for the quarter were 0.728 opt. Since the first ore was mined from this newly discovered area in July 2006, the SMC has produced 31,580 tons at a head grade of 0.63 opt, making it the highest grade zone in production. Significant infrastructure development and definition drilling will continue to increase reserves in the SMC. In addition, production from multiple faces in several zones will be possible following after access ramps, which started in early fiscal 2009, are completed in the SMC.
- f) A total of 1,894 feet (2007-Q4: 2,214 feet) of lateral and vertical operating stope development was completed. Zone development in New South Zones accounted for 1,229 feet and took place on four of the newly discovered structures on the 5300 foot level and one new structure located at the 5000 foot level. The remainder of operating development within the quarter occurred within the Upper D-Zone and the existing ore blocks within the '04 Break.
- g) A total of 1,102 feet (2007-Q4: 528 feet) of capital drift and raise development was completed, an increase of 108% primarily due to the volume of capital track development on the 5300 foot level to access the Company's southern property boundary. Access development into the SMC from the 5000 and 5300 foot levels account for 72% of capital development expenditure and is expected to remain high for the foreseeable future.

SELECTED FINANCIAL INFORMATION & REVIEW OF OVERALL PERFORMANCE

Financial Highlights <i>(All amounts in 000s of Canadian Dollars, except shares and per share figures)</i>	Year ended April 30,		
	2008	2007	2006
Gold Sales (ounces)	52,019	50,890	59,630
Average Price (per ounce)	\$797	\$720	\$589
Revenue	41,436	36,656	35,123
Operating Expenses	39,609	38,459	36,145
Exploration Expenditure	3,877	4,860	5,025
Net Income (loss)	(3,346)	(8,383)	(6,457)
Per share (basic and diluted)	(0.06)	(0.16)	(0.13)
Cash Flow from (used) operating activities	2,158	(7,051)	(4,804)
Cash Flow from financing activities	12,341	31,329	20,169
Cash Flow (used) for investing activities	(25,171)	(7,415)	(14,586)
Net increase (decrease) in cash	(10,672)	16,863	779
Cash at end of period	15,603	26,275	9,412
Total Assets	91,521	80,769	60,767
Total Liabilities	10,053	9,143	11,784
Working Capital	30,056	26,216	6,702
Weighted average number of shares outstanding	55,470,107	52,947,013	48,118,378
Dividends per share	NIL	NIL	NIL

(3) Compared to the year ended April 30, 2007:

- a) Gold revenues were 13% higher at \$41.4 million (2007: \$36.7 million), reflecting an 11% increase in the realized gold price in Canadian dollars and a 2% increase in ounces sold.
- b) Operating expenses increased to \$39.6 million (2007: \$38.5 million), an increase of 3%, primarily due to increases in mining costs (\$795,355), amortization and depletion expenses by (\$409,447), and royalties of (\$216,347). These increases were offset by a decrease in general site expenses (\$127,457).

The increase in mining costs was due to a lower level of capital development expenditure to devote increased resources to the definition and delineation stage of the new SMC as mentioned in section (1) d above. In addition, there were increases in labour and benefits and increases in commodity prices such as steel for ground support. These increases were offset by a decrease in mining activity at No. 2 Shaft.

Increases in amortization and depletion expenses reflect the on-going high level of investment in mine development and capital equipment and royalty expenses increased consistent with the continued increase in gold prices.

- c) General and administrative expenses were \$2.2 million (2007: \$2.9 million). The decrease of \$700,567 was primarily due to lower labour costs (\$210,899), consulting fees (\$162,578), and travel expenses (\$270,080). These decreases were as a result of the Company's ongoing

commitment to reduce general and administrative expenses by lowering the number of on-site visits.

- d) Exploration costs were 20% lower at \$3.9 million (2007: \$4.9 million) as a consequence of fewer geologists and the higher level of definition drilling. The two drills re-deployed to definition drilling accounted for a reduction of 14% or \$721,461 and there was a decrease in tax 'flow-through' fund spending of \$261,386 as this program ended on December 31, 2007.
- e) Capital spending on mine development was 22% lower at \$4.2 million (2007: \$5.4 million) reflecting the lower overall level of capital development. Capital spending on equipment increased \$1.7 million (94%) to \$3.4 million (2007: \$1.8 million) as explained in paragraphs (1) d to h above.
- f) Total spending including operating costs, capital spending and royalties increased \$1.2 million to \$43.3 million (2007: \$42.1 million).
- g) Other income increased \$630,380 to \$1,593,578 (2007: \$963,197) due to interest on higher cash balances (\$560,058), rental income from equipment and property (\$44,969) and the sale of scrap metal (\$25,353).

(4) In the fourth quarter:

- a) Gold revenues were 25% higher at \$13.2 million (2007: \$10.5 million), reflecting a 3% increase in ounces sold and a 22% increase in the realized gold price in Canadian dollars.
- b) Operating expenses increased to \$11.4 million (2007: \$9.9 million), an increase of 15%. This increase in spending primarily reflects increases in mining costs (\$826,019), changes in gold inventory (\$419,781) and royalties (\$112,531).

Increases in mining costs are primarily attributable to a reduction in capital development, re-allocation of capital assets to expenses, the introduction of a company wide incentive bonus and the general increase in commodity prices.

Higher gold sales combined with an increase in the price of gold contributed to the increase in royalty expenses during the fourth quarter.

- c) General and administrative expenses were \$495,298 lower at \$505,348 (2007: \$950,646) as a result of savings in labour (\$250,114), investor relations (\$57,238) and travel (\$31,697).
- d) Exploration expenditure fell 8% or \$65,568 to \$791,894 (2007: \$857,462) primarily as a result of the most recent flow-through program coming to an end in December, 2007 and a re-allocation of drills to definition drilling in the SMC.
- e) Capital spending on mine development increased \$0.9 million (100%) to \$1.8 million (2007: \$0.9 million). Of the \$1.8 million, \$0.5 million was spent on mining claim purchases and the other \$1.3 went towards capital development. This increase is explained in section (2) g. Capital spending on property and equipment increased \$0.25 million to \$0.4 million (2007: \$0.15 million), largely as a result of projects explained in section (1) f to h.
- f) Total spending including operating costs, capital spending and royalties increased \$2.6 million to \$12.6 million (2007: 10.0 million), reflecting the ongoing significant investments taking place in the SMC and discussed above.
- g) Other income increased to \$368,326 (2007: \$303,135) an increase of \$65,191 due primarily to interest on higher cash balances (\$28,829) and equipment and property rental income (\$36,362).

Summary of Quarterly Results

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

Quarterly Results <i>(All amounts in 000s of Canadian Dollars, except Loss per share figures)</i>	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Fiscal 2008				
Revenue	13,198	9,576	7,362	11,300
Net Income (Loss)	906	(1,895)	(2,393)	36
Loss per Share (Basic & Diluted)	0.0	(0.02)	(0.04)	(0.0)
Fiscal 2007				
Revenue	10,529	8,212	9,398	8,517
Net Loss	(1,191)	(2,530)	(1,367)	(3,295)
Loss per Share (Basic & Diluted)	(0.01)	(0.06)	(0.03)	(0.06)

As a result of a 22% increase in the average price of gold sold between the fourth quarters of fiscal 2007 and 2008 combined with cost reduction initiatives and productivity improvements, the Company reported net income of \$0.9 million in the fourth quarter of fiscal 2008 and a \$1.8 million (2007: (\$1.8) million) production margin for the year. Production margin is revenue less operating costs, amortization and depletion and royalties.

A major capital development program to provide access to the new high grade ore stopes between the 5000 to 5600 foot level elevations of the SMC started in early fiscal 2009 and will have a material effect on the results and financial position of the Company in future periods.

Compared to fiscal 2007, the number of full time employees fell 4% to 219; however, the number of people involved in production activities remained relatively stable between years at around 147. The Company's training program resulted in 11 new miners being successfully integrated into the workforce. This program remains an important cornerstone to the Company's developing self-reliance in a competitive labour market. Employee retention is also being enhanced by the introduction of personnel development plans and a number of retention schemes.

The Company continued to build an excellent reputation for safe working practices in calendar 2007. There were no lost time accidents on the property (including contractors). The Company received both the Angus Campbell Award for Safety for No Lost Time Accidents and the Robert E. Dye Trophy for Lowest Medical Aid Frequency within the Porcupine Mines Safety Group on March 19, 2008.

Exploration Update

During the quarter a number of significant drill hole intersections were achieved. Drill hole 53-1071 returned 43.37 opt uncut (2.91 opt cut) over a core length of 10.4 feet in a new mineralized zone. The intersection included 344.4 opt over a core length of 1.0 feet, the highest recorded drill hole intersection in the history of the Kirkland Lake camp. The intersection is within the SMC at the 5300 foot level and is only 150 feet from the main '04 break.

Other significant intersections within the SMC include drill hole 53-949 which assayed 3.86 opt uncut (1.81 opt cut) over a core length of 19.0 feet and drill hole 53-944 which returned 3.24 opt uncut (1.57 opt cut) over a core length of 8.4 feet. Both of these intersections are within the New South Central Zone, a subset of the SMC.

A new discovery was also made 1,200 feet west of the SMC with drill hole 50-915 returning 10.99 opt uncut (2.09 opt cut) over a core length of 5.2 feet and included 26.65 opt over a core length of 2.0 feet. This new discovery shows similar geometry to the SMC and is located at the 5250 foot elevation, 790 feet south of the main '04 break.

Reserves & Resources Update

During the year, most of the exploration activity took place in the SMC. Proven and Probable reserves increased to 543,000 ounces (2007: 358,000 ounces) an increase of 52%, and Measured and Indicated Resources increased to 236,000 ounces (2007: 145,000 ounces), an increase of 63%. Inferred resources in the SMC increased 6% during the year. For more information on these resources and reserves, all of which are as at April 30, 2008, including to the key assumptions, parameters and methods used in making such estimates, refer to the news release or our website at 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 Steve Gray, P. Geo, the Company's Chief Production Geologist 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.

The reserves and resources amounts disclosed in this MD&A have been prepared and verified by Glenn R. Clark, P.Eng., an independent 'qualified person' for the purpose of National Instrument 43-101, *Standards of Disclosure for Mineral Projects, of the Canadian Securities Administrators*).

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, 2009 indicate revised annual gold production in the range of 58,000 to 62,000 oz. See 'Forward Looking Information' for a description of the factors that may cause actual results to differ from this forecast.

Mine design, definition drilling and development in the SMC are the key areas of focus for management in fiscal 2009.

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 cash equivalents were as follows:

Currency	At April 30,	
	2008	2007
Canadian Dollars	15,582,337	26,219,234
US Dollars	20,256	55,799
Total	15,602,593	26,275,033

Interest received on Canadian Dollar deposits range from 1.5 - 3.0% per year and interest received on US dollar balances is currently 2.5% per year. A breakdown of cash and short-term deposits is available in Note 3 of the accompanying Financial Statements.

Cash flows from operating activities improved by \$9.20 million to \$2.20 million as a consequence of a reduction in losses and changes in items not affecting cash or non-cash working capital items.

Cash flows applied to investing activities increased by \$17.80 million. This increase was primarily due to a \$15.1 million purchase of short term investments, a refund of the mine closure bond, proceeds from the sale of a residual property and surplus mine equipment. These were offset by the purchase of equipment required for the development of the SMC and capital development necessary for definition drilling and delineation of the SMC.

Net proceeds from financing activities were \$12.34 million following a private placement of \$5.13 million, the exercise of common share purchase warrants and issuance of common shares. Financing activities for the year were \$18,987,643 less than the prior fiscal year.

The Company's cash resources (cash, cash equivalents and short-term investments) of \$30.99 million are expected to be sufficient to fund the Company's planned exploration and development activities for the next 12-18 months. As at July 16, 2008, the Company had cash resources of \$28.82 million.

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 accrued liabilities. At April 30, 2008, the carrying values of these instruments approximate their fair values based on the nature of these instruments. 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, 2008, the Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 638 ounces of gold at an average price of \$942.50 per ounce to be delivered under this contract. Fair value was not significantly different from stated value when the gold was delivered on May 12, 2008.

Commitments

A net smelter royalty is payable on a sliding scale commencing at 2% if the price of gold is equal to or greater than US\$300 per ounce and increasing to 4% if the price of gold sold is equal to or greater than US\$500 per ounce. The royalty amount due is payable quarterly commencing on the third month anniversary of the commencement of commercial production from any of the properties and terminates upon a maximum aggregate payment of \$15 million. During the year ended April 30, 2008, royalties under this agreement amounted to \$1,651,354 (2007: \$1,460,400).

In October 2005 the company entered into an agreement with Queenston Mining Inc. to explore and earn 50% interest in the Kirkland West property held by Newmont Canada Limited. The agreement required a commitment for escalating expenditures on an annual basis. The agreement partners were required to spend \$650,000 on or before June 30, 2006; which included \$332,028 on the Company's behalf. This requirement was met. After these commitments had been met, the agreement partner's had until September 1, 2007 to decide if they would commit to the final required expenditures, per the agreement with Newmont, to spend \$500,000 on exploration. On October 11, 2007 the agreement partners formally proposed an offer to purchase 100% interest in the Kirkland West property. The Company completed its 50% (\$500,000) obligation on February 26, 2008.

An agreement between Queenston Mining Inc. and the Company was formed in April 2007 to explore the Morgan property. The Company has agreed to spend \$908,000 on exploration for the fiscal year 2009.

With regard to the Morgan purchase agreement, the Company has committed to pay the vendor \$62,500 and issue shares in the Company having an aggregate value of \$62,500 based upon the weighted average share price for 30 days preceding January 1, 2008, on or before January 15, 2008. This commitment has been met.

On February 1, 2008 the Company submitted a revised end of mine life closure plan to the Ministry of Northern Development & Mines ('MNDM') of the Province of Ontario. At the same time, the Company put in place a letter of credit for \$4,452,597 in favour of the MNDM which, in turn, refunded a mine closure bond for \$2,235,829 on April 17, 2008.

A letter from the MNDM dated May 12, 2008 advised the Company that the closure plan which was submitted did not address all of the prescribed requirements for a certified closure plan. The forthcoming comments from the Ministry will determine whether there will be any further financial obligations to the Company.

Related Party Transactions

Pursuant to an agreement between the Company and Ionic Management Corp. (formerly Quest Management Corp.), the Company pays \$3,500 per month to Ionic in consideration of Ionic providing corporate and administrative services to the Company. During the quarter, the total fees paid to Ionic for

services performed under the agreement were \$10,500. Year to date, the total fees paid to Ionic were \$42,000 (2007: \$42,000). Ionic is a private management company and has one director (Brian E. Bayley) in common and a corporate secretary (Sandra Lee) in common with the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The details of the Company's accounting policies are presented in accordance with Canadian 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 accompanying 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, 2008 and 2007, the Company incurred losses of \$3.3 million and \$8.4 million, respectively. Cash flow required for operating activities, including exploration costs charged to operations of \$8.7 million, aggregated \$4.9 million for the two years in total. The funds required to continue operations and exploration activities during this period have been financed primarily from the issue of equity.

At April 30, 2008, the Company had working capital of \$30.1 million.

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 twelve months.

Differences will occur between actual results and those targeted by management, and those differences may be material. It is possible that the operations will not generate sufficient cash flow for the Company to continue in the normal course without funding being provided from outside sources.

Management has been successful in obtaining sufficient funding for its operating and capital exploration requirements in the past and believes it will be able to do so in the future, if necessary. There is, however, no assurance that such funding will be available to the Company, or that it will be available on terms which are acceptable to management. If this does not occur, 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 April 30, 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 \$802 per ounce (average sales price per ounce sold in the fourth quarter was \$939) and annual operating costs similar to historical costs incurred over the past year, that annual production in the range of 58,000 to 62,000 ounces in fiscal 2009 and 77,600 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 any serious breakdown in mining operations 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.

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at the financial year ended April 30, 2008. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at April 30, 2008 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company.

Internal Controls over Financial Reporting

As at the financial year ended April 30, 2008, the Chief Executive Officer and Chief Financial Officer evaluated the design of the Company's internal controls over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of internal control over financial reporting was effective as at April 30, 2008 to provide reasonable assurance

regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

CHANGES IN ACCOUNTING POLICIES

Effective May 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ('CICA') Handbook Section 1530, Comprehensive Income, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, CICA Handbook Section 3862, Financial Instruments, Disclosure, CICA Handbook Section 3863, Financial Instruments, Presentation, CICA Handbook Section 3865, Hedges, CICA Handbook Section 3251, Equity, CICA Handbook Section 1535, Capital Disclosures and CICA Handbook Section 1506, Accounting Changes.

The initial adoption of these standards had no material impact on the Company's financial statements.

(a) Financial instruments – recognition and measurement

Under these new standards, all financial instruments included on the balance sheet are either classified as held for trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. Financial instruments classified as held to maturity, loans and receivables, and other financial liabilities are measured at amortized cost. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations.

The Company's financial instruments consist of cash, short-term investments, accounts receivables, security deposits, restricted cash and accounts payable and accrued liabilities, as follows:

Cash	Held for trading
Short-term investments	
Mutual funds	Held for trading
Treasury bills	Held to maturity
Accounts receivable	Loans and receivables
Security deposits	Held to maturity
Restricted cash	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

Fair values of these financial instruments, unless otherwise noted, approximate their carrying values.

(b) Comprehensive income

Comprehensive income is the change in shareholder's equity during a period from transactions and events from sources other than the Company's shareholders. In accordance with this new standard the Company now reports a statement of operations, comprehensive income or loss and accumulated other comprehensive income or loss is added to the shareholders' equity section of the balance sheet when components to be recognized in the comprehensive income or loss exist. There were no material components to be recognized in comprehensive income or loss during the year. As a result, net loss for the period approximates comprehensive loss.

(c) Hedges

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company does not have any hedging items.

(d) Capital Disclosures

The new standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The Company's disclosures are affected but there is no effect on the Company's results or financial position. See Note 13 of the accompanying financial statements.

(e) Accounting Changes

The new standard prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. The standard did not affect the Company's financial position or results.

The following Canadian accounting pronouncements were issued and not yet adopted by the Company:

- CICA Handbook Section 1400, General Standards of Financial Statement Presentation. The new standard clarifies what constitutes fair presentation in accordance with Canadian generally accepted accounting standards, going concern assessment and disclosures and comparative information disclosures. This standard will affect the Company's disclosures but will not effect the Company's financial position or results.
- CICA Handbook Section 3031, Inventories. The new section prescribes inventory measurement and disclosure requirements. This standard will affect the Company's disclosures but will not effect the Company's financial position or results.

OTHER MATTERS

Outstanding Share, Option & Warrant Data

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

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

*if all options have fully vested