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## **Kirkland Lake Gold's Recent Wobble Won't Stop It Pushing On Towards Its 200,000 Ounce Per Year Production Target**

By Charles Wyatt

**Kirkland Lake Gold has been around for a while, as has its chairman Harry Dobson, and often it is the oldies who prove most resilient when the going gets a bit tough. In its last quarter to end January Kirkland missed its production forecast, not by a lot, but it missed it. As a result investors took advantage of the current uncertainties facing stock markets to push the price down, from 970p to 820p. These same investors should be aware, however, that Kirkland Lake is playing the long game and confidently expects that it will achieve production of around 200,000 ounces in the year to April 2012 and maybe 300,000 the following year, though it is not committed to that figure.**

There is no reason why it should not achieve this as Mark Tessier is running the mining operation, and he has stacks and stacks of experience. He joined the company in August 2008 as vice president operations, and was given the specific task of carrying out the two phase 36-month development plan. Under phase one, the plan was to increase production to between 80,000 and 100,000 ounces. Under phase two, to between 180,000 and 200,000 ounces. Mark is a mining engineer with over 30 years experience in underground mining, including seven years overseeing the underground mine expansion project and subsequent underground mine operations at Goldcorp's Red Lake Mine, between 1999 and 2006.

Small wonder, then, that in February 2010 he was promoted to chief operating officer of Kirkland Lake and made a director of the company. At the time Harry said: "Since Mark joined us in 2008, he has been playing a vital role in helping us to achieve our objective of transitioning to an intermediate gold producer." His feet are now well and truly under the table and he gets rave notices from Mirabaud and Ocean Equities, the two London brokers associated with the company.

Simon Gardener-Bond, an analyst at Ocean, points out that production has increased every quarter for the previous 15 months, so not too much should be read into the last quarter's results. The cause was a delay in the expansion of the shaft capacity and the outcome, which was production at 20,231 ounces compared with 21,542 ounces in the previous quarter is hardly a disaster. Okay, it meant that the forecast for output for the current year had to be reduced from between 90,000 and 100,000 ounces to between 80,000 and 85,000 ounces. But there will be no impact on the overall growth of the company. Indeed, in response to the issue with shaft capacity, priority was given to sticking to the Phase 2 expansion rather than worrying about the short term target. The gold price, after all, is holding up well, and during the quarter in which the shortfall occurred the average selling price was US\$1,391 per ounce. Just as important, total cash costs continue to fall, the most recent drop showing a decline from US\$866 per ounce to US\$794 per ounce. There is no hedging and cash as of a couple of weeks ago was C\$51 million, even after the company spent a record C\$16 million in the quarter on capital development and expansion plans.

The expansion of shaft capacity has now been sorted. A new service hoist was commissioned a couple of month ago, after delays caused by electrical design problems related to uneven input voltages were overcome. The working platform required to complete final headframe work and carry out shaft upgrades

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was also installed at the same time. And a decision was made during the quarter to move forward with other upgrade work.

This is all to the good, as the biggest obstacle to processing more tonnage has been the shaft. There are actually three compartments, and it is the third one that Mark Tessier is bringing back into operation. Once that happens the mine will have the capacity to haul 3,600 tonnes of ore and waste per day, compared with the present capacity of just 1,000 tonnes, which has been something of a bottleneck. Higher production will make the whole production process more efficient, so costs should continue to fall, provided the average head grade stays close to the expected 16 grams per tonne mark, as against the 12 grams per tonne delivered in the last quarter. At the same time, the overall plan put together by chief executive Brian Hinchcliffe should also push up the resource base, to five million ounces from the present 3.7 million by the time the second phase of expansion is completed.

To this end, the existing joint venture with Queenston Mining was expanded last August. Queenston has a big land package in the Kirkland Lake Gold camp and has been carrying out deep exploration targeting the South Mine Complex (SMC). During the last three years this drilling has confirmed that the SMC extends onto the Amalgamated Kirkland property which is 100 per cent owned by Queenston. As a result it is contributing some claims from the Amalgamated Kirkland property and from the neighbouring Kirkland Hudson property to the joint venture, and a drift will then be driven from the 5,300 level of Kirkland Lake's Macassa mine south east onto the Amalgamated Kirkland property where a drilling station will be established.

Brian Hinchcliffe saw this as the ideal way to extend the SMC to the east, while Charlie Page of Queenston saw it as a means whereby Queenston could participate in advanced underground exploration, so both are happy. For its part Kirkland Lake has already advanced this drift to the edge of the Amalgamated Kirkland property, so all seems to be going well. At the same time, Kirkland Lake is also exploring to the west of the SMC and has come up with some fascinating underground drilling results from the hitherto unexplored western part of the Macassa property. These have included a 1.5 ft intersection grading 12.34 ounces per tonne, and an intersection in a follow-up hole grading 6.04 ounces per tonne over 8.4 feet. These grades are verging on bonanza levels and must remind Mark Tessier of Red Lake. Kirkland Lake is in the right place and it has a good team. What it now has to do is regain investor confidence by under-promising and over-performing.

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