KIRKLAND LAKE GOLD INC.

FINANCIAL STATEMENTS

APRIL 30, 2011 AND 2010

(EXPRESSED IN CANADIAN DOLLARS)

KPMG LLP
Chartered Accountants
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kirkland Lake Gold Inc.

We have audited the accompanying financial statements of Kirkland Lake Gold Inc., which comprise the balance sheets as at April 30, 2011 and April 30, 2010, the statements of operations, comprehensive income (loss) and deficit, cash flows, and changes in shareholders' equity for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Kirkland Lake Gold Inc. as at April 30, 2011 and April 30, 2010 and its results of operations and

its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants**,** Licensed Public Accountants

Toronto, Canada

July 5, 2011

KIRKLAND LAKE GOLD INC.

BALANCE SHEETS

AS AT APRIL 30, 2011 AND 2010

(EXPRESSED IN CANADIAN DOLLARS)

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	**$ 25,908,667**	$ 29,323,439
Short-term investments (Note 4)	**25,321,582**	30,232,554
Accounts receivable	**2,348,245**	981,585
Inventories (Note 5)	**10,354,028**	7,874,369
Prepaid expenses and other current assets	**554,485**	593,489
	64,487,007	69,005,436
Other long-term assets (Note 6)	**519,492**	291,980
Restricted cash (Note 3)	**4,952,597**	4,952,597
Mineral properties (Note 7)	**90,748,595**	64,508,733
Plant and equipment (Note 8)	**48,995,125**	23,448,589
	$ 209,702,816	$ 162,207,335
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 21,808,973**	$ 13,229,894
Current portion of capital lease	**-**	76,299
	21,808,973	13,306,193
Asset retirement obligation (Note 9)	**3,417,357**	3,223,922
	25,226,330	16,530,115
Shareholders' Equity		
Capital stock (Note 10)		
Authorized		
Unlimited common shares without par value		
Issued		
69,763,211 (2010 - 67,727,634) common shares	**249,183,417**	226,933,558
Options (Note 11)	**4,223,940**	4,848,210
Warrants (Note 12)	**-**	9,315,584
Contributed surplus (Note 13)	**10,435,893**	4,037,799
Deficit	**(79,366,764)**	(99,457,931)
	184,476,486	145,677,220
	$ 209,702,816	$ 162,207,335

Commitments (Notes 3 and 18)

Approved by the Board of Directors:

(signed) "Brian E. Bayley" Director **(signed) "Brian Hinchcliffe"** Director

KIRKLAND LAKE GOLD INC.

STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT

YEARS ENDED APRIL 30, 2011 AND 2010

(EXPRESSED IN CANADIAN DOLLARS)

	2011	2010
Revenue		
Mining revenue	**$ 105,176,708**	$ 51,231,538
Expenses		
Operating costs	**62,159,052**	47,229,654
Stock-based compensation for operational personnel	**165,178**	565,009
Amortization and depletion	**7,852,621**	4,104,224
Royalties	**4,232,238**	2,054,201
	74,409,089	53,953,088
	30,767,619	(2,721,550)
Other Expenses		
General and administrative	**2,916,848**	2,614,680
Exploration	**9,001,224**	5,284,627
Interest and bank charges	**31,641**	46,283
Stock-based compensation (Note 11)	**248,236**	1,045,699
Writedown of capital assets (Note 8)	**122,104**	994,216
Interest and other income	**(731,001)**	(445,488)
	11,589,052	9,540,017
Income (loss) before future income tax recovery	**19,178,567**	(12,261,567)
Future income tax recovery (Note 17)	**(912,600)**	-
Income (loss) and comprehensive income (loss) for the year	**$ 20,091,167**	$ (12,261,567)
Basic and diluted income (loss) per share	**$ 0.29**	$ (0.20)
Weighted Average number of shares outstanding (Note 10)	**68,282,898**	62,628,013
Diluted Weighted Average number of shares outstanding (Note 10)	**68,671,100**	62,628,013

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

KIRKLAND LAKE GOLD INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2011 AND 2010

(EXPRESSED IN CANADIAN DOLLARS)

	2011	2010
Cash flows from (used in) operating activities		
Income (loss) for the year	**$ 20,091,167**	$ (12,261,567)
Items not affecting cash and cash equivalents		
Future income tax recovery	**(912,600)**	-
Amortization and depletion	**7,852,621**	4,104,224
Unrealized (gains) losses on investments	**(53,829)**	(54,125)
Stock-based compensation	**413,414**	1,610,708
Asset retirement obligation	**193,435**	182,488
Writedown of capital assets	**122,104**	994,216
	27,706,312	(5,424,056)
Changes in non-cash working capital items		
Accounts receivable	**(1,366,660)**	3,180,873
Inventories	**(2,479,659)**	(486,226)
Prepaid expenses and deposits	**39,004**	(144,543)
Accounts payable and accrued liabilities	**5,548,500**	2,144,354
Other long-term assets	**(227,512)**	(224,500)
	29,219,985	(954,098)
Cash flows used in investing activities		
Purchase of plant and equipment	**(25,881,660)**	(11,657,745)
Purchase of short-term investments	**4,964,801**	(6,540,287)
Restricted cash	**-**	(218,041)
Additions to mineral properties	**(30,848,881)**	(22,522,056)
	(51,765,740)	(40,938,129)
Cash flows from financing activities		
Net proceeds from issuance of capital stock, options and warrants	**19,207,282**	69,509,455
Repayment of capital lease	**(76,299)**	(99,988)
	19,130,983	69,409,467
Increase (decrease) in cash and cash equivalents	**(3,414,772)**	27,517,240
Cash and cash equivalents - Beginning of year	**29,323,439**	1,806,199
Cash and cash equivalents - End of year	**$ 25,908,667**	$ 29,323,439

Supplemental cash flow information (Note 20)

KIRKLAND LAKE GOLD INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED APRIL 30, 2011 AND 2010

(EXPRESSED IN CANADIAN DOLLARS)

	2011	2010
Capital stock		
Balance, beginning of year	**$ 226,933,558**	$ 165,755,459
Exercise of stock options	**3,281,417**	310,880
Exercise of warrants	**18,968,442**	4,699,148
Shares issued to purchase mining claims	**-**	50,000
Private placements	**-**	69,137,375
Share issue costs	**-**	(3,703,720)
Share proceeds allocated to warrants	**-**	(9,315,584)
Balance, end of year	**$ 249,183,417**	$ 226,933,558
Options		
Balance, beginning of year	**$ 4,848,210**	$ 3,630,924
Attribution of options granted	**413,414**	1,610,708
Exercise of options	**(1,027,785)**	(112,580)
Cancellation of options	**(9,899)**	(256,132)
Forfeiture of options	**-**	(24,710)
Balance, end of year	**$ 4,223,940**	$ 4,848,210
Warrants		
Balance, beginning of year	**$ 9,315,584**	$ 1,499,541
Warrants issued in private placements	**-**	9,315,584
Exercise of warrants	**(2,014,788)**	(821,650)
Expiry of warrants	**(7,300,796)**	(677,891)
Balance, end of year	**$ -**	$ 9,315,584
Contributed surplus		
Balance, beginning of year	**$ 4,037,799**	$ 3,079,066
Expiry of warrants	**7,300,796**	677,891
Cancellation of options	**9,898**	256,132
Forfeiture of options	**-**	24,710
Future tax recovery on expiration of warrants	**(912,600)**	-
Balance, end of year	**$ 10,435,893**	$ 4,037,799
Deficit		
Balance, beginning of year	**$ (99,457,931)**	$ (87,196,364)
Income (loss) and comprehensive income (loss) for the year	**20,091,167**	(12,261,567)
Balance, end of year	**$ (79,366,764)**	$ (99,457,931)

1. Basis of Presentation

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

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles on a basis which contemplates that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The future operating cash flows and profitability of the Company are affected by various factors, the most significant of which are the amount of gold produced and sold, the market price of gold, operating costs, and the level of exploration activity and other discretionary costs and activities. These factors are influenced by the ongoing discovery of economically recoverable reserves and the economies of scale envisaged in the current expansion project from future production on its properties in Kirkland Lake. The Company seeks to manage the risks associated with its business; however, many of the factors affecting these risks are beyond the Company's control.

All dollar amounts are stated in Canadian dollars or otherwise as indicated.

2. Significant accounting policies

Future changes in significant accounting policies

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the date that International Financial Reporting Standards (''IFRS'') will replace Canadian GAAP for publicly accountable enterprises. As a result, the Company will report under IFRS for interim and annual periods beginning May 1, 2011, with comparative information for 2010 restated under IFRS. Adoption of IFRS as Canadian GAAP requires the Company to make certain accounting policy choices and could materially impact its reported financial position and results of operations.

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, asset retirement obligation, stock based compensation and valuation of future income tax liabilities, 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, other long-term assets, 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
Other long-term assets	Held to maturity
Restricted cash	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities
Capital lease	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 income for the period represents comprehensive income.

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 than 90 days at the date of acquisition but less than 365 days.

Inventories

Dore bars and gold in process 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 indicators of impairment 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.

Plant and equipment

Plant and equipment is recorded at cost and amortized on a straight line basis over the shorter of the remaining mine life and the following periods:

Computer equipment	3 years
Vehicles	5 years
Mine and mill equipment	10 - 15 years
Buildings	10 - 15 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 upon title transfer. On January 7, 2010, the Company entered into a new agreement with the purchaser, where title transfer is defined as receipt of payment. Prior to January 7, 2010, revenue was recognized upon title transfer when the gold was 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 11. 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 has from time to time issued 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 tax losses.

Earnings / Loss per common share

The Company follows the treasury stock method in the calculation of diluted earnings per share. Basic earnings or loss per share is computed by dividing the net income or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted income or loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

3. Restricted cash

Restricted cash includes:

	2011	2010
Letters of Credit:		
Ministry of Northern Development, Mines and Forestry	**$ 4,452,597**	$ 4,452,597
Independent Electricity System Operator of Ontario	**500,000**	500,000
	$ 4,952,597	$ 4,952,597

Letters of credit are secured by the GIC investments as disclosed in Note 4 below.

(EXPRESSED IN CANADIAN DOLLARS)

4. Investments

Investments include:

	2011	2010
Government of Canada Treasury Bill bears interest at 0.85%, matures May 26, 2011	**$ 5,001,570**	$ -
Government of Canada Treasury Bill bears interest at 0.8%, matures June 23, 2011	**9,999,254**	
Government of Canada Treasury Bill bears interest at 1.06%, matures July 4, 2011	**5,000,000**	-
Government of Canada Treasury Bill bears interest at 1.12%, matures August 4, 2011	**5,000,000**	-
Guaranteed Investment Certificate bears interest at 1.07%, matures May 12, 2011	**5,000,000**	-
Investment in Guaranteed Investment Certificates		15,000,000
Investment in Government of Canada Treasury Bills	**-**	19,999,196
Investment in mutual funds	**273,355**	185,955
Reclassified to restricted cash	**(4,952,597)**	(4,952,597)
	$ 25,321,582	$ 30,232,554

Letters of credit are in place with the Ministry of Northern Development, Mines and Forestry to cover the estimated total costs of reclamation and site restoration (Note 9), for $4,452,597, and with the Independent Electricity System Operator of Ontario to secure the provision of electricity, for $500,000. The letters of credit are secured by a portion of the $5,000,000 Guaranteed Investment Certificate purchased during the current period.

5. Inventories

	2011	2010
Gold in process	**$ 7,255,286**	$ 4,063,761
Mine operating supplies	**3,098,742**	2,300,907
Dore bars	**-**	1,509,701
	$ 10,354,028	$ 7,874,369

6. Other long-term assets

Other long-term assets include:

	2011	2010
Security deposits	**$ 69,729**	$ 67,980
Employee relocation loans receivable	**449,763**	224,000
	$ 519,492	$ 291,980

7. Mineral properties

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

	2011	2010
Balance - Beginning of year	**$ 64,508,733**	$ 43,319,427
Development and rehabilitation costs	**30,848,881**	22,572,056
Depletion	**(4,609,019)**	(1,382,750)
Balance - End of year	**$ 90,748,595**	$ 64,508,733

(EXPRESSED IN CANADIAN DOLLARS)

	COST	ACCUMULATED DEPLETION	2011
Acquisition allocation	**$ 2,155,023**	**$ 416,098**	**$ 1,738,925**
Underground development	**99,877,192**	**13,054,539**	**86,822,653**
Underground pumping	**2,050,942**	**646,991**	**1,403,951**
Mill and surface facilities	**149,371**	**47,810**	**101,561**
Lakeshore property	**1,000,411**	**318,906**	**681,505**
	$ 105,232,939	**$ 14,484,344**	**$ 90,748,595**

	COST	ACCUMULATED DEPLETION	2010
Acquisition allocation	$ 2,155,023	$ 310,880	$ 1,844,143
Underground development	69,028,311	8,683,069	60,345,242
Underground pumping	2,050,942	562,041	1,488,901
Mill and surface facilities	149,371	41,665	107,706
Lakeshore property	1,000,411	277,670	722,741
	$ 74,384,058	$ 9,875,325	$ 64,508,733

8. Plant and equipment

	2011	2010
Balance - Beginning of year	**$ 23,448,589**	$ 15,330,253
Additions	**28,912,242**	11,834,028
Amortization	**(3,243,602)**	(2,721,476)
Writedown	**(122,104)**	(994,216)
Balance - End of year	**$ 48,995,125**	$ 23,448,589

	COST	ACCUMULATED AMORTIZATION	2011
Computer equipment	**$ 795,088**	**$ 605,399**	**$ 189,689**
Mine and mill equipment	**38,722,924**	**14,061,849**	**24,661,075**
Vehicles	**174,910**	**125,462**	**49,448**
Buildings	**6,721,074**	**1,551,771**	**5,169,303**
Capital projects	**18,925,610**	**-**	**18,925,610**
	$ 65,339,606	**$ 16,344,481**	**$ 48,995,125**

	COST	ACCUMULATED AMORTIZATION	2010
Computer equipment	$ 609,155	$ 597,137	$ 12,018
Mine and mill equipment	28,494,586	10,742,610	17,751,976
Vehicles	147,552	105,626	41,926
Buildings	2,561,536	1,481,276	1,080,260
Capital projects	4,562,409	-	4,562,409
	$ 36,375,238	$ 12,926,649	$ 23,448,589

Capital projects represent assets not being depreciated.

In 2010 included under mine and mill equipment are assets under capital lease in the amount of $137,160.

(EXPRESSED IN CANADIAN DOLLARS)

9. Asset retirement obligation

On April 29, 2011 the Director of Mine Rehabilitation for the Ontario Ministry of Northern Development, Mining and Forestry (MNDMF) accepted the Company's reclamation and site restoration plan in connection with the Kirkland Lake properties with no revisions to the anticipated cash flows. The Company's best estimate of the total costs of reclamation and site restoration at April 30, 2011 are $5,524,130 (2010 - $5,524,130) and financial assurance has been provided to the MNDMF by way of a letter of credit in the amount of $4,452,597 (Note 4).

A reconciliation for asset retirement obligation is as follows:

	2011	2010
Balance - Beginning of year	**$ 3,223,922**	$ 3,041,434
Accretion	**193,435**	182,488
Balance - End of year	**$ 3,417,357**	$ 3,223,922

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

- The total undiscounted cash flow as at April 30, 2011 is $5,524,130.
- The expected settlement to be in 2024 - 2026.
- A credit adjusted risk free rate at which the estimated payments have been discounted of 6%.
- An inflation rate of 2%.

10. Capital stock

	Number of shares	Amount
Balance - April 30, 2009	58,548,898	$ 165,755,459
Exercise of options	33,000	310,880
Exercise of warrants	705,000	4,699,148
Private placements	8,435,500	69,137,375
Shares issued to purchase mining claims	5,236	50,000
Share issuance costs	-	(3,703,720)
Share proceeds allocated to warrants	-	(9,315,584)
Balance - April 30, 2010	**67,727,634**	**226,933,558**
Exercise of options	**296,100**	**3,281,417**
Exercise of warrants	**1,739,477**	**18,968,442**
Balance - April 30, 2011	**69,763,211**	**$ 249,183,417**

(EXPRESSED IN CANADIAN DOLLARS)

(a) On September 10, 2009, the Company closed a private placement of 4,555,000 units at a price of $8.15 per unit for gross proceeds of $37,123,250. Each unit consisted of one common share and one third of a share purchase warrant. Each whole warrant is exercisable to purchase a further common share at a price of $9.85 until October 10, 2010. The share purchase warrants issued as part of this placement have been recorded at a fair value of $6,855,184. The Offering was underwritten by Wellington West Capital Markets Inc. (WWCMI), which was paid a cash fee and issued broker warrants to purchase 273,300 common shares of the Company until September 10, 2010 at a price of $8.15 each. The share purchase warrants issued to WWCMI as part of this placement have been recorded at a fair value of $1,565,462 and recorded as a cost of the placement. In addition the Company incurred further commissions, fees and legal costs totaling $1,985,700 in connection with this placement. The following assumptions were used to calculate fair value:

Dividend yield	NIL
Risk free interest rate	0.54%
Expected stock volatility	134 - 136%
Expected life	1 - 1.08 years

(b) On February 4, 2010, the Company closed a private placement of 3,880,500 units at a price of $8.25 per unit for gross proceeds of $32,014,131. Each unit consisted of one common share and one third of a share purchase warrant. Each whole warrant is exercisable to purchase a further common share at a price of $10.00 until March 4, 2011. The share purchase warrants issued as part of this placement have been recorded at a fair value of $1,385,425. The underwriters, WWCMI and Dundee Securities were paid a cash fee and issued broker warrants to purchase 232,830 common shares of the Company until February 4, 2011 at a price of $8.90 each. The share purchase warrants issued as part of this placement have been recorded at a fair value of $259,537 and recorded as a cost of the placement. In addition the Company incurred further commissions, fees and legal costs totaling $1,718,020 in connection with this placement. The following assumptions were used to calculate fair value:

Dividend yield	NIL
Risk free interest rate	0.63%
Expected stock volatility	57 - 61%
Expected life	1 - 1.08 years

Diluted weighted average number of shares outstanding

	2011	**2010**
Basic weighted average shares outstanding:	68,292,898	62,628,013
Dilutive stock options	378,202	-
Diluted weighted average shares outstanding	68,671,100	62,628,013

Dilutive stock options and warrants were determined using the Company's average share price for the period. The average share price used was $11.25 and $8.74, respectively. For 2011, there were no anti-dilutive stock options: and for 2010, all potentially dilutive stock options and warrants were excluded from the dilutive calculation as they would have been anti-dilutive due to the loss for the year.

(EXPRESSED IN CANADIAN DOLLARS)

11. Options

The Company has adopted a stock option plan which allows the Company to grant options to directors, senior officers and employees of and consultants to the Company and 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 10% of outstanding 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; 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.

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

	2011		2010	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Options outstanding - Beginning of year	**1,404,500**	**$ 7.55**	1,468,000	$ 7.62
Granted	**50,000**	**8.20**	35,000	9.06
Exercised	**(296,100)**	**7.61**	(33,000)	6.01
Expired	**-**	**-**	-	-
Forfeited	**-**	**-**	(14,000)	7.90
Cancelled	**(2,500)**	**7.90**	(51,500)	11.47
Options outstanding - End of year	**1,155,900**	**$ 7.56**	1,404,500	7.55
Options exercisable - End of year	**1,088,400**	**$ 7.51**	814,250	$ 7.71

The following table summarizes information about stock options outstanding and exercisable at April 30, 2011:

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
$ 6.99	250,000	250,000	2.31	2.31
6.99	428,500	428,500	2.39	2.39
7.90	159,900	159,900	2.04	2.04
8.20	50,000	-	4.39	-
8.65	232,500	232,500	0.75	0.75
9.02	20,000	10,000	3.54	3.54
9.11	15,000	7,500	3.68	3.68
	1,155,900	1,088,400	2.12	1.99

(EXPRESSED IN CANADIAN DOLLARS)

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

	2011	2010
Expected life of options	**1.91 - 2.71 years**	1.91 - 2.64
Risk-free interest rate	**1.44 - 1.72%**	1.51 - 1.97%
Expected stock price volatility	**83.70 - 96.28%**	96.8 - 110.1%
Expected dividend yield	**0%**	0%
Weighted-average fair value of options	**$ 4.21**	$ 5.23

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.

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

	2011	2010
Balance - Beginning of year	**$ 4,848,210**	$ 3,630,924
Attribution of options granted	**413,414**	1,610,708
Exercise of options	**(1,027,785)**	(112,580)
Cancellation of options	**(9,899)**	(256,132)
Forfeiture of options	**-**	(24,710)
Balance - End of year	**$ 4,223,940**	$ 4,848,210

12. Warrants

-

The changes in warrants outstanding are as follows:

	2011		2010	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Warrants outstanding - Beginning of year	**3,537,936**	**$ 9.72**	930,000	$ 7.31
Issued	**-**	**-**	3,537,936	9.72
Exercised	**(1,739,477)**	**9.75**	(705,000)	5.50
Expired	**(1,798,459)**	**9.70**	(225,000)	13.00
Warrants outstanding - End of year	**-**	**$ -**	3,537,936	$ 9.72

(EXPRESSED IN CANADIAN DOLLARS)

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

	2011	2010
Balance - Beginning of year	**$ 9,315,584**	$ 1,499,541
Warrants issued in private placements	**-**	9,315,584
Exercise of warrants	**(2,014,788)**	(821,650)
Expiry of warrants	**(7,300,796)**	(677,891)
Balance - End of year	**$ -**	$ 9,315,584

13. Contributed surplus

	2011	2010
Balance - Beginning of period	**$ 4,037,799**	$ 3,079,066
Tax impact of expiry of warrants	**(912,600)**	-
Expiry of warrants	**7,300,796**	677,891
Cancellation of options	**9,898**	256,132
Forfeiture of options	**-**	24,710
Balance - End of period	**$ 10,435,893**	$ 4,037,799

14. 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, 2011, the carrying values of these instruments approximate their fair values based on the nature of these instruments.

Fair Value Measurements of Financial Assets and Liabilities Recognized in the Balance Sheet

The amendments to Section 3862 (Note 2) introduce a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:
Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data.

The levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the balance sheet at fair value are categorized are as follows:

Cash and cash equivalents	Level 1
Short-term investments	
Mutual funds	Level 1
Treasury bills	Level 2
Restricted cash	Level 1
Accounts payable and accrued liabilities	Level 2

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, 2011, 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, 2011, the Company had a cash and cash equivalents and short term investments balance of $51,230,249 to settle financial liabilities of $21,808,973. 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.

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 have no material impact on the value of those items.

15. Capital disclosures

The Company's capital under management includes shareholders' equity of $184,476,486. 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.

16. Related party transactions

During the year the Company paid office facilities and administration services in the amount of $43,500 (2010 - $42,000) to a Company related by directors in common.

This transaction was in the normal course of operations and was measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

(EXPRESSED IN CANADIAN DOLLARS)

17. 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 27.83% (2010 - 30.67%) to income (loss) before income taxes as follows:

	2011	2010
Net Income (loss) before income taxes	**$ 19,178,567**	$ (12,261,567)
Expected income taxes	**$ 5,337,395**	$ (3,760,623)
Income tax benefit not recognized	**(6,362,741)**	3,281,242
Non-deductible items	**112,746**	479,381
Income tax recovery	**$ (912,600)**	$ -

(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:

	2011	2010
Future income tax assets/(liabilities)		
Tax loss carry-forwards	**$ 7,287,742**	$ 15,415,079
Mineral properties	**7,486,467**	4,592,509
Asset retirement obligation	**854,339**	805,981
Property, plant and equipment	**(206,383)**	512,785
Share issuance costs	**906,774**	937,473
	16,328,939	22,263,827
Less: Valuation allowance	**(16,328,939)**	(22,263,827)
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:

2015	$ 7,834,330
2026	1,870,252
2027	4,032,443
2029	6,994,817
2030	7,891,762
	$ 28,623,604

18. Commitments

As at April 30, 2011, capital commitments included:

Capital Commitments *(All commitments in 000s of Canadian Dollars)*	$000
Plant and Equipment	$ 15,400
Underground Development	143
Total	$ 15,543

Capital commitments include the expansion project and ongoing capital project commitments. Major commitments include: i) the new substation project, ii) the hoisting upgrade and compressor projects and iii) mobile underground equipment required for maintaining and supporting higher production levels.

The Company had an outstanding commodity contract with Johnson Matthey Plc. to fix the price of 5,785 ounces of gold at an average price of $1,452 per ounce to be delivered under this contract. As part of the commodity contract Johnson Matthey Plc. has a right to make a margin call if the price of gold falls below the price of the commodity contract until the full amount of the commodity contract has been satisfied. At year end, $16,000 was on deposit to cover the margin calls made by Johnson Matthey Plc.

A 4% net smelter royalty is payable to Kinross Gold Corporation on all gold produced by the Company. The royalty terminates upon aggregate payments of $15 million. During the year ended April 30, 2011, royalties under this agreement amounted to $4,202,218 (2010 - $2,044,427). Of the $15 million the Company has paid $11,909,270.

19. 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, 2011 and 2010 all of the Company's capital assets, revenues earned and operations were in Canada, and all mining revenue was earned from one customer.

20. 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, 2011 and 2010, the Company conducted non-cash financing and investing activities as follows:

	2011	2010
Value assigned to options/warrant exercised	**$ 3,042,573**	$ 934,230
Issuance of shares for purchase of mineral properties	**$ -**	$ 50,000

21. Subsequent event

Subsequent to the year end the letter of credit to the Independent Electricity System Operator of Ontario was increased to $851,611 (Note 3).