KIRKLAND LAKE GOLD INC.

FINANCIAL STATEMENTS

APRIL 30, 2009 AND 2008

(EXPRESSED IN CANADIAN DOLLARS)

PRICEWATERHOUSECOOPERS

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July 17, 2009

Auditors' Report

To the Shareholders of
Kirkland Lake Gold Inc.

We have audited the balance sheets of Kirkland Lake Gold Inc. as at April 30, 2009 and 2008 and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

KIRKLAND LAKE GOLD INC.

BALANCE SHEETS

AS AT APRIL 30, 2009 AND 2008

(EXPRESSED IN CANADIAN DOLLARS)

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	**$ 1,806,199**	$ 15,602,593
Short-term investments (Note 4)	**23,638,142**	15,389,118
Accounts receivable	**4,162,458**	2,081,795
Inventories (Note 5)	**7,388,143**	3,868,211
Prepaid expenses and deposits	**448,946**	305,292
	37,443,888	37,247,009
Security deposits	**67,480**	65,000
Restricted cash (Note 3)	**4,734,556**	4,677,597
Mineral properties (Note 6)	**43,319,425**	36,947,885
Property, plant and equipment (Note 7)	**15,330,251**	12,583,488
	$ 100,895,600	$ 91,520,979
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 11,085,540**	$ 7,190,679
Asset retirement obligation (Note 8)	**3,041,434**	2,862,508
	14,126,974	10,053,187
Shareholders' Equity		
Capital stock (Note 9)		
Authorized		
Unlimited common shares without par value		
Issued		
58,548,898 (2008 - 55,703,312) common shares	**165,755,459**	153,421,306
Options (Note 10)	**3,630,924**	1,284,136
Warrants (Note 11)	**1,499,541**	677,891
Contributed surplus	**3,079,066**	2,797,768
Deficit	**(87,196,364)**	(76,713,309)
	86,768,626	81,467,792
	$ 100,895,600	$ 91,520,979

Operations, going concern, and measurement uncertainty (Note 1)

Commitments (Notes 3 and 16)

The accompanying notes are an integral part of these financial statements.

KIRKLAND LAKE GOLD INC.

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

YEARS ENDED APRIL 30, 2009 AND 2008

(EXPRESSED IN CANADIAN DOLLARS)

	2009	2008
Revenue		
Mining revenue	**$ 43,542,037**	$ 41,436,376
Expenses		
Operating costs	**40,243,583**	33,993,402
Stock-based compensation for operational personnel	**1,266,144**	71,687
Amortization and depletion	**4,275,829**	3,885,635
Royalties	**1,750,591**	1,658,674
	47,536,147	39,609,398
	(3,994,110)	1,826,978
Other Expenses		
General and administrative	**2,107,021**	2,227,796
Exploration	**3,652,235**	3,876,873
Interest and bank charges	**40,222**	74,401
Stock-based compensation (Note 10)	**1,279,669**	587,466
Interest and other income	**(590,202)**	(1,593,578)
	6,488,945	5,172,958
Loss and comprehensive loss for the year	**(10,483,055)**	(3,345,980)
Deficit - Beginning of year	**(76,713,309)**	(73,367,329)
Deficit - End of year	**$ (87,196,364)**	$ (76,713,309)
Basic and diluted loss per share	**$ (0.19)**	$ (0.06)
Weighted average number of shares outstanding	**56,349,826**	55,470,107

Operations, going concern, and measurement uncertainty (Note 1)

The accompanying notes are an integral part of these financial statements.

KIRKLAND LAKE GOLD INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2009 AND 2008

(EXPRESSED IN CANADIAN DOLLARS)

	2009	2008
Cash flows from (used in) operating activities		
Loss for the year	**$ (10,483,055)**	$ (3,345,980)
Items not affecting cash and cash equivalents		
Amortization and depletion	**4,275,829**	3,885,635
Unrealized losses on investments	**125,754**	-
Stock-based compensation	**2,545,813**	659,153
Asset retirement obligation	**153,030**	162,028
Gain on sale of equipment	**-**	(28,319)
	(3,382,629)	1,332,517
Changes in non-cash working capital items		
Accounts receivable	**(2,080,663)**	(473,129)
Inventories	**(3,423,297)**	233,954
Prepaid expenses and deposits	**(143,654)**	(40,702)
Accounts payable and accrued liabilities	**3,894,861**	748,063
Security deposits	**(2,480)**	125,000
Interest on mine closure bond	**-**	231,874
	(5,137,862)	2,157,577
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(5,316,227)**	(3,433,642)
Proceeds from refund of mine closure bond	**-**	2,043,435
Proceeds from sale of property, plant and equipment	**-**	196,798
Purchase of short-term investments	**(8,374,778)**	(15,105,529)
Restricted cash	**(56,959)**	(4,677,597)
Additions to mineral properties	**(7,989,509)**	(4,194,828)
	(21,737,473)	(25,171,363)
Cash flows from financing activities		
Net proceeds from issuance of capital stock and warrants	**13,078,941**	12,341,346
	13,078,941	12,341,346
Decrease in cash and cash equivalents	**(13,796,394)**	(10,672,440)
Cash and cash equivalents - Beginning of year	**15,602,593**	26,275,033
Cash and cash equivalents - End of year	**$ 1,806,199**	$ 15,602,593

Supplemental cash flow information (Note 18)

The accompanying notes are an integral part of these financial statements.

1. Operations, going concern, and measurement uncertainty

Operations

Kirkland Lake Gold Inc. (the company) owns gold mining and milling operations in Kirkland Lake, Canada, which were inactive when acquired in December 2001.

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 has 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 projected 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 rate of production. In fiscal 2009 production was 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.

2. Significant accounting policies

Generally accepted accounting principles

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Adoption of new accounting standards

Effective May 1, 2008, the company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400 General Standards of Financial Statement Presentation, 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 standard prescribes how an organization recognizes, measures and discloses a 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 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 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 a significant impact on the company's financial position or results. This is effective for fiscal years beginning on or after October 2008.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions, in particular in respect of property, plant and equipment, mineral properties, and asset retirement obligation, 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. Actual results could differ from these estimates and these differences could be material.

Financial instruments

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 and cash equivalents, short-term investments, accounts receivable, security deposits, restricted cash and accounts payable and accrued liabilities, as follows:

Cash and cash equivalents	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

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. The company 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.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with an initial maturity of 90 days or less at the date of acquisition.

Investments

The company holds investments in various funds of a fund company and Government of Canada Treasury Bills with maturity dates greater then 90 days at the date of acquisition but less then 365 days.

Inventories

Dore bars and gold in process, and stockpiled ore are recorded at the lower of average production cost and net realizable value. Production costs include all direct costs plus an allocation of fixed costs associated with the mine site. The company uses a rolling period average cost to value the inventory of gold on hand. Mine operating supplies are valued at the lower of average cost and net realizable value as measured by replacement cost.

Mineral properties and 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 may exist. 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.

Property, plant and equipment

Property, plant and equipment costs are recorded at cost and amortized on a straight line basis over the following terms:

Computer equipment	3 years
Vehicles	5 years
Mine and mill equipment	10 years
Buildings	10 years
Capital spares	2 years

Asset retirement obligation

Future obligations to retire an asset or property are recognized and recorded as a liability at fair value as at the time the asset is acquired or the event occurs giving rise to such an obligation. At each reporting period, asset retirement obligations are increased to reflect the interest element (Accretion expense) considered in the initial fair value of the measurement of the liabilities. In addition, an asset retirement cost is added to the carrying amount of the related asset and amortized over the life of the asset. The capitalized asset retirement cost is amortized on the same basis as the related asset and along with the accretion expense, is included in net income.

Revenue recognition

Revenue is recognized on title transfer of the gold to purchasers which occurs when the gold is received by the purchaser. Adjustments to accounts receivable, if any, between the date of title transfer and the settlement date are recorded when determined.

The company from time to time enters into commodity contracts to minimize its exposure to fluctuations in the price of gold. Any gains or losses are recorded in revenue.

Foreign currency translation

The company generally seeks to sell its gold in Canadian dollars. To the extent these transactions are denominated in foreign currencies, they are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Gains and losses arising from restatement of foreign currency monetary assets and liabilities and transactions are included in the statement of operations.

Income taxes

The company uses the liability method of accounting for future income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Stock based compensation

The company has a stock-based compensation plan which is described in Note 10. The company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted is measured at fair value at the grant date using the Black-Scholes valuation model and recognized over the vesting period of the options granted. Consideration paid on the exercise of stock options is credited to capital stock.

Flow-through shares

The company from time to time issues flow through shares to finance a portion of its exploration program. Pursuant to the terms of flow through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. To recognize the foregone tax benefits, share capital is reduced and a future income tax liability is recognized as the related expenditures are renounced. This future income tax liability is then reduced by the recognition of previously unrecorded future income tax assets on unused taxes losses.

Loss per common share

Loss per share is calculated using the weighted average number of common shares issued and outstanding during the year.

The company follows the treasury stock method in the calculation of diluted earnings per share. As the company is incurring losses, basic and diluted loss per share are the same since including the exercise of outstanding stock options and share purchase warrants in the diluted loss per share calculation would be anti-dilutive.

(EXPRESSED IN CANADIAN DOLLARS)

3. Restricted cash

Restricted cash includes:

	2009	2008
Letters of Credit:		
Ministry of Northern Development and Mines	**$ 4,452,597**	$ 4,452,597
Independent Electricity System Operator of Ontario	**281,959**	225,000
	$ 4,734,556	$ 4,677,597

Letters of credit are in place with the Ministry of Northern Development and Mines to cover the estimated total costs of reclamation and site restoration, as included in the filed reclamation and site restoration plan (Note 8), and with the Independent Electricity System Operator of Ontario to secure the provision of electricity.

4. Investments

Investments include:

	2009	2008
Government of Canada Treasury Bill bears interest at 0.65%, matures May 14, 2009	**$ 4,999,286**	$ -
Government of Canada Treasury Bill bears interest at 0.6%, matures May 14, 2009	**9,999,577**	-
Government of Canada Treasury Bill bears interest at 0.3%, matures June 11, 2009	**1,504,795**	-
Government of Canada Treasury Bill bears interest at 0.3%, matures June 11, 2009	**5,003,994**	-
Government of Canada Treasury Bill bears interest at 0.25%, matures July 23, 2009	**1,998,660**	-
Government of Canada Treasury Bill bears interest at 2.4%, matured July 24, 2008	**-**	15,131,534
Investment in mutual funds	**131,830**	257,584
	$ 23,638,142	$ 15,389,118

5. Inventories

	2009	2008
Gold in process	**$ 5,457,505**	$ 2,672,260
Mine operating supplies	**1,559,459**	1,195,951
Surface stockpile	**371,179**	-
	$ 7,388,143	$ 3,868,211

6. Mineral properties

The company's mineral properties comprise five contiguous mining properties in and around Kirkland Lake, Ontario.

	2009	2008
Balance - Beginning of year	**$ 36,947,885**	$ 34,364,062
Development and rehabilitation costs	**8,077,906**	4,322,324
Depletion	**(1,706,366)**	(1,738,501)
Balance - End of year	**$ 43,319,425**	$ 36,947,885

(EXPRESSED IN CANADIAN DOLLARS)

	COST	ACCUMULATED DEPLETION	2009
Acquisition allocation	**$ 2,042,523**	**$ 263,886**	**$ 1,778,637**
Underground development	**46,568,756**	**7,416,747**	**39,152,009**
Underground pumping	**2,050,942**	**517,543**	**1,533,399**
Mill and surface facilities	**149,371**	**38,426**	**110,945**
Lakeshore property	**1,000,411**	**255,976**	**744,435**
	$ 51,812,003	**$ 8,492,578**	**$ 43,319,425**

	COST	ACCUMULATED DEPLETION	2008
Acquisition allocation	$ 1,765,523	$ 195,149	$ 1,570,374
Underground development	38,767,850	5,895,405	32,872,445
Underground pumping	2,050,942	443,087	1,607,855
Mill and surface facilities	149,371	32,991	116,380
Lakeshore property	1,000,411	219,580	780,831
	$ 43,734,097	$ 6,786,212	$ 36,947,885

7. Property, plant and equipment

	COST	ACCUMULATED AMORTIZATION	2009
Computer equipment	**$ 780,226**	**$ 695,722**	**$ 84,504**
Mine and mill equipment	**25,202,263**	**10,245,820**	**14,956,443**
Vehicles	**129,493**	**108,912**	**20,581**
Buildings	**591,822**	**323,099**	**268,723**
	$ 26,703,804	**$ 11,373,553**	**$ 15,330,251**

	COST	ACCUMULATED AMORTIZATION	2008
Computer equipment	$ 707,228	$ 578,070	$ 129,158
Mine and mill equipment	19,959,033	7,854,616	12,104,417
Vehicles	129,493	102,483	27,010
Buildings	591,822	268,919	322,903
	$ 21,387,576	$ 8,804,088	$ 12,583,488

8. Asset retirement obligation

The company has filed a reclamation and site restoration plan in connection with the Kirkland Lake properties and these plans are currently being discussed with the Ontario Ministry of Northern Development and Mining (MNDM). The company's best estimate of the total costs of reclamation and site restoration at April 30, 2009 are $5,415,814 (2008 - $4,452,597) and financial assurance has been provided to the MNDM by way of a letter of credit in the amount of $4,452,597 (Note 3).

A reconciliation for asset retirement obligation is as follows:

	2009	2008
Balance - Beginning of year	**$ 2,862,508**	$ 2,700,480
Accretion	**153,030**	162,028
Revisions in estimated cash flows	**25,896**	-
Balance - End of year	**$ 3,041,434**	$ 2,862,508

(EXPRESSED IN CANADIAN DOLLARS)

During 2009, the company reviewed total proven and probable reserves, which resulted in the extension of the remaining life of the mine and, consequently, the extension of the cash flow projection and reduction of the asset retirement obligations and mineral properties. Furthermore, the company's estimate of reclamation and site restoration costs increased in the year. The required financial assurance related to the increase in the cost estimate has not yet been provided to MNDM.

The company continues to correspond with the MNDM regarding the Wright Hargreaves property. The company has retained a consultant 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.

The provision for asset retirement obligations is based on the following key assumptions.

- The total undiscounted cash flow as at April 30, 2009 is $5,415,814.
- The expected settlement to be in 2024.
- A credit adjusted risk free rate at which the estimated payments have been discounted of 6%.
- An inflation rate of 2%.

9. Capital stock

	Number of shares	Amount
Balance - April 30, 2007	54,504,019	$ 140,926,034
Exercise of options	60,500	333,004
Exercise of warrants	670,924	7,639,865
Private placements	450,000	5,130,000
Shares issued to purchase mining claims	17,869	187,500
Share issuance costs	-	(117,206)
Share proceeds allocated to warrants	-	(677,891)
Balance - April 30, 2008	**55,703,312**	**153,421,306**
Exercise of options	**10,000**	**42,362**
Private placements	**2,820,000**	**13,677,000**
Shares issued to purchase mining claims	**15,586**	**62,500**
Share issuance costs	**-**	**(626,059)**
Share proceeds allocated to warrants	**-**	**(821,650)**
Balance - April 30, 2009	**58,548,898**	**$ 165,755,459**

(a) On May 10, 2007, the company issued 12,940 common shares valued at $125,000 for the first tranche related to the purchase of the South Claims. On January 8, 2008 the company issued 4,929 shares valued at $62,500 for the second tranche related to the purchase of the South Claims.

(b) On September 25, 2007 the company closed a brokered private placement of 450,000 units at a price of $11.40 per unit for gross proceeds of $5,130,000. Each unit consisted of one common share and one half of a share purchase warrant. Each whole warrant is exercisable to purchase a further common share at a price of $13.00 until September 25, 2009. The company incurred commissions, fees and legal costs totaling $117,206 in connection with this placement. The share purchase warrants issued as part of this placement have been recorded at a fair value of $677,891.

(c) In February 2009 the company closed a non-brokered private placement in two tranches:

(i) On February 4, 2009 the company closed the first tranche of the private placement of 2,200,000 units at a price of $4.85 per unit for gross proceeds of $10,670,000. Each unit consisted of one common share and one quarter of a share purchase warrant. Each whole warrant is exercisable to purchase a further common share at a price of $5.50 until February 4, 2010. The company incurred commissions, fees and legal costs totaling $475,249 in connection with this tranche. The share purchase warrants issued as part of this tranche have been recorded at a fair value of $613,729 less allocated issuance costs.

(ii) On February 17, 2009 the company closed the second tranche of the private placement of 620,000 units at a price of $4.85 per unit for gross proceeds of $3,007,000. Each unit consisted of one common share and one quarter of a share purchase warrant. Each whole warrant is exercisable to purchase a further common share at a price of $5.50 until February 17, 2010. The company incurred commissions, fees and legal costs totaling $150,810 in connection with this tranche. The share purchase warrants issued as part of this tranche have been recorded at a fair value of $310,976 less allocated issuance costs.

10. Options

The company has adopted a stock option plan which allows the company to grant options to directors, senior officers and employees of or consultants to the company or employees of a corporation providing management services to the company. The aggregate number of shares which may be subject to issuance pursuant to options granted under this plan is 3,500,000 shares.

The plan provides that the exercise price of an option granted under the plan shall not be less than the market price at the time of granting the option. Options have a maximum term of 10 years and terminate on the 90th day after the optionee ceased to be any of a director, officer, consultant or employee; on the 30th day after the optionee ceased to be an employee or consultant if the optionee was engaged in providing investor relations services for the company; or the earlier of the 90th day and the third month after the optionee ceased to be an employee or officer if the optionee is subject to the tax laws of the United States of America.

Notwithstanding that options can have a maximum term of 10 years it is presently the policy of the company to issue options for terms of five years.

(EXPRESSED IN CANADIAN DOLLARS)

The change in stock options during the years ended April 30 is as follows:

	2009		2008	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Options outstanding - Beginning of year	**420,500**	**$ 7.51**	561,000	$ 7.09
Granted	**1,179,500**	**7.30**	40,000	12.50
Exercised	**(10,000)**	**2.80**	(60,500)	4.69
Forfeited	**(16,000)**	**7.90**	(120,000)	8.65
Expired	**(106,000)**	**4.55**	-	-
Options outstanding - End of year	**1,468,000**	**$ 7.62**	420,500	7.51
Options exercisable - End of year	**284,500**	**$ 8.65**	258,000	$ 6.19

The following table summarizes information about stock options outstanding and exercisable at April 30, 2009:

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
$ 4.70	19,500	19,500	0.40	0.40
8.65	245,000	245,000	2.75	2.75
12.50	40,000	20,000	3.49	3.49
7.90	301,000	-	4.04	-
9.25	75,000	-	4.06	-
6.99	250,000	-	4.31	-
6.99	487,500	-	4.39	-
5.05	50,000	-	4.44	-
$4.70 - $12.50	1,468,000	284,500	3.94	2.64

The fair value of each option at the date of grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2009	2008
Expected life of options	**3 - 5 years**	5 years
Risk-free interest rate	**3.58 - 3.98%**	4.18%
Expected stock price volatility	**53.3 - 64%**	50%
Expected dividend yield	**0%**	0%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(EXPRESSED IN CANADIAN DOLLARS)

The value ascribed to unexercised options recorded as a component of shareholders' equity is as follows:

	2009	2008
Balance - Beginning of year	**$ 1,284,136**	$ 674,137
Accretion of options granted	**2,642,448**	815,759
Exercise of options	**(14,362)**	(49,154)
Options expired	**(281,298)**	-
Options forfeited	**-**	(156,606)
Balance - End of year	**$ 3,630,924**	$ 1,284,136

11. Warrants

The changes in warrants outstanding are as follows:

	2009		2008	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Warrants outstanding - Beginning of year	**225,0**	**$ 13.00**	670,9	$ 10.50
Issued	**705,0**	**5.50**	225,0	13.00
Exercised	**-**	**-**	(670,92	10.50
Warrants outstanding - End of year	**930,0**	**$ 7.31**	225,0	$ 13.00

The value ascribed to unexercised warrants recorded as a component of equity is as follows:

	2009	2008
Balance - Beginning of year	**$ 677,891**	$ 595,163
Warrants issued in private placements	**821,650**	677,891
Exercise of warrants	**-**	(595,163)
Balance - End of year	**$ 1,499,541**	$ 677,891

12. Financial instruments

The company's financial instruments consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, security deposits, 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.

Interest Rate and Credit Risk

The company has significant cash and short-term investment balances. The company currently invests excess cash in fixed rate Government of Canada Treasury Bills with maturity dates of approximately 90 days. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary. As at April 30, 2009, there were no receivables past due.

There are no fixed, floating rate or interest free financial liabilities by way of borrowing. Deposits held with banks may exceed the amount of insurance provided on such deposits.

Liquidity Risk

The company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2009, the company had a cash and cash equivalents and short term investments balance of $25,444,341 to settle financial liabilities of $11,085,540. All of the company's financial liabilities are current liabilities which will mature within one year of the balance sheet date.

Currency Risk

Sales of gold dore 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.

Sensitivity Analysis

The carrying amount of financial instruments approximates their fair market value. The movement on cash and cash equivalents and short-term investments interest rates by a plus or minus 1% change would affect net loss by approximately $250,000.

As at 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 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.

(EXPRESSED IN CANADIAN DOLLARS)

13. Capital disclosures

The company's capital under management includes shareholders' equity of $86,768,626. The company's objectives when managing capital are:

(a) to safeguard the company's ability to continue as a going concern.
(b) provide an adequate return to shareholders.
(c) to raise sufficient proceeds from share issuances to meet any deficiencies in operations.
(d) to provide sufficient funding to support on-going exploration and capital development plans.

The company manages its capital structure and makes adjustments to it to meet the above objectives. To date management has used primarily equity issuances in order to raise funds as required. Excess funds are then invested in highly liquid, interest bearing instruments until required.

14. Related party transactions

The following related party transactions occurred during the year:

(a) The company paid office facilities and administration services in the amount of $42,000 (2008 - $42,000) to a company related by directors in common.

(b) At April 30, 2009, accounts payable included $nil (2008 - $3,947) owing to companies with directors in common. Amounts due to related parties are non-interest bearing and have no fixed terms of repayment.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

15. Income taxes

(a) Income taxes expenses vary from the amount that would be computed by applying the combined federal and provincial income tax rate of 31.33% (2008 - 33.20%) to loss before income taxes as follows:

	2009	2008
Loss before income taxes	**$ (10,483,055)**	$ (3,345,980)
Expected income taxes	**$ (3,284,341)**	$ (1,110,865)
Income tax benefit not recognized	**2,453,916**	891,005
Non-deductible items	**830,425**	219,860
	$ -	$ -

(b) Future income taxes reflect the net tax effects of non-capital loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the company's future tax assets are as follows:

	2009	2008
Future income tax assets		
Net operating loss carry-forwards	**$ 12,820,684**	$ 12,265,193
Mineral properties	**1,689,380**	614,349
Asset retirement obligation	**821,187**	772,877
Property, plant and equipment	**2,949,239**	2,265,152
Share issuance costs	**415,245**	597,211
	18,695,735	16,514,782
Less: Valuation allowance	**(18,695,735)**	(16,514,782)
Net future tax assets	**$ -**	$ -

(c) The company has non-capital losses, which may be carried forward and applied against taxable income in future years. These losses expire during the following years:

2010	$ 3,208,110
2014	17,920,438
2015	18,207,964
2026	1,870,252
2027	4,032,443
2028	2,244,809
	$ 47,484,016

16. Commitments

As at April 30, 2009, capital commitments included:

Capital Commitments *(All commitments in 000s of Canadian Dollars)*	$000
Property, Plant and Equipment	883
Underground Development	496
Total	1,379

A net smelter royalty is payable on a sliding scale commencing at 2% if the price of gold sold 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 amounted to $1,737,346 (2008 - $1,651,354). Of the $15 million the company has paid $5,785,521.

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.

(EXPRESSED IN CANADIAN DOLLARS)

17. Segmented information

The company has one operating segment consisting of a mining and milling operation located in Kirkland Lake, Canada. During the years ended April 30, 2009 and 2008 all of the company's capital assets, revenues earned and operations were in Canada, and all mining revenue was earned from one customer.

18. Supplemental cash flow information

Cash and cash equivalents comprise cash on deposit with Canadian chartered banks, lines of credit and treasury bills.

During the years ended April 30, 2009 and 2008, the company conducted non-cash financing and investing activities as follows:

	2009	2008
Value assigned to options/warrant exercised	**$ 14,362**	$ 644,317
Issuance of shares for purchase of mineral properties	**$ 62,500**	$ 125,000