



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

**Management's Discussion & Analysis ('MD&A')  
For the Year Ended April 30, 2009**

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 17, 2009 and covers the results of operations for the fourth quarter and year ended April 30, 2009. 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 MD&A 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](http://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).

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

The Company incurred a net loss for the year of \$10,483,055 or \$0.19 per share, which compares to a net loss of \$3,345,980 or \$0.06 per share in fiscal 2008. The income for the quarter ended April 30, 2009 of \$2,349,177 or \$0.04 per share, which compares with a net loss of \$4,688,372 or \$0.08 per share for

the previous quarter and a net income of \$905,772 or \$Nil per share for the same quarter in fiscal 2008. The principal causes of these variations are discussed below.

(1) Compared to fiscal 2008:

- a) Gold production was 48,012 ounces, a 2% (821 ounces) decrease compared to fiscal 2008. Head grade for the year was lower by 7% to 0.374 ounces per ton ('opt') of gold (2008: 0.401 opt). Sill development at edges and ends of the ore zones in the South Mine Complex ('SMC') and more long-hole mining in the plan at the beginning of the year caused the lower grade.
- b) The level of lateral and vertical operating development increased 4% to 9,129 feet (2008: 8,817 feet). Operating development associated with the SMC (ore and waste) represented 64% (5,811 feet) of all operating development for fiscal 2009. This was an increase of 79% from the previous year (2008: 3,250 feet). The operating development is expected to continue to increase in fiscal 2010 by approximately 1,000 feet.
- c) Ore generated from the development, delineation, and production from the SMC throughout fiscal 2009 was 42,459 tons at an average grade of 0.55 opt for a total of 23,452 ounces of gold (2008: 21,856 tons; 0.67 opt; 14,646 oz). The contribution from this important new area represented only 32% of the tons milled, yet generated 47% of ounces recovered from the mill. The grade realized in the SMC was 50% higher than the annual head grade milled (0.55 opt versus 0.37 opt).
- d) Capital development increased during fiscal 2009 by 93% to 5,960 feet (2008: 3,083 feet). This increase in capital development was required to bring more stopes into production from the main break, to develop a long term haulage drift from the SMC, to boost ventilation, and to support exploration activities. Capital development expenditure in fiscal 2010 will continue to increase with around 10,000 feet planned for the SMC. The majority of this development will be access ramp development.
- e) The Company stopped the practice of emptying the muck pass at the 5743 Level to skip ore and waste separately from the 5300 Level. This was done to preserve the muck pass which becomes seismically active when empty, but is stable when full. Waste generated on the 5300 Level is being skipped with the ore and milled until the 5356 Haulage Ramp to the SMC is completed. The cost of milling the 5300 Level waste for less than two years is negligible compared to the cost of developing another method of handling the waste.
- f) During fiscal 2009 and in advance of the anticipated increase in development and mining activity in the SMC, the Company invested \$5.3 million in plant and machinery. Investments included underground locomotives, ore cars, scoop trams, and other mining equipment.

(2) Compared to the previous quarter (Q3/09) and the same quarter in the previous fiscal year (Q4/08).

- a) Gold production was 20,411 ounces in the quarter, an increase of 102% compared to the previous quarter (Q3/09: 10,081) and a 45% increase compared to Q4/08 (14,089 ounces). Increased production from the SMC was the main factor contributing to this higher production
- b) Once reconciled to eliminate the waste tonnage from 5300 level, the grade for the quarter was 0.42 (opt), a decrease of 11% compared to the previous quarter (Q3/09: 0.47 opt) as a result of mining in different areas of the SMC, and an increase of 5% from the same quarter in fiscal 2008

(0.40 opt). A total of 4,891 tons of underground waste were processed through the mill from the 5300 Level development.

- c) Operating lateral and vertical development decreased 23% to 1,978 feet from the previous quarter (Q3/09: 2,568 feet). Operating development was 4% higher than fourth quarter last year (Q4/08: 1,894 feet).
- d) Operating development associated with the SMC (ore and waste) represented 39% (779 feet) of all operating development within the quarter. This development is expected to decrease in future quarters, mainly due to the completion of delineation silling on the ore zones.
- e) Ore generated from production, development and delineation in the SMC throughout Q4/09 was 18,176 tons grading 0.63 opt with a recovery of 11,541 ounces. This represents an increase of 88% in ounces produced compared to the previous quarter (Q3/09: 6,147 oz). Ore generated from the Main Break area for the fourth quarter was 31,979 tons (Q4/08: 32,350 tons) at a grade of 0.30 opt.
- f) Capital development increased by 13% to 2,096 feet (Q3/09: 1,850 feet). This represents an increase of 90% compared to Q4/08 (1,102 feet) and is due to long term access development associated with the development of the SMC and will continue in fiscal 2010.
- g) During the quarter significant development and infrastructure work was carried out on ventilation boosting stations on 4250 Level; 4500 Level; 4750 Level; 5025 Level and 5300 Level. A vent raise between the 5025 Level and the 5300 Level was completed. Ventilation was increased by 284% for the SMC on the 5025 Level and the 5300 Level.
- h) The Company continued to rebuild scoops and other equipment required to support higher production forecast for fiscal 2010.
- i) A total of 50,854 tons of ore were hoisted from underground operations, a 118% increase compared to the previous quarter (Q3/09: 23,311 tons). For the fourth quarter hoisted ore tons are up by 53% from same quarter last year (Q4/08: 33,166 tons).
- j) As a proportion of total production, use of the longhole production mining methods increased 4% from 19% in Q3/09 to 23% in Q4/09. Development ore produced 12% of the ore tonnage in the fourth quarter compared to 34% in the previous quarter. Ore tons from mechanized and paste cut and fill mining methods was 64% in the fourth quarter versus 48% for the previous quarter. As the SMC moves from being developed to being mined, the ore from development and longhole will decline and ore tons from cut and fill will increase.
- k) The drilling pattern for longhole mining in narrow vein stopes has been changed to reduce the dilution. Going forward only one longhole stope will be mined at a time so stopes can be mucked out as fast as possible. This should further reduce dilution from this method of mining and help to maintain grades at the mill.

## 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,		
	2009	2008	2007
Gold Sales (ounces)	43,545	52,019	50,890
Average Price (per ounce)	\$1,000	\$797	\$720
Revenue	43,542	41,436	36,656
Operating Expenses	47,536	39,609	38,459
Exploration Expenditure	3,652	3,877	4,860
Net Income (loss)	(10,483)	(3,346)	(8,383)
Per share (basic and diluted)	(0.19)	(0.06)	(0.16)
Cash Flow from (used in) operating activities	(5,138)	2,158	(7,051)
Cash Flow from financing activities	13,079	12,341	31,329
Cash Flow (used in) investing activities	(21,737)	(25,171)	(7,415)
Net increase (decrease) in cash	(13,796)	(10,672)	16,863
Cash and cash equivalents at end of period	1,806	15,603	26,275
Total Assets	100,896	91,521	80,769
Total Liabilities	14,127	10,053	9,143
Working Capital	26,358	30,056	26,216
Weighted average number of shares outstanding	56,349,826	55,470,107	52,947,013
Dividends per share	NIL	NIL	NIL

(3) Compared to the year ended April 30, 2008:

- a) Gold revenues were 5% higher at \$43.5 million (2008: \$41.4 million).
- b) Operating expenses increased to \$47.5 million (2008: \$39.6 million), an increase of 20%, primarily due to increases in mining costs (\$6.8 million), milling costs (\$1.3 million), general site costs (\$1.5 million), royalties (\$0.1 million), amortization and depletion expenses (\$0.4 million), and stock-based compensation (\$1.2 million). These increases were offset by a decrease in inventory valuation levels (\$3.4 million).

The increase in mining costs was due to doubling of mining personnel (\$5.1 million), and materials (\$2.4 million) required for the expanded mining plan in the main break and SMC. These cost increases were offset by decreases in capital allocations (\$0.5 million) and mining contractor costs (\$0.2 million).

Milling costs increased \$1.3 million due to a 27% (\$0.4 million) increase in personnel. Materials also increased (\$0.9 million) coinciding with higher reagent, grinding media, power and maintenance costs, associated with higher mill throughput.

General site labour costs increased 29% (\$1.1 million) primarily due to higher personnel (including benefits and bonus) costs. Contract and consulting costs also increased (\$0.2 million) due to environmental compliance and design work and reallocations of engineering and geology costs to capital reduced (\$0.2 million).

Royalties increased (\$0.1 million) as a consequence of higher gold prices offset by lower gold sales.

Amortization and depletion expense increased (\$0.4 million) reflecting the on-going high level of investment in mine development and capital equipment.

Stock-based compensation costs increased (\$1.2 million) as a consequence of options being granted during the year.

- c) General and administrative expenses were \$2.1 million (2008: \$2.2 million). The decrease of \$0.1 million was primarily due to the Company's ongoing commitment to reduce general and administrative expenses.
- d) Exploration costs were 6% lower at \$3.7 million (2008: \$3.9 million) reflecting a decrease in the activity in the Kirkland West zone, offset by an expansion of exploration drilling in the SMC.
- e) Capital spending on mine development was 79% higher at \$7.5 million (2008: \$4.2 million) as explained in paragraph (1) d.
- f) Capital spending on equipment increased \$1.9 million (55%) to \$5.3 million (2008: \$3.4 million) as explained in paragraphs (1) f above.
- g) Total spending including operating costs, capital spending and royalties increased \$11.5 million to \$54.8 million (2008: \$43.3 million).
- h) Other income decreased \$1 million to \$0.6 million (2008: \$1.6 million) due to declining interest rates on bank balances and generally lower cash balances.

(4) In the fourth quarter and compared to the previous fiscal year:

- a) Gold revenues were 38% higher at \$18.2 million (2008: \$13.2 million).
- b) Operating expenses increased to \$14.3 million (2008: \$11.4 million), an increase of 25%. This increase in spending primarily reflects increases in mining costs (\$4.1 million), mill processing (\$0.6 million), general site expenses (\$0.4 million), royalties (\$0.2 million), stock based compensation (\$0.8 million), amortization (\$0.3 million) and offset in changes to gold inventory (\$3.5 million).

Increases in mining costs are primarily attributable to a 72% increase (\$3.6 million) in personnel, material costs (\$1.3 million) offset by a reduction (\$0.6 million) in mining contractors and capital allocations (\$0.2 million). These increases reflect the planned expansion of mining operations including the SMC.

Increases in mill processing costs are primarily attributable to a 14% increase (\$0.1 million) in personnel and materials (\$0.5 million). These increases reflect an increase in the planned mill throughput.

General site expenses increased primarily due to costs incurred on a dam stability study, a fish study, compliance requirements, sampling, and exploration consulting costs. This increase was offset by a decrease in capital allocations (\$0.1 million).

Changes within royalties, stock-based compensation costs, and amortization and depletion expenses are consistent with those mentioned above in (3) b.

- c) General and administrative expenses were \$0.1 million higher at \$0.6 million (2008: \$0.5 million) as a result of consulting, legal, and travel expenses.

- d) Exploration expenditure rose 25% or \$0.2 million to \$1.0 million (2008: \$0.8 million) primarily as a result of the expanded drill program in the SMC.
- e) Capital spending on mine development increased \$0.8 million to \$2.6 million (2008: \$1.8 million). This increase is explained in paragraphs (2) f and (2) g.
- f) Capital spending on property and equipment increased \$1.3 million to \$1.7 million (2008: \$0.4 million), largely as a result of projects explained in paragraph (2) h.
- g) Total spending including operating costs, capital spending and royalties increased \$3.7 million to \$16.3 million (2008: 12.6 million), reflecting the ongoing significant investments taking place in the SMC and discussed above.
- h) Other income decreased to \$0.1 (2008: \$0.4) a decrease of \$0.3 due primarily to declining interest rates on bank balances and lower cash balances.

### Summary of Quarterly Results

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

<b>Quarterly Results</b> <i>(All amounts in 000s of Canadian Dollars, except Loss per share figures)</i>	<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 2009</b>				
Revenue	18,210	8,553	8,827	7,952
Net Income (Loss)	2,349	(4,688)	(4,790)	(3,354)
Earnings (Loss) per Share (Basic & Diluted)	0.04	(0.08)	(0.09)	(0.06)
<b>Fiscal 2008</b>				
Revenue	13,198	9,576	7,362	11,300
Net Income (Loss)	906	(1,895)	(2,393)	36
Earnings (Loss) per Share (Basic & Diluted)	0.00	(0.02)	(0.04)	(0.00)

As a result of a 25% increase in the average price of gold sold between the fourth quarters of fiscal 2008 and 2009 combined with productivity improvements, the Company reported net income of \$2.3 million in the fourth quarter of fiscal 2009.

Compared to fiscal 2008, the number of employees rose 83% to 400 (2008: 219). The number of people involved in production activities doubled from 147 to 294. The increase was attributable to the Company's decision to fast-track the SMC into production internally using its own labour force. Employee retention is also being enhanced by the introduction of personnel development plans and a number of retention schemes.

The need for a much larger work force in order to continue to develop and produce from the SMC has represented a significant expense and key management challenge requiring the Company to continue to work diligently regarding safety and training. Our goal is to maintain a high level of production to go hand-in-hand with safe work practices. The Company received the Angus Campbell Award for Safety for the second consecutive year, and also received the MASHA Award of Excellence for Safety in 2008.

### Exploration Update

During the quarter four electric drills and two air machines were dedicated to exploration. Approximately 38,000 feet of exploration drilling was completed during the quarter.

During the fiscal year 139,000 feet of exploration drilling was completed at a contract price of \$18.64/ft. The number of feet drilled was 16% lower than budgeted and exploration development, including drifting and drill bay excavations, was delayed in order to expedite production development. This resulted in six exploration drills working on the property compared to a forecasted seven drills. In addition, production related work, including definition drilling requirements and technical holes, decreased the availability of certain exploration drills throughout the year.

A total of 581 feet of track drifting was completed along the South Claims agreement with Queenston Mining. This development facilitated exploration drilling on both the South Claims agreement as well as on the 100% owned Company property. Of the total years' drilling, 6% (8,700 feet) was completed on the South Claims agreement.

The SMC continues to expand as a result of exploration drilling throughout the year and a new geological model has been proposed to guide exploration going forward.

### 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.

### **OUTLOOK**

The final quarter of fiscal 2009 was a key period in the development and evolution of the Company with a significant amount of effort going into recruitment, training, development, construction, and engineering and geological planning and design. The work of identifying, purchasing and deploying equipment suitable to increase production to the new annual target rate of between 90,000 to 100,000 ounces of gold was also a major area of activity in the fourth quarter. Increasing production levels particularly from the high grade SMC, and proceeding with our exploration programme remain key priorities for the Company.

See 'Forward Looking Information' for a description of the factors that may cause actual results to differ from this forecast.

## 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 geological 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 resources, (cash, cash equivalents and short-term investments) were as follows:

Resource	At April 30,	
	2009	2008
Cash \$CDN	1,806,199	15,582,337
Cash \$US	0	20,256
Short-term Investments	23,638,142	15,389,118
Total	25,444,341	30,991,711

Interest received on Canadian Dollar deposits range from 0.00 – 3.00% per year. The Company also adopted a more conservative policy on cash management during the year resulting in predominantly all cash now being held in Canadian Government Treasury Bills.

There was an outflow of \$5.1 million during the year in operating activities. This cash outflow was mainly a consequence of a \$10.5 (2008: \$3.3) million net loss arising from the planned expansion of mining operation particularly in the new SMC.

Cash flows applied to investing activities were \$21.7 (2008: \$25.2) million and was attributable to expenditures in mineral properties (\$7.9 million), equipment (\$5.3 million), restricted cash (\$0.1 million) and a net investment in government treasury bills (\$8.4 million).

Net proceeds from financing activities were \$13.1 million (2008: \$12.3) as a result of completing a private placement net of expenses during the fourth quarter.

The Company's cash resources (cash, cash equivalents and short-term investments) of \$25.4 million are expected to be sufficient to fund the Company's planned exploration and development activities for the next 12 months. As at July 17, 2009, the Company had cash resources of \$30.37 million.

### Financial Instruments

The Company's financial instruments as at year end consist of cash and cash equivalents, short-term investments, security deposits, restricted cash, accounts receivable, accounts payable, and accrued liabilities. At April 30, 2009, 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, 2009, the Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 727 ounces of gold at an average price of \$1,103.40 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, 2009.

### Commitments

As at April 30, 2009, capital commitments included:

<b>Capital Commitments</b> <i>(All commitments in 000s of Canadian Dollars)</i>	<b>\$000</b>
Property, Plant and Equipment	883
Underground Development	496
<b>TOTAL</b>	<b>1,379</b>

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, 2009, royalties under this agreement with Kinross Gold Corp. amounted to \$1,737,346 (2008: \$1,651,354).

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 \$770,000 on exploration for the fiscal year 2010.

With regard to the Morgan purchase agreement, the Company has completed the issuance of the third tranche of shares and made the third cash payment to the vendor of the South Claims. The Company issued 15,586 shares valued at \$62,500 (\$4.01 per share) and paid \$62,500. To complete its purchase obligations, the Company must issue a further \$50,000 worth of shares and pay a further \$50,000 to the vendor by January 15, 2010.

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 amended closure plan which was submitted on February 1, 2008 did not address all of the prescribed requirements for a certified closure plan and that technical comments would be forthcoming.

On September 25, 2008 technical comments were received. The Company has embarked on a process, including engaging third party consultants, to compile the necessary data to respond to these comments.

The Wright Hargreaves property is not included in the amended closure plan nor is there any financial assurance in place. A letter from the MNM dated October 27, 2008 requires that the Company provide a schedule to determine how and when any hazards on this property will be rehabilitated. In response to the MNM request the Company issued a letter dated March 5, 2009 explaining that a consultant has been retained to assist in the identification of, if any, potential hazards and related obligations to the Company. This process is currently ongoing, the outcome of which is currently indeterminable at this time.

#### 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 (2008: \$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 into the foreseeable future, certain historical adverse conditions and events, could cast significant doubt upon the validity of this assumption and hence the appropriateness of the use of accounting principles applicable to a going concern.

During the years ended April 30, 2009 and 2008, the Company incurred losses of \$10.5 million and \$3.3 million, respectively. Cash flow required for operating activities, including exploration costs charged to operations of \$7.5 million, aggregated \$3.0 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, 2009, the Company had working capital of \$26.4 million. Management projects that these funds, together with cash flow from operations, will be sufficient to meet the Company's obligations and capital expenditure plans for the next twelve months. Nevertheless, differences are likely to occur between actual results and those predicted 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 the Company's operating and capital exploration requirements in the past and will pursue additional funding 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, 2009, that the recorded costs for mineral properties and related fixed assets may not be recoverable. Management estimates, using a constant gold price of \$1,051 per ounce and operating costs similar to historical costs incurred over the past year, that annual production of approximately 72,000 to 80,000 ounces for each year 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. In fiscal 2009 production was approximately 48,012 ounces.

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. 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.

#### 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, 2009. 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, 2009 to provide

reasonable assurance that material information relating to the Company would be made known to them by others within the Company.

#### Internal Control over Financial Reporting

As at the financial year ended April 30, 2009, the Chief Executive Officer and Chief Financial Officer evaluated the design and operating effectiveness of the Company's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operating effectiveness of internal control over financial reporting was effective as at April 30, 2009 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the year ended April 30, 2009, there has been no change in the Company's internal control over financial reporting that has materially affected the Company's internal control of financial reporting.

#### Adoption of International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) and the Canadian Securities Administrators (CSA) have confirmed January 1, 2011 as the date IFRS will replace Canadian Generally Accepted Accounting Principles (Canadian GAAP) for publicly accountable, profit-oriented enterprises. This presents a change in the fundamental principles upon which financial reporting is conducted and requires significant analysis and planning to ensure a proper transition. The Company has started to assess the implications of this change, has completed a diagnostic review, and has started training key personnel on IFRS. The results of the assessment and key elements and timing of the plan will be discussed in greater detail as information becomes available.

### **CHANGES IN ACCOUNTING POLICIES**

Effective May 1, 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400, General Standards of Financial Statement Presentation and CICA Handbook Section 3031, Inventories and CICA EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.

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

(a) 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 affected the Company's disclosures but there is no effect on the Company's financial position or results.

b) Inventories

The new standard prescribes inventory measurement and disclosure standards. This standard affected the Company's disclosures but there is no effect on the Company's financial position or results.

c) EIC 173

This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance did not have any material impact on the Company's financial position or results.

### **Future changes in significant accounting policies**

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

- CICA Handbook Section 1582, Business Combinations. The new section prescribes how an organization recognizes, measures and discloses and business combination. This standard is not expected to have a significant impact on the Company's financial position or results. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.
- CICA Handbook Section 1601, Consolidated Financial Statements. The new section prescribes consolidation accounting standards. This standard is not expected to have a significant impact on the Company's financial position or results. This is effective for fiscal years beginning on or after January 1, 2011.
- CICA Handbook Section 1602, Non-Controlling Interests. The new section prescribes standards for the accounting for a non-controlling interest in business combination. This standard is not expected to have a significant impact on the Company's financial position or results. This is effective for fiscal years beginning on or after January 1, 2011.
- CICA Handbook Section 3064, Goodwill and Intangible Assets. The new section prescribes standards for the accounting for goodwill and intangible assets. This standard is not expected to have significant impact on the Company's financial position or results. This is effective for fiscal years beginning on or after October 2008.

## 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	58,548,899	--
Options	1,468,000*	\$7.62
Warrants	930,000	\$7.31

\*if all options have fully vested