UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 or 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of **February, 2018 .**

Commission File Number **001-38179**

KIRKLAND LAKE GOLD LTD.

(Translation of registrant's name into English)

Royal Bank Plaza, South Tower
200 Bay Street, Suite 3120
Toronto, Ontario, Canada
M5J 2J1

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F [ ] Form 40-F [X]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ]

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ]

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kirkland Lake Gold Ltd.

/s/ Philip C. Yee

Date: February 21, 2018

Philip C. Yee

Executive Vice-President and Chief Financial Officer

INDEX TO EXHIBITS

99.1	Audited consolidated financial statements of Kirkland Lake Gold Ltd. as at December 31, 2017 and December 31, 2016 and for the years then ended, together with the report of the independent registered public accounting firm of Kirkland Lake Gold Ltd. thereon
99.2	Management's Discussion and Analysis for the year ended December 31, 2017
99.3	Certification of Chief Executive Officer
99.4	Certification of Chief Financial Officer
99.5	News Release dated February 21, 2018

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Kirkland Lake Gold Ltd. are the responsibility of management and have been approved by the Board of Directors.

The accompanying consolidated financial statements have been prepared by management and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A system of internal controls has been developed and is maintained by management to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

The significant accounting policies used are described in Note 3 to the consolidated financial statements. The financial statements include estimates based on the experience and judgment of management in order to ensure that the financial statements are presented fairly, in all material respects.

The Board of Directors exercises its responsibilities for ensuring that management fulfills its responsibilities for financial reporting and internal control with the assistance of its Audit Committee. The Audit Committee is appointed by the Board of Directors and all of its members are directors who are not officers or employees of Kirkland Lake Gold Ltd. The Audit Committee meets periodically to review financial reports and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the Company's annual financial statements and recommends their approval to the Board of Directors.

These financial statements have been audited by KPMG LLP, the independent registered public accounting firm, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee and may meet with or without the presence of management.

(Signed) "Anthony Makuch" *(Signed) "Philip C. Yee"*

Anthony Makuch
President and Chief Executive Officer

Philip C. Yee
Executive Vice President and Chief Financial Officer

February 20, 2018
Toronto, Canada

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kirkland Lake Gold Ltd.

We have audited the accompanying consolidated financial statements of Kirkland Lake Gold Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of operations and comprehensive income, cash flows and changes in equity for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kirkland Lake Gold Ltd. as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board .

Original Signed by:

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 20, 2018

Toronto, Canada

KIRKLAND LAKE GOLD LTD.
Consolidated Statements of Financial Position
(In thousands of United States Dollars)

As at	*Note*	**December 31, 2017**	December 31, 2016
Assets			
Current assets			
Cash		**$231,596**	$234,898
Accounts receivable	*14*	**15,668**	7,481
Inventories	*15*	**41,432**	40,926
Prepaid expenses		**10,922**	6,581
		299,618	289,886
Non-current assets			
Other long-term assets	*16*	**114,680**	6,187
Restricted cash	*17*	**22,193**	20,042
Mining interests and plant and equipment	*18*	**1,049,309**	976,044
Deferred tax assets	*13*	**—**	6,535
		$1,485,800	$1,298,694
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	*19*	**$84,746**	$72,076
Share based liabilities	*21*	**1,898**	—
Convertible debentures	*22*	**—**	84,961
Finance leases	*20*	**16,358**	12,877
Income tax payable	*13*	**8,337**	3,747
Deferred premium on flow through shares	*24(a)*	**—**	2,943
Provisions	*23*	**19,133**	20,975
		$130,472	$197,579
Non-current liabilities			
Share based liabilities	*21*	**218**	436
Finance leases	*20*	**22,217**	15,157
Provisions	*23*	**41,652**	40,994
Deferred tax liabilities	*13*	**133,645**	138,614
		$328,204	$392,780
Shareholders' equity			
Share capital	*24(a)*	**951,184**	900,389
Equity portion of convertible debentures	*22*	**—**	15,674
Reserves	*24(b)*	**33,122**	49,997
Accumulated other comprehensive income		**36,078**	(71,585)
Retained earnings		**137,212**	11,439
		1,157,596	905,914
		$1,485,800	$1,298,694

Commitments and Contractual Obligations (Note 30)

APPROVED ON BEHALF OF THE BOARD:
Signed "Jeff Parr" , DIRECTOR   Signed "Anthony Makuch" , DIRECTOR

The accompanying notes are an integral part of the consolidated financial statements

KIRKLAND LAKE GOLD LTD.
Consolidated Statements of Operations and Comprehensive Income
For the years ended December 31, 2017 and December 31, 2016
(In thousands of United States Dollars, except per share amounts)

	Note	**Year ended December 31, 2017**	Year ended December 31, 2016 *(Restated - note 6)*
Revenue		**$747,495**	$403,340
Production costs	*8*	**(288,315)**	(192,842)
Royalty expense		**(21,396)**	(15,552)
Depletion and depreciation	*18*	**(148,655)**	(58,970)
Earnings from mine operations		**289,129**	135,976
Expenses			
General and administrative	*9*	**(25,646)**	(11,991)
Transaction costs		**(397)**	(17,746)
Exploration and evaluation		**(48,411)**	(15,817)
Care and maintenance	*10*	**(11,877)**	(80)
Earnings from operations		**202,798**	90,342
Other income, net	*11*	**3,376**	210
Finance Items			
Finance income	*12*	**2,111**	843
Finance costs	*12*	**(12,206)**	(11,628)
Earnings before income taxes		**196,079**	79,767
Current income tax expense	*13*	**(44,223)**	(2,800)
Deferred tax recovery (expense)	*13*	**5,474**	(30,233)
Earnings from continuing operations		**157,330**	46,734
Loss from discontinued operations	*6*	**(24,904)**	(4,627)
Net earnings		**$132,426**	$42,107
Other comprehensive income			
Items that have been or may be subsequently reclassified to net earnings			
Unrealized and realized gains on available for sale investments, net of $3,758 tax	*16*	**26,764**	340
Exchange differences on translation of foreign operations		**80,898**	988
Total other comprehensive income		**107,662**	1,328
Comprehensive income		**$240,088**	$43,435
Basic earnings per share from continuing operations	*24(b(iii))*	**$0.76**	$0.39
Diluted earnings per share from continuing operations	*24(b(iii))*	**$0.75**	$0.38
Basic loss per share from discontinued operations	*24(b(iii))*	**($0.12)**	($0.04)
Diluted loss per share from discontinued operations	*24(b(iii))*	**($0.12)**	($0.04)
Basic earnings per share	*24(b(iii))*	**$0.64**	$0.35
Diluted earnings per share	*24(b(iii))*	**$0.63**	$0.34
Weighted average number of common shares outstanding (in 000's)			
Basic	*24(b(iii))*	**207,436**	121,172
Diluted	*24(b(iii))*	**208,628**	123,889

The accompanying notes are an integral part of the consolidated financial statements

KIRKLAND LAKE GOLD LTD.
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and December 31, 2016
(In thousands of United States Dollars)

	Note	**Year ended December 31, 2017**	Year ended December 31, 2016 *(Restated - note 6)*
Operating activities			
Earnings from continuing operations		**$157,330**	$46,734
Depletion and depreciation		**148,655**	58,970
Share based payment expense		**4,344**	1,710
Other income, net		**(3,376)**	(210)
Finance items, net		**10,095**	10,785
Income tax expense		**38,749**	33,033
Income tax paid		**(40,132)**	(835)
Cash reclamation expenditures		**(10,212)**	(403)
Change in non-cash working capital	*25*	**4,359**	37,197
Net cash provided by operating activities of continuing operations		**309,812**	186,981
Net cash (used in) provided by operating activities of discontinued operations		**(12,990)**	(6,456)
Investing activities			
Additions to mining interests	*18*	**(85,643)**	(57,778)
Buy back of royalty	*18*	**—**	(30,669)
Additions to plant and equipment	*18*	**(46,197)**	(15,273)
Available for sale investments and warrant investments	*16*	**(80,844)**	—
Sale of available for sale investment		**4,608**	—
Sale of Stawell Mine	*6*	**6,250**	—
Proceeds on dispositions of assets	*6*	**1,621**	749
Cash and cash equivalents received on business combinations	*7*	**—**	76,067
Transfer (to)/from restricted cash, net		**(680)**	7,430
Net cash used in investing activities of continuing operations		**(200,885)**	(19,474)
Net cash used in investing activities of discontinued operations		**(612)**	(240)
Financing activities			
Net proceeds from exercise of stock options	*24(b(i))*	**17,002**	5,786
Net proceeds from flow through financings	*24(a)*	**—**	16,648
Interest paid, net of interest received of $1,597		**(4,648)**	(6,329)
Payment of finance lease obligations		**(16,179)**	(7,897)
Payment of dividends	*24(a)*	**(3,281)**	—
Buy back of shares	*24(a)*	**(60,143)**	—
Redemption of convertible debentures	*22*	**(44,034)**	(466)
Net cash (used in) provided by financing activities of continuing operations		**(111,283)**	7,742
Net cash used in financing activities of discontinued operations		**(121)**	(11)
Impact of foreign exchange on cash balances of continuing operations		**12,548**	(1,295)
Impact of foreign exchange on cash balances of discontinued operations		**229**	(67)
Change in cash of continuing operations during the period		**10,192**	173,954
Change in cash of discontinued operations during the period		**(13,494)**	(6,774)
Change in cash		**(3,302)**	167,180
Cash, beginning of period		**234,898**	67,718
Cash, end of year		**$231,596**	$234,898

Supplemental cash flow information – Note 25

The accompanying notes are an integral part of the consolidated financial statements

KIRKLAND LAKE GOLD LTD.

Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and December 31, 2016
(In thousands of United States Dollars, except share information)

		Share Capital			Reserves	Accumulated other comprehensive income (loss)			Shareholders' Equity
	Note	Shares (000s)	Amount	Equity portion of convertible debentures	Share based payments and other reserves	Foreign currency translation	Investment revaluation	(Accumulated Deficit)/ Retained earnings	
Balance at December 31, 2015		**170,433**	**$288,556**	**$15,674**	**$25,215**	**($72,912)**	**—**	**($30,668)**	**$225,865**
Acquisition of St Andrew Goldfields	*7(b)*	70,249	112,706	—	2,069	—	—	—	114,775
Flow through share issuance, net of issue costs	*24(a)*	2,897	12,794	—	—	—	—	—	12,794
Exercise of share options, including transfer from reserves		4,542	8,455	—	(2,669)	—	—	—	5,786
Share based payments expense	*24(b(ii))*	—	—	—	1,319	—	—	—	1,319
Acquisition of Newmarket Gold, net of share issue costs of $162	*7(a)*	178,492	477,878	—	24,062	—	—	—	501,940
Consolidation of shares	*7(a)*	(223,581)	—	—	—	—	—	—	—
Foreign currency translation		—	—	—	—	988	—	—	988
Unrealized gain on available for sale investments, net of tax		—	—	—	—	—	340	—	340
Net earnings		—	—	—	—	—	—	42,107	42,107
Balance at December 31, 2016		**203,032**	**$900,389**	**$15,674**	**$49,996**	**($71,924)**	**$340**	**$11,439**	**$905,914**
Exercise of share options and warrants, including transfer from reserves	*24(a)*	7,351	42,562	—	(25,560)	—	—	—	17,002
Share issuance	*24(a)*	1,500	10,686	—	—	—	—	—	10,686
Redemption of convertible debentures	22	4,505	57,690	(15,674)	6,564	—	—	—	48,580
Share based payments expense	*24(b(ii))*	—	—	—	2,122	—	—	—	2,122
Foreign currency translation		—	—	—	—	86,866	—	—	86,866
Reclassification of foreign currency translation reserve to net earnings	*16(a)*	—	—	—	—	(5,968)	—	—	(5,968)
Unrealized gain on available for sale investments, net of tax	*16(a)*	—	—	—	—	—	27,557	—	27,557
Realized gain on sale of JDS Silver, net of tax	*16(a)*	—	—	—	—	—	(793)	—	(793)
Dividends declared	*24(a)*	—	—	—	—	—	—	(6,653)	(6,653)
Share repurchases	*24(a)*	(5,443)	(60,143)	—	—	—	—	—	(60,143)
Earnings from continuing operations		—	—	—	—	—	—	132,426	132,426
Balance at December 31, 2017		**210,945**	**$951,184**	**—**	**$33,122**	**$8,974**	**$27,104**	**$137,212**	**$1,157,596**

The accompanying notes are an integral part of the consolidated financial statements

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Kirkland Lake Gold Ltd. (individually, or collectively with its subsidiaries, as applicable, “Kirkland Lake Gold”, or the "Company"), is a publicly listed entity incorporated in the province of Ontario, Canada. The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”), the New York Stock Exchange under the symbol "KL" and on the Australian Securities Exchange under the symbol “KLA”. The Company’s head office, principal address and records office are located at 200 Bay Street, Suite 3120, Toronto, Ontario, Canada, M5J 2J1.

On November 30, 2016, Kirkland Lake Gold Inc. (“Old Kirkland Lake”), at the time a publicly listed company which owned and operated two mining complexes in Kirkland Lake as well as several exploration properties in the province of Ontario, completed an arrangement (the “Arrangement” – note 7) with Newmarket Gold Inc. (“Newmarket”), a publicly listed company which owned and operated several mines as well as various exploration properties in Australia. Under the Arrangement all existing Old Kirkland Lake common shares were exchanged into Newmarket common shares at a ratio of 1: 2.1053 . Old Kirkland Lake became a wholly-owned subsidiary of Newmarket, which was then renamed “Kirkland Lake Gold Ltd.” At the same time the Company completed a consolidation of the combined common shares on the basis of 0.475 post-consolidation shares for each one pre-consolidation share.

On January 26, 2016, Old Kirkland Lake acquired all the issued and outstanding common shares of St Andrew Goldfields Ltd. (”St Andrew” - note 7). St Andrew was a TSX listed Canadian based gold mining and exploration company with an extensive land package in the Timmins mining district in Ontario and held the Holt, Holloway and Taylor mines, together referred to as the Holt Complex.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these consolidated financial statements are presented in note 3 and have been applied consistently to all years presented, unless otherwise noted. These consolidated financial statements were approved by the Company’s Board of Directors on February 20, 2018 .

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are measured at fair value.

The November 30, 2016 Arrangement with Newmarket is considered a business combination under IFRS with Old Kirkland Lake being the acquirer for accounting purposes (note 7(a)). As such the comparative information in these financial statements is the Old Kirkland Lake comparative information, with the results of operations and reported cash flows of Newmarket consolidated from November 30, 2016.

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 .

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below:

a) Basis of presentation and consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are those entities controlled by the Company. Control exists when the Company is exposed to or has rights to the variable returns from the subsidiary and has the ability to affect those returns through its power over the subsidiary. Power is defined as existing rights that give the Company the ability to direct the relevant activities of the subsidiary. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Company to the date control ceases. All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

The subsidiaries of the Company as at December 31, 2017 and their principal activities are described below:

Name	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Kirkland Lake Gold Inc.	Canada	100%	Operating
St Andrew Goldfields Ltd.	Canada	100%	Operating
Crocodile Gold Inc.	Canada	100%	Holding Company
Newmarket Gold Victorian Holdings Pty Ltd.	Australia	100%	Holding Company
Down Under Finance Corporation Pty Ltd.	Australia	100%	Holding Company
Fosterville Gold Mine Pty Ltd.	Australia	100%	Operating
Newmarket Gold NT Holdings Pty Ltd.	Australia	100%	Holding Company
NT Mining Operations Pty Ltd.	Australia	100%	Operating
0982583 B.C. Ltd.	Canada	100%	Inactive
0982576 B.C. Ltd.	Canada	100%	Inactive
Newmarket America Holdings Inc.	U.S.A.	100%	Inactive
Kirkland Lake Gold (Barbados) Corporation	Barbados	100%	Holding Company

b) Foreign currency translation

The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates (the “functional currency”). The functional currency for the Company and its Canadian subsidiaries is the Canadian dollar; the functional currency for all Australian subsidiaries is the Australian dollar. The consolidated financial statements are presented in United States dollars which is the presentation currency for the Company.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are measured at fair value in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate on the date of transaction.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss. In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

c) Business Combinations

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that consist of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Company to create outputs. When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Company considers other factors to determine whether the set of activities or assets is a business.

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at their fair values at the acquisition date. The acquisition date is the date at which the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. The Company considers all relevant facts and circumstances in determining the acquisition date.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets at the acquisition date transferred by the Company, the liabilities, including contingent consideration, incurred and payable by the Company to former owners of the acquiree and the equity interests issued by the Company. The measurement date for equity interests issued by the Company is the acquisition date. Acquisition related costs are expensed as incurred.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received for goods sold in the normal course of business, net of discounts and sales related taxes. Revenue from gold sales is recognized to the extent that it is probable that economic benefits will flow to the Company, the revenue can be reliably measured and when all significant risks and rewards of ownership are transferred to the customer.

e) Financial Instruments

Financial assets and liabilities are recognized when the Company become party to the contracts that give rise to them and are classified as loans and receivables, financial instruments fair valued through profit or loss, held-to-maturity, available for sale financial assets and other liabilities, as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred.

Available for sale financial assets

Available for sale (“AFS”) financial assets are those non-derivative financial assets that are designated as such or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. AFS financial assets are measured at fair value upon initial recognition and at each period end, with unrealized gains or losses being recognized as a separate component of equity in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in net earnings (loss). The Company has classified its investments in certain public and private companies as available for sale financial assets.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in net earnings (loss) when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Other financial liabilities

Other financial liabilities, including accounts payable and accrued liabilities, convertible debentures and finance leases are recognized initially at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings (loss) when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in net earnings (loss).

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

Financial assets, other than those recorded at FVTPL, are assessed for indicators of impairment at each period end. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been adversely impacted. In the case of investments classified as available for sale, an evaluation is made as to whether a decline in fair value is significant or prolonged based on an analysis of indicators such as market price of the investment and significant adverse changes in the technological, market, economic or legal environment in which the investee operates.

If an available for sale asset is impaired, the change in fair value is transferred to net earnings (loss) in the period, including cumulative gains or losses previously recognized in other comprehensive income or loss. Reversals of impairment in respect of equity instruments classified as available for sale are not recognized in net earnings (loss) but included in other comprehensive income.

Derecognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party.

A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net earnings (loss).

f) Cash and cash equivalents

Cash and cash equivalents includes cash and short-term money market instruments with an original maturity of three months or less, or which are on demand.

g) Inventories and stockpiled ore

Inventories are valued at the lower of weighted average cost or net realizable value. Inventories include work-in-process inventory (stockpiled ore, gold in circuit and bullion inventories) as well as materials and supplies inventory.

For work-in-process inventory the costs of production include: (i) materials, equipment, labour and contractor expenses which are directly attributable to the extraction and processing of ore; (ii) depletion and depreciation of plant and equipment used in the extraction and processing of ore; and (iii) related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product.

Supplies are valued at the lower of weighted average cost and net realizable value.

h) Mining interest

Mining interests represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures arising from property acquisitions. Upon disposal or abandonment, the carrying amounts of mining interests are derecognized and any associated gains or losses are recognized in profit or loss.

Mining properties

Purchased mining properties are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. The Company expenses exploration and evaluation expenditures and near term ore development costs as incurred. Near term development costs occur in areas where the Company expects production to occur within the subsequent 12 months. Property acquisition costs, longer term development, and costs incurred to expand ore reserves are capitalized if the criteria for recognition as an asset are met.

The carrying amounts of mining properties are depleted using the unit-of-production method over the estimated recoverable ounces, when the mine is capable of operating at levels intended by management. Under this method, depletable costs are multiplied by the number of ounces produced, and divided by the estimated recoverable ounces contained in proven and probable reserves and a portion of resources where it is considered highly probable that those resources will be economically extracted.

A mine is capable of operating at levels intended by management when: (i) operational commissioning of major mine and plant components is complete; (ii) operating results are being achieved consistently for a period of time; (iii) there are indicators that these operating results will be continued; and (iv) other factors are present, including one or more of the following:

- a significant portion of plant/mill capacity has been achieved;
- a significant portion of available funding is directed towards operating activities;
- a pre-determined, reasonable period of time has passed; or significant milestones for the development of the mining property have been achieved.

Management reviews the estimated total recoverable ounces contained in depletable reserves and resources at each financial year end, and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces contained in depletable reserves and resources are accounted for prospectively.

Plant and equipment

Plant and equipment is carried at cost less accumulated depreciation and impairment losses or at fair value if purchased as part of a business combination. The cost of plant and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the estimated close down and restoration costs associated with the asset and borrowing costs incurred that are attributable to qualifying assets as noted in note 3(i) .

Depreciation is recorded on a straight-line or unit of production basis, over the shorter of the useful life of the asset or the remaining life of the mine; the life of mine is based on estimated recoverable ounces contained in proven and probable reserves and a portion of resources where it is considered highly probable that those resources will be economically extracted.

The significant classes of depreciable plant and equipment and their estimated useful lives are as follows :

Category	**Rates**
Mill and related infrastructure	Life of mine
Vehicles and mobile equipment	3-5 years
Office equipment	5 years
Computer equipment	3 years

Assets under construction are depreciated when they are substantially complete and available for their intended use, over their estimated useful lives. Management reviews the estimated useful lives, residual values and depreciation methods of the Company's plant and equipment at the end of each financial year, and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively

Leased assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as discussed in note 3(k) .

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur.

j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or whenever indicators of impairment exist. Assets that are subject to amortization, depletion or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less costs to sell and value in use.

Fair value is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's-length basis. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Company's cash generating units are the lowest level of identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or depreciation or amortization, if no impairment loss had been recognized.

k) Leases

Assets held under finance leases are recognized as discussed in note 3(h) . The corresponding liability is recognized as a finance lease obligation at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining
liability. Finance charges are recorded as a finance expense in net earnings (loss), unless they are attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are realized.

l) Share based payments

The Company has the ability under certain share based compensation plans (note 21 and 24(b(i)) to grant equity based awards to directors, senior officers and employees of, or consultants to, the Company or employees of a corporation providing management services to the Company.

i) *Stock Options*

The grant date fair value of the estimated number of stock options awarded to employees, officers and directors that will eventually vest, is recognized as share based compensation expense over the vesting period of the stock options with a corresponding increase to equity. The grant date fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option-pricing model and is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest and adjusts the amount of recorded compensation expense accordingly. The impact of the revision of the original estimates, if any, is recognized in net earnings (loss) or capitalized in mining properties such that the accumulated expense reflects the revised estimate, with a corresponding adjustment to the share based payment reserve. The share based payment cost is recognized in net earnings (loss) or capitalized in mining properties (for options granted to individuals involved on specific projects).

ii) *Long-term Incentive Plan*

The performance share units ("PSUs") and restricted share units ("RSUs") awarded to eligible executives are measured at fair value at grant date. The fair value of the estimated number of PSUs and RSUs awarded expected to vest is recognized as share based compensation expense over the vesting period of the PSUs and RSUs with a corresponding amount recorded in equity until the respective shares are issued in settlement of the PSUs and RSUs.

iii) *Deferred Share Units*

Deferred share units ("DSUs") awarded to non-executive directors will be settled in cash. The fair value of the DSUs awarded, representing the fair market value of the Company's shares is recognized as share based compensation expense at grant date with a corresponding amount recorded as a share based liability. Until the DSU liability is settled, the fair value of the DSUs is re-measured at the end of each reporting period and at the date of settlement, with changes in fair value recognized as share based compensation expense or recovery in the period.

iv) *Phantom Share Units*

Phantom share units, which were assumed by the Company as a result of the Arrangement with Newmarket, are recorded at their fair market value on the date of grant based on the quoted market price of the Company's shares and are revalued at each reporting date based on the difference between the quoted market price of the Company's shares at the end of the period and the grant date strike price. The fair value is recognized as a share based payment expense in net earnings (loss) with a corresponding entry in share based liabilities.

For transactions with non-employees, the fair value of the equity settled awards is measured at the fair value of the goods or services received, at the date the goods or services are received by the Company. In cases where the fair value of goods or services received cannot be reliably estimated, the Company estimates the fair value of the awards at the date of grant.

m) Pension plans

The Company has a defined contribution pension plan for its Canadian employees whereby the Company contributes a fixed percentage of the employees' salaries to the pension plan. The employees are able to direct the contributions into a variety of investment funds offered by the plans. In Australia, the Company contributes a fixed percentage of the employees' salaries to a federally mandated preservation fund of the employee's choice. Pension costs associated with the Company's required contributions under the plans are recognized as an expense when the employees have rendered service entitling them to the contribution and are charged to net earnings, or capitalized to mining interests for employees directly involved in the specific projects.

n)Deferred income tax

Taxes, comprising both income taxes and mining taxes, are recognised in net earnings (loss), except when they relate to items recognized in other comprehensive income (loss) or directly in equity, in which case the related taxes are recognized in other comprehensive income (loss), or directly in equity, respectively.

Deferred income taxes are recognized in the consolidated financial statements using the balance sheet liability method of accounting, and are recognized for unused tax losses, unused tax credits and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. As an exception, deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current assets and liabilities on a net basis.

o) Share capital

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new common shares are recognized in equity, net of tax, as a deduction from the share proceeds (share issue costs).

p) Flow through shares

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in profit or loss. The spending also gives rise to a deferred tax temporary difference between the carrying value and tax value of the qualifying expenditure.

q) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are not recognized in the consolidated financial statements, if not estimable and probable, and are disclosed in notes to the consolidated financial statements unless their occurrence is remote. Contingent assets are not recognized in the consolidated financial statements, but are disclosed in the notes if their recovery is deemed probable.

Environmental rehabilitation

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, changes in legislation, discount rates and operating lives.

Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. Increases in estimated costs related to mine production become part of ore inventory. For closed sites, changes to estimated costs are recognized immediately in the net earnings (loss).

r) Earnings (loss) per share

Basic earnings or loss per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding for the relevant period. The Company follows the treasury stock method in the calculation of diluted earnings per share, except when assessing the dilution impact of the convertible debt, where the if-converted method is used. The treasury method assumes that outstanding stock options, PSUs and RSUs with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price of the common shares for the period. The if-converted method assumes that all convertible debt has been converted in determining fully diluted earnings or loss per share if they are in the money, except where such conversion would be anti-dilutive.

s) Discontinued operations

A discontinued operation is a component of the Company that either has been disposed of or abandoned, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Assets, liabilities, comprehensive income, and cash flows relating to a discontinued operation are segregated and reported separately from the continuing operations in the year of reclassification, with restatement of comparative information prior to the reporting year in which the reclassification occurs.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3 , management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are generally recognized in the period in which the estimates are revised.

The following are the significant judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Significant Judgments in Applying Accounting Policies

Determination of functional currency

In accordance with International Accounting Standards ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates* , management determined that the functional currency of the Company's Canadian and Australian subsidiaries is, respectively, the Canadian and Australian dollar. Determination of functional currency involves judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Deferred income taxes

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company and/or its subsidiaries will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.

Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – *Business Combinations* . Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition of St Andrew on January 26, 2016 and Newmarket on November 30, 2016 met the criteria for accounting as a business combination.

Accounting Estimates and Assumptions

Determination of reserves and resources

Reserve and resource estimates are used in the unit of production calculation for depletion and depreciation expense, the determination of the timing of rehabilitation provision costs, business combination accounting and impairment analysis.

There are numerous uncertainties inherent in estimating reserves and resources. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs, or recovery rates as well as new drilling results may change the economic status of reserves and resources and may result in the reserves and resources being revised.

Deferred income taxes

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company and/or its subsidiaries to realize the net deferred tax assets recorded at the statement of financial position date could be impacted.

Business combinations

The allocation of the purchase price of acquisitions requires estimates as to the fair market value of acquired assets and liabilities. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of mineral reserves and mineral resources and exploration potential of the assets acquired, future operating costs and capital expenditures, discount rates to determine fair value of assets acquired and future metal prices and long term foreign exchange rates.

Changes to the preliminary measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined within one year of the acquisition date.

Impairment of assets

The carrying amounts of mining properties and plant and equipment are assessed for any impairment triggers such as events or changes in circumstances which indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash generating unit level ("CGU").

The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

Environmental rehabilitation

Significant estimates and assumptions are made in determining the environmental rehabilitation costs as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates.

Those uncertainties may result in actual expenditures in the future being different from the amounts currently provided. The provision represents management's best estimate of the present value of the future rehabilitation costs required.

5. ADOPTION OF NEW ACCOUNTING STANDARDS

Adoption of new accounting standards

The Company has adopted the following amendments to accounting standards, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

IAS 12, Income Taxes ("IAS 12")

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of a reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. The amendments to the standard did not have a material impact on the consolidated financial statements.

IAS 7, Statement of Cash Flows

This amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The Company has presented the required disclosures for the current period in note 22.

Accounting Standards Issued But Not yet Adopted

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9"), which replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company will adopt IFRS 9 for the annual period beginning January 1, 2018 and will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification of its available for sale investments. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 introduces a reformed approach to hedge accounting. IFRS 9 also largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Company has completed its assessment of the impact of IFRS 9 and expects the following impacts upon adoption:

i) The Company holds several equity investments as available for sale with a fair value of $100,109 as at December 31, 2017. Under the new standard, the Company will make the irrevocable election under IFRS 9 to measure its available for sale investments at Fair Value Through Other Comprehensive Income ("FVTOCI"). As a result, all fair value gains and losses will be reported in Other Comprehensive Income ("OCI"), no future impairment losses will be recognized in net earnings, similarly no gains or losses will be reclassified to net earnings on disposal.

As at December 31, 2017, the balance of unrealized gains which will continue to remain within accumulated other comprehensive income is $26,764 . The new classification and measurement requirements under IFRS 9 are not expected to have a material impact on the Company's other financial assets and financial liabilities.

ii) The other changes under IFRS 9, including the new ECL impairment model, are not expected to have a material impact on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") will replace IAS 18 *Revenue* , IAS 11 *Construction Contracts,* and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company will adopt IFRS 15 for the annual period beginning January 1, 2018. Based on the Company's preliminary assessment, it concluded that the new revenue standard will not have an impact on the timing of revenue recognition at its Canadian or Australian operations.

IFRS 16, Leases

In January 2016, the IASB issued the IFRS 16, *Leases* ("IFRS 16") which replaces the existing lease accounting guidance. IFRS 16 requires all leases to be reported on the balance sheet, unless certain criteria for exclusion are met.

The Company will adopt IFRS 16 for the annual period beginning January 1, 2019. The extent of the impact of adopting the standard has not yet been determined. The Company is in the process of developing its implementation plan and expects to report more detailed information, including estimated quantitative financial impacts, if material, in its consolidated financial statements as the effective date approaches.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Company will adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. Based on the Company's assessment, this interpretation will not have a material impact on the dates used for translation for advance payments or receipts in foreign currencies.

IFRIC 23, Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of assessing the impact that the new interpretation will have on its consolidated financial statements.

6. DISPOSITION OF STAWELL MINE

In December 2017, the Company completed the sale of Stawell Gold Mines Pty Ltd which owned the Stawell Gold Mine ("Stawell Mine") located in the State of Victoria, Australia. The Stawell Mine was previously one of the Company's operating segments. The Company received $6,250 in cash consideration and retained a 2.5% net smelter return ("NSR") on the Stawell Mine. There is a performance bond held with an Australian bank of $4,581 that guarantees the rehabilitation obligation. If the bond is subsequently drawn, the purchaser will be obligated to reimburse the Company as a requirement under the sale agreement. The performance bond will remain in place for the earlier of three years or the start of production at the Stawell Mine. Losses and cash flows of the Stawell mine have been presented as a discontinued operations, with information for the comparative year ended December 31, 2016 restated to present the 2016 results of operations and cash flows as discontinued operations. The loss from discontinued operations for the years ended December 31, 2017 and 2016 is presented in the table below:

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

	Year ended December 31, 2017	Year ended December 31, 2016
Revenue	**$—**	$3,323
Production costs	—	(5,527)
Royalty expense	—	(34)
Depletion and depreciation	—	(96)
Loss from mine operations	—	(2,334)
Expenses		
Exploration	**(1,477)**	(22)
Care and maintenance	**(8,884)**	(3,976)
Loss from operations	**(10,361)**	(6,332)
Other income, net	**363**	(172)
Loss on disposition of Stawell Mine	**(11,600)**	—
Foreign translation reserve	**(5,968)**	—
Loss from discontinued operations before taxes	**(27,566)**	(6,504)
Income tax recovery	**2,662**	1,877
Loss from discontinued operations	**($24,904)**	($4,627)
Loss per share from discontinued operations - basic	**($0.12)**	($0.04)
Loss per share from discontinued operations - diluted	**($0.12)**	($0.04)

7. BUSINESS COMBINATIONS

a) Acquisition of Newmarket Gold Inc.

The Arrangement resulting in the acquisition of Newmarket was completed on November 30, 2016.

The following table summarizes the fair value of the consideration paid and the final estimates of the fair values of identified assets acquired and liabilities assumed from Newmarket. The Company used a discounted cash flow model to estimate the expected future cash flows of the properties. Expected future cash flows are based on estimates of future production and commodity prices, operating costs and forecast capital expenditures based on the life of mine as at the acquisition date. During the year ended December 31, 2017, the purchase price allocation was finalized after the completion of the tax related effects of the Newmarket acquisition. The adjustments and reconciliation from the preliminary purchase price allocation are disclosed below.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

Purchase Price	**Preliminary**	**Adjustments**	**Final**
Common shares issued	$478,040	$—	$478,040
Options and performance share units assumed	24,062	—	24,062
	$502,102	**$—**	**$502,102**

Net Assets Acquired			
Assets			
Cash and cash equivalents	$68,286	$—	$68,286
Current assets, excluding cash and cash equivalents	41,542	—	41,542
Mining interests and plant and equipment	549,575	1,087	550,662
Restricted cash	19,369	—	19,369
Available for sale investments	5,425	—	5,425
Liabilities			
Accounts payable and accrued liabilities	$29,379	($538)	$28,841
Environmental rehabilitation and other provisions	42,560	—	42,560
Finance lease obligations	5,074	—	5,074
Deferred income tax liabilities	105,082	1,625	106,707
	$502,102	**$—**	**$502,102**

These consolidated financial statements include revenue of $33,931 and earnings from mine operations of $3,186 related to Newmarket mine operations, from the close of the Arrangement to December 31, 2016.

b) Acquisition of St Andrew Goldfields

On January 26, 2016, Old Kirkland Lake completed the acquisition of St Andrew and acquired all of the issued and outstanding common shares of St Andrew pursuant to a plan of arrangement.

The following table summarizes the fair value of the consideration transferred to St Andrew shareholders and the final estimates of the fair values of identified assets acquired and liabilities assumed. The Company used a discounted cash flow model to estimate the expected future cash flows of the properties. Expected future cash flows are based on estimates of future production and commodity prices, operating costs and forecast capital expenditures based on the life of mine as at the acquisition date. The purchase price allocation was completed during the year ended December 31, 2016.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

Purchase Price	
Common shares issued	$112,706
Stock options assumed on acquisition	2,069
	$114,775

Net Assets Acquired	
Assets	
Cash and cash equivalents	$7,781
Current assets, excluding cash and cash equivalents	18,571
Mining interests	44,007
Plant and equipment	50,245
Restricted cash	8,103
Other long term assets	154
Deferred tax assets	15,210
Liabilities	
Accounts payable and accrued liabilities	$12,021
Environmental rehabilitation provision	6,742
Finance lease and other obligations	4,746
Deferred income tax liabilities	5,787
	$114,775

8. PRODUCTION COSTS

Production costs for the years ended December 31, 2017 and 2016 include the following:

	Year ended December 31, 2017	Year ended December 31, 2016
Operating costs	**$287,918**	$192,499
Share based payment expense. (note 24(b(ii)))	**397**	343
Production costs	**$288,315**	$192,842

9. GENERAL AND ADMINISTRATIVE

General and administrative expenses for the years ended December 31, 2017 and 2016 include the following:

	Year ended December 31, 2017	Year ended December 31, 2016
General and administrative - other	**$20,238**	$9,137
Severance payments	**1,461**	1,624
Share based payment expense. (note 24(b(ii)))	**3,947**	1,230
General and administrative	**$25,646**	$11,991

Severance payments represent termination and severance payments regarding certain executive changes as a result of restructuring undertaken by the Company in 2017 and 2016.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

10. CARE AND MAINTENANCE EXPENSES

Care and maintenance includes expenses incurred on the Company's Cosmo Mine in the Northern Territory since June 30, 2017, the Holloway mine which was transitioned to care and maintenance at the beginning of 2017 and the Hislop mine acquired with St Andrew (in care and maintenance as at January 26, 2016, the date of acquisition and on temporary suspension since September 30, 2016). Care and maintenance for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Cosmo mine	**$9,587**	$—
Holloway mine	**2,192**	—
Hislop mine	**98**	80
Care and maintenance	**$11,877**	$80

11. OTHER INCOME, NET

	Year ended December 31, 2017	Year ended December 31, 2016
Loss on disposal of non core mining interests and plant and equipment (note 18)	**($992)**	($1,007)
Change in fair value of warrant investments	**1,618**	—
Realized gain on sale of JDS Silver	**793**	—
Recognition of deferred premium on flow through shares (note 24(a))	**3,070**	897
Unrealized and realized foreign exchange (loss) gain, net	**(2,209)**	429
Other income	**1,096**	(109)
Other income, net	**$3,376**	$210

12. FINANCE ITEMS

Finance income and expense for the years ended December 31, 2017 and 2016 includes the following:

	Year ended December 31, 2017	Year ended December 31, 2016
Interest income on bank deposits	**$2,111**	$843
Finance income	**$2,111**	$843
Unwinding of discount on convertible debentures (note 22)	**$3,349**	$4,189
Interest paid on convertible debentures	**4,816**	6,017
Interest on finance leases and other loans	**1,427**	603
Finance fees and bank charges	**1,611**	442
Unwinding of discount on rehabilitation provision (note 23)	**1,003**	377
Finance expense	**$12,206**	$11,628

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

13. INCOME TAXES

a) Income tax expense

A reconciliation of income tax expense for continuing operations and the product of earnings from continuing operations before income tax multiplied by the combined Canadian federal and provincial statutory income tax rate is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Earnings before income taxes	**$196,079**	$79,767
Computed income tax expense at Canadian statutory rates (25%)	**$49,020**	$19,942
Non-deductible expenses	**6,683**	3,697
Foreign tax rate differential	**5,484**	(491)
Current and deferred Ontario Mining Tax	**9,814**	8,442
Tax benefit not recognized	—	570
Renouncement of flow through expenditures (note 24(a))	**2,990**	1,229
Revision in estimates	**(1,953)**	282
Recognition of previously unrecognized deferred tax assets	**(40,471)**	—
Withholding tax	**7,406**	—
Other	**(224)**	(639)
Income tax expense	**$38,749**	$33,032
Current income tax expense	**44,223**	(2,800)
Deferred tax (recovery) expense	**($5,474)**	$30,232

During the year ended December 31, 2017, the effective tax rate is 19.8% (December 31, 2016 - 42.5%) which is reflective of the recognition of previously unrecognized deferred tax assets.

The Company recognized $40,471 of previously unrecognized deferred tax assets in the period that were acquired in a previous business combination. This deferred tax benefit was realized as a result of a change in expected future profits to be realized after a reorganization of the acquired corporate structure.

b) Deferred income tax balances

The tax effect of temporary differences that give rise to deferred income tax assets and liabilities at December 31, 2017 and 2016 are as follows:

As at December 31	**2017**	2016
Net deferred income tax assets:		
Mining interests and plant and equipment	**$—**	($19,714)
Environmental rehabilitation provision	—	1,806
Financing costs	—	364
Ontario Mining Tax	—	1,911
Loss carry forwards	—	22,179
Inventory	—	40
Other	—	(51)
	$—	$6,535

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

As at December 31	**2017**	2016
Net deferred income tax liabilities:		
Mining interests and plant and equipment	**($197,172)**	($127,284)
Environmental rehabilitation provision	**15,561**	5,054
Financing costs	**325**	315
Ontario Mining Tax	**(22,189)**	(15,751)
Discount of convertible debentures	**—**	(943)
Loss carry forwards	**73,134**	3,043
Inventory	**(5,346)**	(3,788)
Investments	**(4,076)**	
Corporate minimum tax credits	**2,403**	
Deferred revenue	**(1,583)**	(2,043)
Employee provisions	**5,069**	3,028
Other	**229**	(245)
	($133,645)	($138,614)

Changes in net deferred tax liabilities for the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Balance, beginning of year	**($132,079)**	($11,030)
Recognised as a result of acquisitions	**—**	(95,670)
Recognised in net earnings from continuing operations	**5,474**	(30,233)
Recognized in equity	**(3,758)**	—
Recognized in discontinued operations	**7,224**	1,876
Foreign currency translation in other comprehensive income	**(10,506)**	2,978
Net deferred income tax liabilities, end of year	**($133,645)**	($132,079)

At December 31, 2017 , no deferred tax liabilities have been recognized in respect of the aggregate amount of $7,500 (December 31, 2016 - $83,000) of taxable temporary differences associated with investments in subsidiaries. The Company controls the timing and circumstances of the reversal of these differences, and the differences are not anticipated to reverse in the foreseeable future.

As at December 31, 2017, deferred income tax assets have not been recognized in respect of the following because it is not probable that future taxable profit will be available against which the Company can use the benefits:

As at December 31	**2017**	2016
Investments	**$—**	$308
Investment tax credits	**13,072**	12,187
Mining interests	**11,489**	10,712
Australian non-capital loss carryforwards	**—**	112,779
Provision for reclamation provision and accrued liabilities	**—**	21,440
Australian royalty tax	**306,858**	249,577

The temporary differences arising from investment tax credits have an expiry date of 2029 to 2030. The temporary differences arising from mineral properties and Australian royalty tax have an indefinite expiry date.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

As at December 31, 2017 , the Company had the following Canadian and Australian income tax attributes to carry forward:

	Year ended December 31, 2017	Expiry Date
Canada		
Non-capital losses	$4,725	2036-2037
Tax basis of mining interests	$164,042	Indefinite
Tax basis of plant of equipment	$50,764	Indefinite
Financing costs	$278	2018-2021
Corporate minimum tax credits	$2,403	2037
Australia		
Non-capital losses	$239,813	Indefinite
Tax basis of mining interests	$10,962	Indefinite
Tax basis of plant and equipment	$19,308	Indefinite

14. ACCOUNTS RECEIVABLE

As at December 31	**2017**	2016
Trade receivables	**$4,246**	$874
Sales tax and other statutory receivables	**10,379**	5,765
Other receivables	**1,043**	842
	$15,668	$7,481

The fair value of receivables approximates their carrying value. None of the amounts included in receivables at December 31, 2017 are past due.

Trade receivables represent the value of gold doré sold as at year end for which the funds are not yet received; gold sales are generally settled within 1-2 weeks after delivery to a refinery, as such there are no doubtful accounts. In determining the recoverability of other receivables, the Company considers any change in the credit quality of the counterparty, with the concentration of the credit risk limited due to the nature of the counterparties involved.

15. INVENTORIES

As at December 31	**2017**	2016
Gold doré	**$1,515**	$1,265
Gold in circuit	**12,814**	16,010
Ore stockpiles	**6,538**	5,581
Supplies and consumables	**20,565**	18,070
	$41,432	$40,926

The cost of gold doré, gold in circuit, ore stockpiles (“metal inventory”), and supplies and consumables recognized as an expense and included in operating costs in 2017 and 2016 is $287,918 and $192,499 , respectively (note 8). During the year ended December 31, 2017 , there were write downs of inventory to net realizable value of $422 related to supplies inventory (December 31, 2016 - $nil). There were no reversals of write downs of inventory to net realizable value during the years ended December 31, 2017 and 2016 .

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

16. OTHER LONG-TERM ASSETS

As at December 31	**2017**	2016
Available for sale investments	**$100,109**	$5,885
Warrant investments	**12,754**	—
NSR Royalty from Stawell Mine sale (note 6)	**1,138**	—
Other	**679**	302
	$114,680	$6,187

Available for sale investments

Changes in the available for sale investments for the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Balance, beginning of year	**$5,885**	**$—**
Acquisition of investments	**69,171**	—
Disposition of investments	**(5,772)**	—
Unrealized gain	**30,249**	340
Acquired as part of Newmarket acquisition (note 7(a))	—	5,425
Acquired as part of St Andrew acquisition note 7(b)	—	154
Foreign currency translation	**576**	(34)
Available for sale investments, end of year	**$100,109**	$5,885

The available for sale and warrant investments include:

Metanor Resources Inc.

On April 21, 2017 and December 19, 2017, the Company acquired 10,357,143 units and 1,915,000 units, respectively of Metanor Resources Inc. (Metanor), a Company listed on the TSX Venture Exchange, at a price of C$0.70 per unit through private placement offerings. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles the Company to acquire one common share of Metanor at a price of C$0.90 up to 24 months following the initial acquisition of the units. The acquired Metanor common shares are recorded as an available for sale investment and are recorded at fair value.

The purchase prices of the units were $5,370 (C$7,250) and $1,071 (C$1,341), respectively, for the April 21, 2017 and December 19, 2017 purchases. The available for sale investments were recorded at fair value of $4,802 (C$6,483) and $920 (C$1,151) and the warrant investments were recorded at fair value of $568 (C$767) and $151 (C$190), respectively.

The available for sale investment is marked to market at each period end with the change in the value of the investment recorded in other comprehensive income. The Company recorded an unrealized gain of $685 for the year ended December 31, 2017 .

The warrant investments are recorded at fair value at each period end with the change in value recorded in net earnings. The Company recorded in other income (loss) unrealized gains of $168 for the year ended December 31, 2017 . The warrants were valued using a Black-Scholes option pricing model.

Bonterra Resources Inc.

On June 30, 2017, the Company acquired 17,857,000 common shares of Bonterra Resources Inc. ("Bonterra"), a publicly listed company trading on the TSX Venture Exchange at a price of C$0.50 per share for an aggregate purchase price of $6,878 (C$8,928). The Company acquired the shares pursuant to a private placement financing. The Bonterra shares are recorded as an available for sale investment. The acquired shares were valued at the purchase price at the date of acquisition at $6,878 (C$8,928). The Company recorded an unrealized gain of $1,140 for the year ended December 31, 2017 .

JDS Silver Holdings Inc.

At December 31, 2016, the Company owned 4,698,219 common shares of JDS Silver Holdings Inc., ("JDS Silver"), a private company, valued at $4,200 (C$5,639) or C$1.20 per share. The shares of JDS Silver were acquired as part of the Newmarket transaction. In July 2017, the Company purchased an additional 1,804,489 shares for C$1,083 (C$0.60 per share). On October 17, 2017, pursuant to an arrangement agreement dated September 10, 2017 (the "JDS Silver Arrangement"), JDS Silver sold all of their issued and outstanding common shares to Coeur Mining Inc. ("Coeur").

On October 17, the Company received 198,217 shares of Coeur at a value of $7.46 per share and cash of $4,608 (C$5,815) in exchange for 6,502,708 common shares of JDS Silver. On exchange of the shares, the Company recorded a gain of $793 (C$1,008) in net earnings.

The Coeur shares have been designated as available for sale. During the year ended December 31, 2017 , the Company recorded an unrealized gain of $4 on the common shares of Coeur which is recorded in other comprehensive income.

Novo Resources Corp.

In August 2017, the Company acquired 11,830,268 common shares of Novo Resources Corp. (Novo), a publicly listed company trading on the TSX Venture Exchange, from Newmont Canada FN Holdings ULC (Newmont) at a price of C$1.60 per Novo share for a total cost of $15,121 (C$18,928).

In September 2017, the Company acquired 14,000,000 units of Novo at a price of C$4.00 per unit through a private placement offering for aggregate proceeds of $45,855 (C$56,000). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the Company to acquire one common share of Novo at a price of C$6.00 until September 6, 2020. The warrants are subject to an accelerated expiry whereby, from September 6, 2018 until September 6, 2020, if the daily high trading price of Novo's common shares exceeds $12.00 for a period of 20 consecutive trading days, Novo may provide notice of early expiry and the warrants will expire 30 days thereafter. The Company retains an anti-dilution right and the right to appoint a nominee to the Board of Novo. The Novo common shares are held as an available for sale investment. The purchase price was $45,855 (C$56,000) for the units, and fair value of $35,996 (C$43,960) was ascribed to the available for sale investment and $9,859 (C$12,040) to the warrants.

As of December 31, 2017, the Company owns 25,830,268 common shares and 14,000,000 warrants of Novo.
The available for sale investment is recorded at fair value at each period end with the change in value being recorded in other comprehensive income. The Company recorded an unrealized gain of $25,857 for the year ended December 31, 2017 .

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

The warrants are recorded at fair value at each period end with the change in value recorded in net earnings. The Company recorded in other income an unrealized gain of $1,267 for the year ended December 31, 2017 . The warrants were valued using the Up and Out Barrier option pricing method.

De Grey Mining Limited

On November 30, 2017, the Company closed a private placement financing with De Grey Mining Limited ("De Grey"), a publicly listed company trading on the Australian Stock Exchange and acquired 33,333,333 units of De Grey at a price of A$0.15 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the Company to acquire one common share at an exercise price of A$0.20 until November 30, 2019. The De Grey common shares are held as an available for sale investment.

The purchase price of the units was $3,843 (C$4,932) and fair value of $2,747 (C$3,670) was ascribed to the common shares available for sale and $1,096 (C$1,263) to the warrants.

The available for sale investment is recorded at fair value at each period end with the change in value being recorded in other comprehensive income. The Company recorded an unrealized gain of $1,236 for the year ended December 31, 2017 .

The warrant investments are recorded at fair value at each period end with the change in value recorded in net earnings. The Company recorded in other income, an unrealized gain of $183 for the year ended December 31, 2017 . The warrants were valued using a Black-Scholes option pricing model.

17. RESTRICTED CASH

As at December 31	**2017**	2016
Cash collateral relating to rehabilitation performance guarantees	**$20,414**	$19,019
Other restricted cash	**1,779**	1,023
	$22,193	$20,042

Movements in the restricted cash balances for the years ended December 31, 2017 and 2016 are as follows:

As at December 31	**2017**	2016
Balance at beginning of year	**$20,042**	$—
Additions	**680**	229
Foreign currency translation	**1,471**	187
Acquired as part of Newmarket acquisition (note 7(a))	—	19,369
Acquired as part of St Andrew acquisition note 7(b)	—	8,103
Replaced with surety bonds	—	(7,846)
Restricted cash, end of year	**$22,193**	$20,042

Cash collateral related to rehabilitation performance guarantees includes $20,414 (A $26,125) for performance guarantees provided by the Company to the State of Victoria and Northern Territory governments relating to the future reclamation and rehabilitation of the Company’s mine sites and exploration tenements in Australia.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

18. MINING INTERESTS AND PLANT AND EQUIPMENT

Year ended December 31, 2017	Depletable	Non depletable	Total Mining Interest	Plant and equipment	Total
Cost					
At January 1, 2017	**$692,430**	**$135,834**	**$828,264**	**$298,925**	**$1,127,189**
Additions, including transfer from construction in progress	**95,643**	**212**	**95,855**	**69,755**	**165,610**
Construction in progress, net of transfers to plant and equipment	**—**	**—**	**—**	**1,405**	**1,405**
Fair value of shares issued for IBA, amortized over life of mine (note 24(a))	**10,686**	**—**	**10,686**	**—**	**10,686**
Change in environmental closure assets (estimate and discount rate)	**8,109**	**30**	**8,139**	**—**	**8,139**
Disposals	**(208)**	**(30,199)**	**(30,407)**	**(18,196)**	**(48,603)**
Foreign currency translation	**57,725**	**10,408**	**68,133**	**23,682**	**91,815**
Cost at December 31, 2017	**$864,385**	**$116,285**	**$980,670**	**$375,571**	**$1,356,241**
Accumulated depreciation and depletion					
At January 1, 2017	**$95,410**	**$—**	**$95,410**	**$55,735**	**$151,145**
Depreciation	**140**	**—**	**140**	**42,201**	**42,341**
Depletion	**108,403**	**—**	**108,403**	**—**	**108,403**
Disposals	**(338)**	**—**	**(338)**	**(9,861)**	**(10,199)**
Foreign currency translation	**9,825**	**—**	**9,825**	**5,417**	**15,242**
Accumulated depreciation and depletion at December 31, 2017	**$213,440**	**$—**	**$213,440**	**$93,492**	**$306,932**
Carrying value at December 31, 2017	**$650,945**	**$116,285**	**$767,230**	**$282,079**	**$1,049,309**

Year ended December 31, 2016	Depletable	Non depletable	Total Mining Interest	Plant and equipment	Total
Cost					
At January 1, 2016	$198,162	$41,530	$239,692	$121,325	$361,017
Additions, including transfer from construction in progress	58,007	216	58,223	27,587	85,810
Construction in progress, net of transfers to plant and equipment	—	—	—	3,748	3,748
Buyback of royalty	30,669	—	30,669	—	30,669
Acquisition of St Andrew Goldfields note 7(b)	44,007	—	44,007	50,245	94,252
Acquisition of Newmarket Gold note 7(a)	352,359	95,076	447,435	102,140	549,575
Change in environmental closure assets (estimate and discount rate)	10,366	44	10,410	—	10,410
Disposals	(130)	—	(130)	(9,523)	(9,653)
Foreign currency translation	(1,010)	(1,032)	(2,042)	3,403	1,361
Cost at December 31, 2016	$692,430	$135,834	$828,264	$298,925	$1,127,189
Accumulated depreciation and depletion					
At January 1, 2016	$58,054	$—	$58,054	$41,866	$99,920
Depreciation	—	—	—	20,287	20,287
Depletion	36,079	—	36,079	—	36,079
Disposals	(130)	—	(130)	(7,597)	(7,727)
Foreign currency translation	1,406	—	1,406	1,179	2,585
Accumulated depreciation and depletion at December 31, 2016	$95,410	$—	$95,410	$55,735	$151,145
Carrying value at December 31, 2016	$597,020	$135,834	$732,854	$243,190	$976,044

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

Mining Interests

Depletable mining interests at December 31, 2017 and 2016 includes carrying value of the assets for the producing mines in Canada for $303,210 and $257,508 , respectively (Macassa Mine and Holt Complex and related mills, with the Holt complex acquired in January 26, 2016) and Australia for $ 347,735 and $339,512 , respectively (Fosterville and Cosmo mines (in the Northern Territory) and respective mills, acquired on November 30, 2016), with the remainder of the change from the date of acquisition due to foreign exchange impact.

Non-depletable mining interests at December 31, 2017 and 2016 includes $46,245 and $43,026 , respectively for the carrying value of previously acquired interest in exploration properties around the Company's Macassa Mine in Canada, with the change in value related primarily to impact of foreign exchange; and $ 70,234 and $92,807 , respectively for the carrying value of various acquired exploration properties in Australia, with the remainder of the change from the date of acquisition due to foreign exchange impact.

On November 3, 2016, the Company acquired 1% of the 2.5% net smelter return royalty on the Macassa property from Franco-Nevada Canada Holdings Corp. for a cash payment of $30,669 .

Plant and Equipment

Plant and equipment at December 31, 2017 , includes $1,405 of construction in progress (December 31, 2016 - $3,748). Plant and equipment also includes costs of $72,307 (December 31, 2016 - $47,635) and accumulated depreciation of $17,883 (December 31, 2016 - $10,682) related to capital equipment and vehicles under finance leases (note 20).

During the year ended December 31, 2017 the Company disposed of certain old equipment for cash proceeds of $1,621 and recognized a loss of $992 (year ended December 31, 2016 – proceeds of $749 and loss of $1,926).

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31	**2017**	2016
Trade payable and accrued liabilities	**$69,155**	$57,897
Payroll and government remittances	**15,591**	14,179
	$84,746	$72,076

Accounts payable are non-interest bearing and are generally due within 30 days or payable on demand.

The fair value of accounts payable and accrued liabilities approximate their carrying amount. Trade payables relate mainly to the acquisition of materials, supplies and contractor services.

20. FINANCE LEASES

Finance leases and other loans at December 31, 2017 and 2016 include the obligations of the Company under various equipment and vehicle finance leases; the finance leases expire between January 31, 2018 and December 31, 2021 and reflect interest between 2.97% and 4.95% . The Company has the option to purchase the equipment and vehicles leased at the end of the terms of the leases, for a nominal amount. The Company's obligations under finance leases are secured by the lessor's title to the leased assets.

The following schedule outlines the total minimum payments due for the finance lease obligations over their remaining terms as at December 31, 2017 and 2016 :

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

	Year ended December 31, 2017	Year ended December 31, 2016
Not later than one year	**$17,570**	$13,531
Later than one year and not later than five years	**23,031**	15,947
Less: Future finance charges	**(2,026)**	(1,444)
Present value of minimum lease payments	**$38,575**	$28,034
Less: Current portion	**(16,358)**	(12,877)
Non-current portion	**$22,217**	$15,157

Lease facilities

The Company has credit facilities for a maximum of $ 70,925 (C $54,549 and A $35,000 , respectively) which are comprised entirely of equipment lease facilities. The amounts financed under the lease facilities are secured with the equipment under the respective lease facilities. The fair value of the finance leases as at December 31, 2017, was $38,686 (December 31, 2016 - $26,777), which has been determined using the contractual market cash flows and market rates of interest between 3.65% and 4.77% (December 31, 2016 - range of 3.15% - 4.15%).

At December 31, 2017 , $ 36,829 was drawn under the (C$ 30,864 and A$ 15,579) lease facilities (December 31, 2016 - C$10,834). Amounts drawn under the equipment lease facilities are subject to separate lease agreements with a maximum term of 48 months and interest rates which are variable depending on when the finance leases are entered into; all obligations under these agreements are included in the finance lease liability at December 31, 2017 and 2016 .

21. SHARE BASED LIABILITIES

On January 1, 2017, the Board approved a deferred share unit plan (the “DSU Plan”) for non-executive directors of the Company. On May 4, 2017 shareholders of the Company approved the DSU Plan which provides that on the date the director ceases to be a director of the Company (the “Separation Date”), the director will be entitled to receive either a cash payment, Common Shares or some combination thereof, equal to the five-day volume weighted average trading price of the Company’s Common Shares on the TSX immediately prior to the Separation Date.

As a result of the Arrangement with Newmarket, the Company assumed phantom share units previously granted to certain Australian employees of Newmarket. Each of the phantom share units entitles the holder to a cash payment on exercise based on the market value of the Company’s shares on the date of exercise less the strike price of the phantom share unit.

Changes in the number of DSUs and phantom share units outstanding during the years ending December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	DSUs	**Phantom share units**	DSUs	Phantom share units
Balance at beginning of year,	**40,356**	**185,037**	—	—
Granted	**103,600**	**—**	70,623	—
Assumed with the Newmarket transaction	**—**	**—**	—	261,493
Redeemed	**(12,950)**	**(90,037)**	(30,267)	(40,831)
Cancelled	**—**	**—**	—	(35,625)
Balance at end of year	**131,006**	**95,000**	40,356	185,037

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

Changes in the share based liabilities during the years ending December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Opening liability	**$436**	$—
Phantom share unit liability assumed with Newmarket transaction	—	382
Share based payment expense	**2,222**	391
Redeemed DSUs and phantom share units (cash payments)	**(605)**	(310)
Foreign currency translation	**63**	(27)
Total share based payment liability	**$2,116**	$436
Current portion of share based liability	**$1,898**	$—
Long term share based liability	**$218**	$436

22. CONVERTIBLE DEBENTURES

	Year ended December 31, 2017	Year ended December 31, 2016
Carrying amount, beginning of period	**$84,961**	$78,807
Redemption of convertible debentures	**(44,034)**	(466)
Conversion of convertible debentures	**(48,559)**	—
Unwinding of discount	**3,349**	4,189
Foreign currency translation	**4,283**	2,431
Carrying amount, end of year	**$—**	$84,961
Current portion	—	84,961
Long term balance	**$—**	$—

On June 30, 2017, the Company redeemed all debentures outstanding under the July 19, 2012 convertible debenture issuance for cash consideration of $43,779 (C $56,837). The debentures redeemed represented the outstanding debentures of a C$57,500 private placement of convertible unsecured subordinated debentures (6% debentures) completed on July 19, 2012. The debentures bore interest at 6% per annum, payable semi-annually. During the year ended December 31, 2017, $1,313 (C$1,705) of interest related to these debentures was paid (year ended December 31, 2016 - $2,584 (C$3,414)). Subsequent to the redemption of the 6% debentures, the amount of $6,564 that was recorded in a component of shareholder's equity was reallocated to share capital.

As at December 31, 2017, there were no debentures outstanding under the November 7, 2012 issuance. During December 2017, debenture holders elected to convert $48,559 (C$61,724) at a conversion price of $13.70 per share, being a conversion rate of 72.9927 common shares for each $1,000 in principal held. As a result, the Company issued an aggregate of 4,505,393 common shares. In addition, the Company paid an aggregate amount of $255 (C$324) in cash with respect to the outstanding debentures not converted. The debentures converted or redeemed represented the outstanding debentures of a C $69,000 private placement of convertible unsecured subordinated debentures (" 7.5% debentures") for net proceeds of C $65,800 . The debentures bore interest at 7.5% per annum, payable semi-annually. During the year ended December 31, 2017, $3,503 (C$4,467) of interest related to these debentures was paid (year ended December 31, 2016 - $3,523 (C$4,656)). Subsequent to the conversion of the 7.5% debentures, the amount of $9,110 recorded in a component of shareholder's equity was reallocated to share capital.

As at December 31, 2017 , the principal outstanding under the debentures is $nil (December 31, 2016 – $88,546 (C$ 118,885)). The fair value of the debentures as at December 31, 2017 was $nil (December 31, 2016 - $91,432 (C$ 122,761)), determined based on the market price of the debentures at year end.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

Year ended December 31, 2017

		Changes from financing cash flows		**Other changes**				
	Balance as at January 1, 2017	**Repurchase of debentures**	**Interest paid**	**Interest expense**	**Conversions**	**Unwinding of discount**	**Foreign currency translation**	**Balance as at December 31, 2017**
Long-term debt	**$84,961**	**($44,034)**	**($4,816)**	**$4,816**	**($48,559)**	**$3,349**	**$4,283**	**$—**

Year ended December 31, 2016

		Changes from financing cash flows		Other changes				
	Balance as at January 1, 2016	Repurchase of debentures	Interest paid	Interest expense	Conversions	Unwinding of discount	Foreign currency translation	Balance as at December 31, 2016
Long-term debt	$78,807	($466)	($6,017)	$6,017	$—	$4,189	$2,431	$84,961

23. PROVISIONS

As at December 31	**2017**	2016
Environmental rehabilitation provision	**$54,429**	$55,971
Long service leave	**6,356**	5,812
Other	**—**	186
Total provisions	**$60,785**	$61,969
Current provisions	**19,133**	20,975
Long term balance	**$41,652**	$40,994

Environmental rehabilitation provision

The Company provides for the estimated future cost of rehabilitating mine sites and related production facilities on a discounted basis as such activity that creates the rehabilitation obligation occurs. The rehabilitation provision represents the present value of estimated future rehabilitation costs. These provisions are based on the Company's internal estimates, with consideration of closure plans and rehabilitation requirements established by relevant regulatory bodies.

Changes in the environmental rehabilitation provision for the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Balance, beginning of period	**$55,971**	$4,753
Change in estimates	**8,927**	10,266
Disposition of Stawell	**(5,482)**	—
Assumed with business combinations (note 7)	**—**	41,300
Site closure and reclamation costs paid	**(10,212)**	(403)
Unwinding of discount on rehabilitation provision	**1,003**	377
Foreign currency translation	**4,222**	(322)
Balance, end of the period	**$54,429**	$55,971
Current portion	**13,946**	16,397
Long term balance	**$40,483**	$39,574

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

During 2017, the Company completed additional reclamation work in the amount of $6,676 , of which $10,427 (C $14,000), was included in the current provision at December 31, 2016 .

Assumptions used in valuing the environmental provision as at December 31, 2017 and 2016 are as follows:

As at December 31, 2017	Estimated Closure Period	Inflation Rate	Risk free rate	Undiscounted estimated closure costs
Canadian Operations				
Macassa Mine Complex	**2034 - 2074**	**2%**	**2.45%-2.51%**	**$13,727**
Holt Complex	**2019 - 2039**	**2%**	**1.59%-2.51%**	**$11,152**
Australian Operations				
Fosterville Gold Mine	**2022**	**3%**	**2.30%**	**$8,238**
Northern Territory Operations	**2023**	**3%**	**2.04% - 2.61%**	**$30,655**

As at December 31, 2016	Estimated Closure Period	Inflation Rate	Risk free rate	Undiscounted estimated closure costs
Canadian Operations				
Macassa Mine Complex	2017, 2030	2%	2.14% - 2.40%	$18,068
Holt Complex	2018 - 2023	2%	4%	$8,716
Australian Operations				
Fosterville Gold Mine	2021	2.50%	2.32%	$8,570
Northern Territory Operations	2022	2.50%	1.96%	$22,495
Stawell Mine	2019	2.50%	1.96%	$5,978

All estimates and assumptions are reviewed on an annual basis to take into account any material changes to underlying assumptions and inputs. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold prices and costs of production, which are inherently uncertain.

Long service leave

Long service leave is an Australian employee entitlement which accrues based on an employee’s length of service to a company. The provision is estimated based on the total current service of the Company’s employees and the probability of expected future service and earnings. As at December 31, 2017 , the total accrued long service leave was $6,356 , of which $5,187 is included in the current provision (December 31, 2016 - $5,812 and $4,391 , respectively).

24. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares without par value.

(a) SHARE CAPITAL

As at December 31, 2017 , the Company had 210,944,884 common shares outstanding (December 31, 2016 - 203,031,934).

During the year ended December 31, 2017, the Company issued an aggregate of 4,505,393 common shares upon the conversion of the 7.5% debentures (see note 22).

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

During the year ended December 31, 2017, the Company issued an aggregate of 7,351,060 common shares upon the exercise of 5,739,722 stock options, 1,608,982 PSUs and 2,356 warrants.

On May 15, 2017, the TSX approved the Company's Normal Course Issuer Bid ("NCIB") to purchase up to 15,186,571 common shares of the Company, representing 10% of the issued and outstanding common shares in the public float as of May 11, 2017. Repurchases of common shares pursuant to the NCIB are permitted from May 17, 2017 until May 16, 2018, or such earlier time as the NCIB is completed or terminated by the Company. During the year ended December 31, 2017 , the Company purchased 5,443,400 shares for cancellation under the NCIB, for $60,143 (C$76,536). All common shares repurchased were legally cancelled and are recorded as a reduction of share capital in the Consolidated Statements of Changes in Equity.

On May 12, 2017, the Company issued 1,500,000 common shares to two First Nations as part of an Impact and Benefits Agreement ("IBA") (note 18).

On July 14, 2017 and October 16, 2017, the Company paid a quarterly dividend of C$0.01 per common share in the amounts of $1,623 (C$2,107) and $1,658 (C$2,076), respectively. On December 15, 2017, the Company declared a quarterly dividend of C$0.02 per common share that was paid on January 15, 2018 to shareholders of record as of the close of business on December 29, 2017. The Company accrued $3,372 (C$4,219) as at December 31, 2017 related to the declared dividend with the corresponding reduction in retained earnings.

In 2016, the Company raised gross proceeds of $16,740 (C$22,000) by issuing flow through common shares under two private placements (691,700 flow through common shares at a price of C$10.12 per common share issued in June 2016 and 1,047,340 flow-through common shares at a price of C$ 14.32 per common share issued in December 2016). The number of common shares issued are stated on a post-consolidation basis. The net proceeds of $16,679 (C$21,885) were recorded as share capital of $12,794 (C$16,748) and deferred premium liability of $3,885 (C$5,137); the deferred premium is recognized as other income as the Company incurs Canadian exploration eligible flow through expenditures (CEE). During the year ended December 31, 2017 , $ 3,070 of amortized deferred premium was recognized in other income (December 31, 2016 - $897).

As at December 31, 2017 , C$22,000 of CEE was spent in relation to the flow-through financings (C$6,484 to December 31, 2016).

Changes in the deferred premium liability as at December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Balance at beginning of year	**$2,943**	$—
Deferred premium liability on flow through share issuances	**—**	3,885
Recognition of deferred premium liability	**(3,070)**	(897)
Foreign currency translation	**127**	(45)
	$—	$2,943

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

(b) RESERVES

(i) Share based compensation plans

The Company has the following outstanding equity based awards:

Stock options

Pursuant to the terms of the Arrangement entered into between Old Kirkland Lake and Newmarket (note 7), the Newmarket stock option plan (the "Stock Option Plan") superseded the Old Kirkland Lake stock option plans, however, awards outstanding under Old Kirkland Lake (the "Old Kirkland Stock Option Plan") prior to November 30, 2016, continue to be governed by the terms of the Old Kirkland Stock Option Plan. The Stock Option Plan provides for the issuance of stock options to eligible participants to employees, directors, or officers of the Company and any of its subsidiaries or affiliates, consultants, and management employees. On May 4, 2017, shareholders of the Company approved certain amendments to the Stock Option Plan, including changing the Stock Option Plan to a "rolling plan". Accordingly, the aggregate number of common shares to be reserved for issuance in satisfaction of stock options granted pursuant to the Stock Option Plan and all other security based compensation plans must not exceed 5.5% of the common shares issued and outstanding (on a non-diluted basis) at the time of granting any stock options. In accordance with the terms of the Stock Option Plan: (i) the exercise price of a stock option granted shall be determined by the Company's Board but in any event, shall not be less than the closing price of the common shares trading on the TSX on the date of grant; (ii) stock options shall have a maximum term of five years; and (iii) will generally be terminated ninety days after a participant ceases to be an officer, director, employee or consultant of the Company.

During the year ended December 31, 2017 the Company did not grant any stock options.

Changes in stock options during the years ended December 31, 2017 and 2016 were as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number of options	**Weighted average exercise price (C$)**	Number of options	Weighted average exercise price (C$)
Opening Balance	**7,514,307**	**$4.60**	3,920,800	$5.85
Granted	—	—	30,000	5.31
Assumed on St Andrew acquisition	—	—	1,566,876	6.86
Assumed on Newmarket arrangement	—	—	4,625,161	3.52
Exercised	**(5,739,722)**	**3.91**	(2,173,306)	3.51
Expired	**(235,269)**	**13.95**	(448,224)	17.52
Forfeited	**(40,001)**	**4.96**	(7,000)	6.83
Stock options outstanding, end of year	**1,499,315**	**5.80**	7,514,307	4.60
Stock options exerciseable, end of year	**1,332,460**	**$6.01**	7,180,808	$4.73

The weighted average fair value of the share options granted under the Old Kirkland Lake Stock Option Plan during the year ended December 31, 2017 is C$nil per share (year ended December 31, 2016 – C$2.43). Options are valued using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioral considerations. Expected volatility is based on the historical share price volatility the Company and the mining industry.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

The fair value of options granted under the Old Kirkland Lake Plan during the year ending December 31, 2016 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended December 31, 2016
Weighted average exercise price per share	C$5.31
Risk-free interest rate	0.45%
Expected volatility	67%
Expected life	3.91 years
Expected dividend yield	0%
Expected forfeiture rate	5.45%
Weighted average per share grant date fair value	C$2.43

Options assumed with the business combinations in 2016 were valued at the date of acquisition using the Black-Scholes option pricing model with the following weighted average assumptions:

Assumed on the	**St Andrew Acquisition**	**Newmarket Arrangement**
Exercise price per share	C$6.86	C$3.52
Risk-free interest rate	0.72%	0.55%
Weighted average per share grant date fair value	1.86	4.06
Expected volatility	60%	40%
Expected life	3.98 years	0.50 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

Stock Options Exercised

The following table outlines share options exercised during the year ended December 31, 2017 :

Grant price	Number of options exercised	Exercise dates	Weighted average closing share price at exercise date
$1.11 - $7.81	1,804,842	January 1, 2017 - March 31, 2017	$9.87
$0.86 - $7.81	2,791,059	April 1, 2017 - June 30, 2017	$10.13
$2.11 - $7.81	720,018	July 1, 2017 - September 30, 2017	$14.72
$2.91 - $15.11	423,803	October 1, 2017 - December 31, 2017	$17.39
	5,739,722		$11.16

For the year ended December 31, 2016 :

Grant price	Number of options exercised	Exercise dates	Weighted average closing share price at exercise date
$2.99-$6.83	1,196,035	January 1, 2016 to March 31, 2016	$8.79
$2.99-$6.83	569,607	April 1, 2016 to June 30, 2016	$10.88
$2.99-$6.83	366,998	July 1, 2016 to September 30, 2016	$11.25
$3.16 - $5.81	40,666	October 1, 2016 to December 31, 2016	$9.13
	2,173,306		$9.76

Other equity based instruments

On January 1, 2017, the Board approved a long-term incentive plan (the “Long Term Incentive Plan” or “LTIP”) that provides for RSUs and PSUs (collectively, "Share Units") that may be granted to employees, officers and eligible contractors of the Company and its affiliates. A director of the Company is not eligible to participate in the LTIP unless he or she is also an employee of the Company. On May 4, 2017, shareholders of the Company approved amendments to the LTIP to provide the Company with the ability, at the discretion of the Company's Board of Directors to issue common shares or cash or any combination thereof in satisfaction of the Company's obligations under Share Units held by participants. The maximum number of common shares made available for issuance under the LTIP shall not exceed: (i) such number of common shares as would, when combined with all other common shares subject to grants under DSUs, RSUs and PSUs of the Company, be equal to 2% of the common shares then outstanding; and (ii) such number of common shares as would, when combined with all other common shares of the Company, be equal to 5.5% of the common shares outstanding from time to time.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

The value of an RSU and PSU at the grant date is equal to the fair market value of a common share of the Company on that date. Unless otherwise determined by the Compensation Committee, no RSU or PSU shall vest later than three years after the date of grant.

Upon vesting of the PSUs, the number of shares the holder can receive ranges between 0% and 200% of the number of the PSUs granted, to be determined at the end of the performance period based on the performance of the Company's underlying shares.

Movements in the number of the PSUs and RSUs for the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	PSUs	**RSUs**	PSUs	RSUs
Balance, beginning of year	**1,707,571**	**108,589**	—	—
Granted	**309,637**	**326,694**	137,272	157,272
Assumed with the Newmarket arrangement	—	—	1,620,857	—
Cancelled	**(61,041)**	**(66,041)**	(16,767)	(26,767)
Redeemed	**(1,613,961)**	**(4,979)**	(33,791)	(21,916)
Balance, end of year	**342,206**	**364,263**	1,707,571	108,589

(ii) Share based payment expense

The cost of share based payments is allocated to production costs (options granted to employees involved in the commercial operations at the mines and mill), general and administrative costs (options granted to directors and corporate employees) and transaction costs (expense related to the vesting of certain officers of the Company terminated upon completion of the Newmarket arrangement).

	Year ended December 31, 2017	Year ended December 31, 2016
RSU and PSU share based payment expense	**$1,969**	$367
RSU and PSU cash payments	**65**	106
Stock options share based payment expense	**88**	846
Equity based instruments share based payment expense	**$2,122**	$1,319
Cash settled instruments share based payment expense (note 21)	**$2,222**	$391
Total share based payment expense	**$4,344**	$1,710

The allocation of share based payment expense on the consolidated statement of operations and comprehensive income for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
General and administrative	**$3,947**	$1,230
Transaction costs	**—**	137
Production costs	**397**	343
Total share based payment expense	**$4,344**	$1,710

(iii) Basic and diluted income per share

Basic and diluted income per share for the years ended December 31, 2017 and 2016 is calculated as shown in the table below. The diluted income per share for the years ended December 31, 2017 and 2016 includes the impact of certain outstanding options, PSUs and RSUs. The impact of the outstanding convertible debentures is not included in the calculation for the year ended December 31, 2016 as the impact would be anti-dilutive.

	Year ended December 31, 2017	Year ended December 31, 2016
Earnings from continuing operations	**$157,330**	$46,734
Loss from discontinued operations (note 6)	**(24,904)**	(4,627)
Net earnings	**132,426**	42,107
Weighted average basic number of common shares outstanding (in '000s)	**207,436**	121,172
Basic earnings per share from continuing operations	**0.76**	0.39
Basic loss per share from discontinued operations	**($0.12)**	($0.04)
Basic earnings per share	**$0.64**	$0.35
Weighted average diluted number of common shares outstanding (in '000s)	**208,628**	123,889
Diluted earnings per share from continuing operations	**$0.75**	$0.38
Diluted loss per share from discontinued operations	**($0.12)**	($0.04)
Diluted earnings per share	**$0.63**	$0.34

Weighted average diluted number of common shares for years ended December 31, 2017 and 2016 is calculated as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Weighted average basic number of common shares outstanding (in '000s)	**207,436**	121,172
In the money shares - share options (in '000s)	**972**	2,478
In the money shares - RSUs (in '000s)	**220**	239
Weighted average diluted number of common shares outstanding	**208,628**	123,889

The following items were excluded from the computation of weighted average shares outstanding for the year ended December 31, 2017 and 2016 as their effect would be anti-dilutive:

	Year ended December 31, 2017	Year ended December 31, 2016
Share options (in '000s)	527	5,036
RSUs and PSUs (in '000s)	486	1,577
Convertible debentures (in '000s)	—	8,503

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

25. SUPPLEMENTAL CASH FLOW INFORMATION

As at December 31, 2017 , the Company's cash balance of $231,596 (December 31, 2016 – $234,898) was held in full at major Canadian and Australian banks in deposit accounts.

Supplemental information to the statements of cash flows is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Change in non-cash working capital		
Decrease (increase) in accounts receivable	**($7,468)**	$1,372
Decrease (increase) in inventory	**6,291**	9,589
Decrease (increase) in prepaid expenses and current assets	**(3,740)**	(2,286)
Decrease (increase) in accounts payable and accrued liabilities	**9,276**	28,679
	$4,359	$37,354

Investing and financing non-cash transactions		
Plant and equipment acquired financed through finance lease	**$24,963**	$15,864

26. OPERATING SEGMENTS

The reportable operating segments are those operations for which operating results are reviewed by the President and Chief Executive Officer who is the chief operating decision maker regarding decisions about resources to be allocated to the segment and to assess performance provided those operations pass certain quantitative thresholds. Operations with revenues, earnings or losses or assets that exceed 10% of the total consolidated revenue, earnings or losses or assets are reportable segments.

Each of the Company's reportable operating segments generally consists of an individual mining property managed by a single general manager and operations management team.

As a result of the acquisitions of Newmarket and St. Andrew in 2016, the Company now operates multiple gold mines in Canada and Australia, including the Macassa Mine complex and Holt Complex in Northern Ontario, Canada, the Fosterville Mine and Northern Territory (which includes the Cosmo mine) in Australia. The Company's operating segments reflect these multiple mining interests and are reported in a manner consistent with internal reporting used to assess the performance of each segment and make decisions about resources to be allocated to the segments.

The information reported below as at and for the years ended December 31, 2017 and 2016 is based on the information provided to the President and Chief Executive Officer.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

As at and for the year ended December 31, 2017

	Macassa Mine	Holt Complex	Fosterville	Northern Territory	Corporate and other	Total
Revenue	$247,104	$145,892	$327,055	$27,444	$—	**$747,495**
Production costs	(102,743)	(77,299)	(70,906)	(37,367)	—	**(288,315)**
Royalty expense	(5,377)	(9,586)	(6,433)	—	—	**(21,396)**
Depletion and depreciation	(38,015)	(22,576)	(82,589)	(5,473)	(2)	**(148,655)**
Earnings (loss) from mine operations	100,969	36,431	167,127	(15,396)	(2)	**289,129**
Expenses						
General and administrative	—	—	—		(25,646)	**(25,646)**
Transaction costs	—	—	—	—	(397)	**(397)**
Exploration and evaluation	(10,756)	(7,780)	(21,400)	(8,475)	—	**(48,411)**
Care and maintenance	—	(2,290)	—	(9,587)	—	**(11,877)**
Earnings (loss) from operations	90,213	26,361	145,727	(33,458)	(26,045)	**202,798**
Other income (loss)						**3,376**
Finance items						
Finance income						**2,111**
Finance costs						**(12,206)**
Earnings before taxes from continuing operations						**196,079**

	Macassa Mine	Holt Complex	Fosterville	Northern Territory	Corporate and other	Total
Expenditures on:						
Mining interest	$28,079	$17,226	$34,641	$5,697	$—	**$85,643**
Plant and equipment	14,324	9,939	20,105	1,829	—	**46,197**
Total capital expenditures	$42,403	$27,165	$54,746	$7,526	$—	**$131,840**
Total assets	$562,752	$92,168	$433,385	$140,036	$257,459	**$1,485,800**
Total liabilities	$117,119	$46,348	$116,929	$34,953	$12,855	**$328,204**

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

As at and year ended December 31, 2016 (1)

	Macassa Mine	Holt Complex	Fosterville	Northern Territory	Corporate and other	Total
Revenue	$213,496	$159,237	$22,950	$7,657	$—	**$403,340**
Production costs	(91,279)	(80,129)	(14,637)	(6,797)	—	**(192,842)**
Royalty expense	(5,070)	(9,999)	(483)	—	—	**(15,552)**
Depletion and depreciation	(31,345)	(18,077)	(8,326)	(1,217)	(5)	**(58,970)**
Earnings (loss) from mine operations	85,802	51,032	(496)	(357)	(5)	**135,976**
Expenses						
General and administrative	—	—	—	—	(11,991)	**(11,991)**
Transaction costs	—	—	—	—	(17,746)	**(17,746)**
Exploration and evaluation	(8,621)	(5,881)	(346)	(969)	—	**(15,817)**
Care and maintenance	—	(80)	—	—		**(80)**
Earnings (loss) from operations	77,181	45,071	(842)	(1,326)	(29,742)	**90,342**
Other income (loss)						**210**
Finance items						
Finance income						**843**
Finance costs						**(11,628)**
Earnings before taxes from continuing operations						**79,767**
Expenditures on:						
Mining interest	$33,551	$21,590	$2,862	$178	$—	**$58,181**
Plant and equipment	7,616	6,646	539	472	—	**15,273**
Total capital expenditures	$41,167	$28,236	$3,401	$650	$—	**$73,454**
Total assets	$437,312	$200,580	$80,618	$67,708	$512,476	**$1,298,694**
Total liabilities	$177,360	$39,943	$23,602	$27,274	$124,601	**$392,780**

Information as at and for the year ended December 31, 2016 has been restated to exclude the Stawell Mine which was sold in 2017 and is presented as a discontinued operation (note 6).

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

The following table shows metal sales and non-current assets by geographic region:

	Metal sales		Non-current assets	
	Years ended December 31,		**As at December 31,**	
	2017	2016	**2017**	2016
Geographic information				
Australia	**$354,498**	$30,607	**$555,241**	$551,387
Canada	**$392,997**	$372,733	**$630,941**	$457,421
Total	**$747,495**	$403,340	**$1,186,182**	$1,008,808

The following table summarizes sales to individual customers exceeding 10% of annual metal sales for the following periods:

For the year ended December 31, 2017	**Macassa Mine**	**Holt Complex**	**Fosterville**	**Northern Territory**	**Total**
Customer					
1	**$—**	**$—**	**$326,447**	**$—**	**$326,447**
2	**92,387**	**55,893**	**—**	**—**	**148,280**
3	**91,778**	**51,102**	**—**	**—**	**142,880**
					617,607
% of total sales					**83%**

For the year ended December 31, 2016	Macassa Mine	Holt Complex	Fosterville	Northern Territory	Total
Customer					
1	$58,978	$36,837	$—	$—	$95,815
2	68,203	24,244	—	—	92,447
3	—	77,297	—	—	77,297
					265,559
% of total sales					66%

The Company is not economically dependent on a limited number of customers for the sale of its product because gold can be sold through numerous commodity market traders worldwide. The customers differ in years 2017 and 2016.

27. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and makes adjustments to it to effectively support the acquisition, operation, exploration and development of mineral properties. In the definition of capital, the Company includes, as disclosed on its consolidated statement of financial position: share capital, equity portion of convertible debentures, deficit, reserves and convertible debentures.

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

The Company's capital at December 31, 2017 and 2016 is as follows:

As at December 31	**2017**	2016
Share capital	**$951,184**	$900,389
Equity portion of convertible debentures	—	15,674
Reserves	**33,122**	49,997
Accumulated other comprehensive income	**36,078**	(71,585)
Retained earnings	**137,212**	11,439
Liability portion of convertible debentures (note 22)	—	84,961
	$1,157,596	$990,875

The Company believes it has sufficient funds to finance its current operating, development and exploration expenditures. Longer term, the Company may pursue opportunities to raise additional capital through equity and/or debt markets as it progresses with its properties and projects. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable.

Neither the Company nor its subsidiaries are subject to any other externally imposed capital requirements.

28. FINANCIAL INSTRUMENTS

Carrying values of financial instruments

The carrying values of the financial assets and liabilities at December 31, 2017 and 2016 are as follows:

As at December 31	**2017**	2016
Financial Assets		
At fair value through profit or loss		
Warrant investments	**$12,754**	$—
Loans and receivables, measured at amortized cost		
Cash	**$231,596**	$234,898
Restricted cash	**$22,193**	$20,042
Accounts receivable (not including sales taxes)	**$5,289**	$1,716
	$259,078	$256,656
Available for sale, measured at fair value through Other Comprehensive Income		
Investments in equity securities of public and private companies	**$100,109**	$5,885
Financial Liabilities		
Other financial liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	**$84,746**	$72,076
Finance leases	**$38,575**	$28,034
Convertible unsecured debentures	**$—**	$84,961

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

Fair values of financial instruments

The fair values of cash, accounts receivable, restricted cash, accounts payable and accrued liabilities approximate their carrying values due to the short term to maturity of these financial instruments.

The fair value hierarchy of financial instruments measured at fair valued on the consolidated statement of financial position is as follows:

As at December 31	**2017**	2016
Level 1		
Available for sale investments - publicly traded (note 16)	**$100,109**	$1,686
Level 2		
Warrant investments	**$12,754**	$—
Level 3		
Available for sale investments - privately held (note 16)	**$—**	$4,199

Financial instruments risks factors

The Company is exposed to financial risks sensitive to changes in share prices, share price volatility, foreign exchange and interest rates. The Company's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Currently the Company has no outstanding options, forward or future contracts to manage its price-related exposures.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to trade and other amounts receivable, which consist primarily of goods and services tax due from the Federal Governments of Australia and Canada. Consequently, credit risk is considered low and no allowance for doubtful debts has been recorded at the date of the consolidated statements of financial position. At December 31, 2017 and December 31, 2016 , there were no significant trade receivables and the Company has no significant concentration of credit risk arising from trade receivables.

The Company's cash and restricted cash are held with established Canadian and Australian financial institutions for which management believes the risk of loss to be remote. Deposits held with banks may exceed the amount of insurance provided on such deposits.

Liquidity risk

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis; there are no significant payables or obligations that are outstanding past their due dates. As at December 31, 2017 , the Company had a net working capital of $169,146 (December 31, 2016 - $ 92,307), including cash of $231,596 (December 31, 2016 - $ 234,898).

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

Future financing requirements, if any, will depend on a number of factors that are difficult to predict and are often beyond the control of the Company. The main factor is the realized price of gold received for gold produced from the Company's operating mines and the operating and capital costs of those mines, and exploration and development costs associated with the Company's growth projects.

The contractual cash flow requirements of the Company as at December 31, 2017 are as follows:

As at December 31, 2017

	Total	Less than a year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	**$84,746**	**$84,746**	**$—**	**$—**	**$—**
Finance lease payments	**42,267**	**18,480**	**23,787**	**—**	**—**
Office rent and other obligations	**5,558**	**1,643**	**2,230**	**1,509**	**176**
Income taxes payable	**8,337**	**8,337**	**—**	**—**	**—**
	$140,908	**$113,206**	**$26,017**	**$1,509**	**$176**

Market risk

(a) Foreign currency risk

The Company is exposed to foreign currency risk as the development and operation of the Company's mining assets will largely be funded with Canadian and Australian dollars while gold is priced on international markets in US dollars, the Company's presentation currency.

	CAD	AUD
Closing US dollar exchange rate at December 31, 2017	**$0.80**	**$0.78**
Average US dollar exchange rate during the year ended December 31, 2017	**$0.77**	**$0.77**
Closing US dollar exchange rate at December 31, 2016	**$0.74**	**$0.72**
Average US dollar exchange rate during the year ended December 31, 2016	**$0.75**	**$0.74**

Currency risk only exists on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. The following table indicates the impact of foreign currency exchange risk on net monetary financial assets, denominated in a currency other than the functional currency, as at December 31, 2017. The table below also provides a sensitivity analysis of a 10 percent adverse movement of the US dollar against the Canadian dollar and Australian dollar as identified which would have decreased the Company's net earnings by the amounts shown in the table below. A 10 percent weakening of the US dollar against the said foreign currencies would have had the equal but opposite effect as at December 31, 2017.

	USD$
Total foreign currency net financial assets in US$ (a)	**$190,194**
Impact of a 10% variance of the US $ on net earnings	**$18,475**

(a) Includes financial assets and financial liabilities denominated in United States Dollars *(b) Interest rate risk*

(in thousands of United States Dollars, except per share amounts and number of shares, options and warrants)

The Company's exposure to risks of changes in market interest rates relates primarily to interest earned on its cash balances. The Company reviews its interest rate exposure periodically, giving consideration to potential renewals of existing positions and alternative financial investments.

The finance leases bear interest at fixed rates. The Company does not account for any fixed rate liabilities at fair value, consequently a change in the interest rates at the reporting date would not impact the carrying amount of financial liabilities on the Consolidated Statement of Operations. The impact on cash of a movement in interest rates by a plus or minus 1% change would not be material to the value of cash.

(c) Equity securities price risk

The Company is exposed to equity securities price risk of changes because of the available for sale and warrant investments held by the Company. The Company's portfolio of investments is not part of its core operations, and accordingly, gains and losses from these investments are not representative of the Company's performance during the year. As at December 31, 2017, the impact of a 10% increase or decrease in the share prices of the available for sale and warrant investments would have resulted in an increase or decrease, respectively in unrealized gains, of $9,377 that would have been included in other comprehensive income and $3,052 in net earnings.

29. RELATED PARTY TRANSACTIONS

The remuneration of directors and executive officers is determined by the compensation committee of the Board of Directors. The directors' fees, consulting fees and other compensation of directors and executive officers were as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Officer salaries and short-term benefits	**$6,405**	$1,463
Share based payment expense	**3,173**	1,799
Directors fees	**553**	522
Severance payments	**1,461**	1,624
	$11,592	$5,408

Related party transactions are measured at the exchange amount which is the consideration agreed to between the parties.

30. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company has royalty obligations on its various mines sites as discussed below:

- A 1.5% NSR royalty payable to Franco-Nevada Corporation ("FNV") on production from the Company's Macassa property. The previous royalty amount of 2.5% was reduced in 2016 when the Company exercised its option to buy back 1% of the Macassa royalty for $30,532 .

- For the Company's mine properties in the State of Victoria, Australia, a 2% NSR royalty on the Fosterville Gold Mine, payable as applicable quarterly to Centerra Gold.

- A 1% NSR on production from the Taylor mine payable to FNV; a sliding scale NSR linked to gold price for the Holt and Holloway mines with the NSR paid for 2017 between 7% and 8% for Holloway and 10% for Holt.

- A 0.5% NSR on production from the Macassa, Taylor, Holt and Holloway mines to the First Nations identified in the IBA.

- A 1% ad valorem royalty on any future gold production above 250,000 ounces derived from the Maud Creek Gold Project (Australia); a 1% gross royalty and A$5 per ounce royalty are payable on any future gold production from certain tenements from the Maud Creek Gold Project that are located south of the main Maud Creek gold deposit. The Company also has a contingent contractual obligation of a payment of A$2 million that would be due upon a decision to proceed with development of the Maud Creek Gold Project.

- The Fosterville Gold Mine is subject to a license fee which enables it to use the patented BIOX process to treat refractory ore from the underground mine. The fee is paid at a rate of A$1.33 per ounce of gold produced and treated through the BIOX Plant and terminates when 1,500,000 ounces of gold in aggregate has been treated in the plant. As at December 31, 2017 , approximately 1,308,962 ounces of gold had been treated in the plant (December 31, 2016 - 1,126,840 ounces).

KIRKLAND LAKE GOLD

Management's Discussion & Analysis

For the years ended December 31, 2017 and 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") dated February 20, 2018 for Kirkland Lake Gold Ltd. (the "Company" and as defined in the section entitled "Business Overview") contains information that management believes is relevant to an assessment and understanding of the Company's consolidated financial position and the results of its consolidated operations for the year ended December 31, 2017. The MD&A should be read in conjunction with the Consolidated Financial Statements for the years ended December 31, 2017 and 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

FORWARD LOOKING STATEMENTS

This MD&A may contain forward-looking statements and should be read in conjunction with the risk factors described in the "Risk and Uncertainties" and "Forward Looking Statements" sections at the end of this MD&A and as described in the Company's Annual Information Form for the year ended December 31, 2016. Additional information including this MD&A, Consolidated Financial Statements for the year ended December 31, 2017, the Company's Annual Information Form for the year ended December 31, 2016, and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online under the Kirkland Lake Gold Ltd. profile at www.sedar.com and on the Company's website (www.klgold.com).

NON – IFRS MEASURES

Certain non-IFRS measures are included in this MD&A, including average realized gold price per ounce, operating cash costs and operating cash cost per ounce sold, all-in sustaining cost per ounce sold ("AISC"), free cash flows, adjusted net earnings from continuing operations, adjusted net earnings per share from continuing operations, working capital and earnings before interest, taxes, depreciation and amortization ("EBITDA"). In the gold mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers. The Company believes that these measures, in addition to information prepared in accordance with IFRS, provides investors with useful information to assist in their evaluation of the Company's performance and ability to generate cash flow from its operations. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a subtitute for measures of performance prepared in accordance with IFRS. For further information, refer to the "Non-IFRS Measures" section of this MD&A.

The following additional abbreviations may be used throughout this MD&A: General and Administrative Expenses ("G&A"); Plant and Equipment ("PE"); Gold ("Au"); Ounces ("oz"); Grams per Tonne ("g/t"); Million Tonnes ("Mt"); Tonnes ("t"); Kilometre ("km"); Metres ("m"); Tonnes per Day ("tpd"); Kilo Tonnes ("kt"); Estimated True Width ("ETW"); and Life of Mine ("LOM").

COMPARATIVE INFORMATION

During the year ended December 31, 2016, the Company (as Kirkland Lake Gold Inc.) completed two separate business combinations: a plan of arrangement with Newmarket Gold Inc. ("Newmarket") which closed on November 30, 2016 and the acquisition of St Andrew Goldfields Ltd. ("St Andrew"), which closed on January 26, 2016. The results of operations for Newmarket and St Andrew are only included from their respective dates of acquisition. For more information please refer to the "Business Overview" section in this MD&A.

REPORTING CURRENCY

All amounts are presented in U.S. dollars ("$") unless otherwise stated. References in this document to "C$" are to Canadian dollars and references to "A$" are to Australian dollars. Unless otherwise specified, all tabular amounts are expressed in thousands of U.S. dollars, except per share or per ounce amounts.

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BUSINESS OVERVIEW

Kirkland Lake Gold Ltd. (individually, or collectively with its subsidiaries, as applicable, the "Company" or "Kirkland Lake Gold") is a mid-tier, Canadian, U.S. and Australian-listed, gold producer with four wholly owned underground operating mines in Canada and Australia. The Company's production profile is anchored by two high-grade, low-cost operations: the Macassa Mine ("Macassa") located in northeastern Ontario, Canada and the Fosterville Mine ("Fosterville") located in the state of Victoria, Australia. Kirkland Lake Gold also realizes additional gold production from its Taylor ("Taylor") and Holt ("Holt") mines located in northeastern Ontario. In addition, the Company's business portfolio also includes two wholly owned mines currently on care and maintenance. The Cosmo Mine ("Cosmo") in the Northern Territory of Australia was placed on care and maintenance effective June 30, 2017, while the Holloway Mine ("Holloway") in Northeastern Ontario was placed on care and maintenance effective December 31, 2016. The Stawell Mine ("Stawell") in Victoria, Australia was placed on care and maintenance in December 2016 and was sold as of December 21, 2017.

The Company also has a pipeline of growth projects and strategic investments and continues to conduct extensive exploration on its land holdings in Canada and Australia. The current exploration programs are focused on extending known zones of mineralization and testing for new discoveries in order to increase the level of mineral resources and reserves in support of future organic growth.

Kirkland Lake Gold is focused on delivering superior value for its shareholders and maintaining a position within the mining industry as a sustainable, leading low-cost gold producer. Through the advancement of its exploration and development project pipeline and by maintaining a large reserve and resource base of quality assets, Kirkland Lake Gold is focused on developing future production growth. The Company believes that the potential to identify new sources of production through exploration success, extending mine life at existing deposits, and utilizing excess milling capacity at each of its operations can support future organic growth to increase value for its shareholders.

In addition, Kirkland Lake Gold makes strategic investments in the common shares of other public issuers in instances where the Company can gain exposure to prospective mineral properties that offer the potential for future profitable gold production.
In the event that the prospective mineral properties owned by a public issuer in which Company invests results in the establishment of a sufficiently attractive economic deposit, the Company's intention would be to acquire ownership of the deposit.

On January 26, 2016, Old Kirkland Lake Gold Inc. ("Old Kirkland Lake Gold") acquired all the issued and outstanding common shares of St Andrew pursuant to a plan of arrangement (the "St Andrew Arrangement"). As a result of the St Andrew Arrangement, Old Kirkland Lake Gold acquired the Holt, Holloway, and Taylor Mines (collectively, the "Holt Mine Complex"). The St Andrew Arrangement was considered a business combination under IFRS with Old Kirkland Lake Gold being the acquirer for accounting purposes.

On November 30, 2016, Old Kirkland Lake Gold completed a plan of arrangement with Newmarket (the "Newmarket Arrangement"). As a result of the Newmarket Arrangement, Old Kirkland Lake Gold became a wholly-owned subsidiary of Newmarket, and Newmarket was subsequently renamed Kirkland Lake Gold Ltd. The Newmarket Arrangement was considered a business combination under IFRS with Old Kirkland Lake Gold being the acquirer for accounting purposes.

Effective December 6, 2016, Kirkland Lake Gold's common shares began trading on the Toronto Stock Exchange ("TSX") under the symbol "KL" and began trading on the OTCQX under the symbol "KLGDF" effective January 19, 2017. Effective August 16, 2017, the Company's common shares began trading on the New York Stock Exchange under the symbol "KL" and, concurrent with this listing, was de-listed from the OTCQX. Effective November 30, 2017, the Company's common shares were listed on the Australian Securities Exchange under the symbol "KLA". During 2017, the Company also had unsecured convertible debentures of Old Kirkland Lake Gold, the C$62.1 million 7.5% debentures (the "7.5% Debentures"), which traded on the TSX under the symbol KLG.DB.A. These debentures matured on December 31, 2017, with over 99% of the debentures being converted into the Company's common shares, and the remainder being repaid in cash (see the Liquidity and Financial Condition Review of this MD&A for more information). The Company's C$56.8 million 6% unsecured convertible debentures (the "6% Debentures"), which were traded under the symbol KLG.DB, were repaid from existing cash resources on June 30, 2017, the maturity date for the issue.

During 2017, the Company made strategic investments in a number of junior exploration companies based in Canada and Australia. The largest of these investments was a $61.0 (C$74.9) million investment, made by way of private purchase and a private placement financing, to acquire an aggregate 25.8 million common shares of Novo Resources Corp. ("Novo"), representing an 16.98% ownership interest at the time of acquisition. As part of a private placement financing to acquire 14.0 million common shares of Novo, the Company also acquired 14.0 million common share purchase warrants, each entitling the Company to acquire a common share of Novo at a price of C$6.00 until September 6, 2020, subject to certain acceleration rights held by Novo. Novo is a TSX Venture-listed junior exploration company that controls a 12,000 km^2 land package in the Pilbara Region of Western Australia.

On December 21, 2017, the Company completed a transaction to sell to an affiliate of Arete Capital Partners Ltd. ("Arete") all the issued and outstanding common shares of its indirectly held wholly owned subsidiary, Stawell Gold Mines Pty Ltd., which held the Stawell Mine. Pursuant to the terms of the transaction, the Company received $6.25 million in cash consideration upon closing and retains a 2.5% net smelter return royalty on the Stawell Mine. An after-tax loss of $24.9 million and $4.6 million were included in discontinued operations for 2017 and 2016, respectively.

The comparative information in this MD&A and for the audited Consolidated Financial Statements for the year ended December 31, 2016 is that of Old Kirkland Lake Gold, with the results of operations of St Andrew consolidated from the date of acquisition, being January 26, 2016.

CONSOLIDATED FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following is a summary of the Company's financial and operational results for the year ("2017") and three ("Q4 2017") months ended December 31, 2017. Results for the full-year ("2016") and three months ("Q4 2016") ended December 31, 2016, which are discussed for comparison purposes to 2017 and Q4 2017, include the Company's Australian operations from November 30, 2016, following the completion of the Newmarket Arrangement. Comparison of results for 2017 to 2016 include results from the Holt Mine Complex from January 26, 2016, following completion of the St Andrew Arrangement. In addition, results for 2016 and Q4 2016 presented in this MD&A have been restated to exclude discontinued operations, which includes the results of the Stawell Mine during these periods. A more detailed analysis is provided throughout this MD&A.

(in thousands of dollars, except per share amounts)	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016 *(Restated)*	**Year Ended December 31, 2017**	Year Ended December 31, 2016 *(Restated)*
Revenue	**$212,364**	$130,901	**$747,495**	$403,340
Production costs	**68,283**	60,625	**288,315**	192,842
Earnings before income taxes	**54,799**	17,698	**196,079**	79,767
Loss from discontinued operations	**(24,904)**	(4,627)	**(24,904)**	(4,627)
Net earnings	**$40,980**	$3,076	**$132,426**	$42,107
Basic earnings per share from continuing operations	**$0.32**	$0.05	**$0.76**	$0.39
Basic earnings per share	**$0.20**	$0.02	**$0.64**	$0.35
Diluted earnings per share	**$0.20**	$0.02	**$0.63**	$0.34
Cash flow from operating activities of continuing operations	**103,351**	68,456	**309,812**	186,981
Cash investment on mine development and PPE	**38,832**	23,111	**131,840**	73,051

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016 *(Restated)*	**Year Ended December 31, 2017**	Year Ended December 31, 2016 *(Restated)*
Tonnes milled	**454,897**	437,601	**1,974,093**	1,271,670
Grade (g/t Au)	**11.8**	7.5	**9.8**	7.9
Recovery (%)	**96.3%**	93.6%	**95.7%**	95.1%
Gold produced (oz)	**166,579**	105,757	**596,405**	313,653
Gold Sold (oz)	**165,715**	111,690	**592,674**	326,687
Averaged realized price ($/oz sold) (1)	**1,282**	1,202	**1,261**	1,234
Operating cash costs per ounce ($/oz sold) (1)	**412**	533	**481**	571
AISC ($/oz sold) (1)	**816**	900	**812**	930
Adjusted net earnings from continuing operations (1)	**71,153**	22,806	**149,133**	67,851
Adjusted net earning per share from continuing operations (1)	**$0.34**	$0.16	**$0.72**	$0.56

(1) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on pages 37-44 of this MD&A.*

2017 Highlights

- **Production growth** : 2017 production totaled 596,405 ounces, a 90% increase from 313,653 ounces in 2016 when consolidated production included the Company's Australian operations only from November 30, 2016 and for the Holt Mine Complex from January 26, 2016.
- **Improved unit costs:** Total production costs in 2017 were $288.3 million, which compared to $192.8 million the previous year, with the increase reflecting higher business volumes resulting from higher tonnes and higher grades in 2017. Operating cash costs per ounce sold averaged $481, a $90 per ounce or 16% improvement from 2016, while all-in sustaining cost ("AISC") per ounce sold averaged $812, $118 per ounce or 13% better than the previous year.
- **Strong cash flow generation:** Cash flow from operating activities of continuing operations totaled $309.8 million, an increase of $122.8 million or 66% from $187.0 million in 2016, with free cash flow in 2017 totaling $178.0 million, $64.1 million or 56% higher than $113.9 million in 2016.
- **Solid earnings performance:** Net earnings in 2017 totaled $132.4 million ($0.64 per basic share), an increase of $90.3 million or 214% from net earnings of $42.1 million ($0.35 per basic share) in 2016. The increase in net earnings largely reflected the impact of increased production and revenue, lower unit costs and a lower effective tax rate. These factors more than offset higher levels of production costs, depletion and depreciation expense and significantly higher exploration spending compared to 2016. Net earnings in 2017 consisted of earnings from continuing operations of $157.3 million and a loss from discontinued operations of $24.9 million, with the loss relating to the 2017 care and maintenance expenses and the sale of the Company's Stawell Mine in Australia on December 21, 2017.
- **Adjusted net earnings from continuing operations** in 2017 totaled $149.1 million ($0.72 adjusted net earnings per share from continuing operations), representing growth of $81.2 million or 120% from $67.9 million in 2016. The exclusion from adjusted net earnings from continuing operations in 2017 of the $24.9 million after-tax loss from discontinued operations ($0.12 per share) and net deferred tax recovery of $10.0 million ($0.05 per share) were the most significant differences between net earnings and adjusted net earnings from continuing operations for the year. In 2016, adjusted net earnings from continuing operations were higher than net earnings due to the exclusion of transaction costs, mainly related to the completion of the Newmarket Arrangement, the impact of purchase price allocation adjustments on acquired metal inventory, and a loss from discontinued operations.
- **Significant commitment to exploration:** Exploration and evaluation expenditures in 2017 totaled $48.4 million, more than triple the $15.8 million of exploration expenditures in 2016. During 2017, the Company announced significant extensions to high-grade mineralization at the Swan Zone at Fosterville, the South Mine Complex at Macassa and the Lantern Deposit at the Cosmo Mine. In addition, new areas of high-grade gold mineralization were intersected at the Taylor Mine up to 1.8 km east of the Shaft Deposit and at depth below the West Porphyry Deposit.
- **Strong growth in Mineral Reserves and Mineral Resources:** Based on extensive exploration, delineation and infill drilling in 2017, the Company's December 31, 2017 Mineral Reserve and Mineral Resource estimates included a 36% increase in consolidated Mineral Reserves to 4.6 million ounces at an average grade of 11.1 grams per tonne. Also included in the estimates were growth in both Mineral Reserves and Mineral Resources at Fosterville, with Mineral Reserves reaching 1,700,000 ounces at an average grade of 23.1 grams per tonne, a doubling of the Swan Zone at

Fosterville, with Mineral Reserves totaling 1.2 million ounces at 61.2 grams per tonne, and a 58% increase in Measured and Indicated Mineral Resources at Macassa, to 2.1 million ounces at an average grade of 17.1 grams per tonne.

- **Solid financial position:** Cash totaled $231.6 million at December 31, 2017 compared to $234.9 million at December 31, 2016.
- **Convertible debentures eliminated:** During 2017, the Company's outstanding convertible debentures were eliminated with $43.8 (C$56.8) million being paid to redeem the 6.0% Debentures at maturity on June 30, 2017 and more than 99% of the C$62.0 million 7.5% Debentures being converted into 4,505,393 commons shares in December 2017.
- **Repurchased 5.4 million common shares** : The Company repurchased 5.4 million common shares in 2017 for a total of $60.1 (C$76.5) million through a normal course issuer bid ("NCIB") initiated in May 2017.
- **Dividends:** The Company introduced a dividend policy in March 2017, with an initial quarterly dividend payment of $0.01 per share paid in July 2017 and October 2017. The dividend increased to $0.02 per share effective the January 15, 2018 payment.
- **Strategic investments:** A number of strategic investments were made during 2017, including investments of approximately $61.0 (C$74.9) million in Novo, $6.9 (C$8.9) million in Bonterra Resources Inc., $6.4 (C$8.6) million in Metanor Resources Inc. and $3.8 (C$4.9) million in De Grey Mining Limited.

Q4 2017 Highlights

- **Record quarterly production:** Q4 2017 production totaled 166,579 ounces, a 56% increase from Q4 2016 and 20% higher than Q3 2017.
- **Lower unit costs:** Q4 2017 production costs totaled $68.3 million compared to production costs of $60.6 million in Q4 2016 and $66.5 million in Q3 2017. Operating cash cost per ounce sold in Q4 2017 averaged $412, a 23% improvement from $533 in Q4 2016 and 15% better than $482 the previous quarter. AISC per ounce sold averaged $816, a 9% improvement from $900 in Q4 2016 and 3% better than $845 in Q3 2017.
- **Continued strong cash flow:** Cash flow from operating activities of continuing operations totaled totaled $103.4 million compared to $68.5 million in Q4 2016 and $66.8 million in Q3 2017, with free cash flow in Q4 2017 totaling $64.5 million, 42% and 105% higher than $45.3 million in Q4 2016 and $31.5 million in Q3 2017, respectively.
- **Solid earnings growth:** Net earnings in Q4 2017 totaled $41.0 million ($0.20 per basic share), which compared to net earnings of $3.1 million ($0.02 per basic share) in Q4 2016 and $43.8 million ($0.21 per basic share) in the previous quarter. Net earnings for Q4 2017 consisted of earnings from continuing operations totaling $65.9 million and a loss from discontinued operations of $24.9 million related to the sale of the Company's Stawell Mine on December 21, 2017. Earnings from continuing operations in Q4 2017 included a $24.9 million deferred tax recovery ($0.12 per basic share), mainly related to the previously unrecognized deferred tax assets in the period that were acquired in a previous business combination, partially offset by a loss of $17.6 million reflecting a pre-tax mark-to-market loss in the quarter on fair valuing the Company's 14.0 million common share purchase warrants of Novo ($0.08 per basic share).
- **Adjusted net earnings from continuing operations** in Q4 2017 totaled $71.2 million ($0.34 adjusted net earnings per share from continuing operations) versus $22.8 million in Q4 2016 and $27.4 million in Q3 2017. The difference between net earnings and adjusted net earnings from continuing operations in Q4 2017 mainly related to the exclusion in adjusted net earnings from continuing operations of the $24.9 million after-tax loss on discontinued operations ($0.12 per share), a $17.6 million pre-tax mark-to-market loss on the fair valuing the Company's 14.0 million common share purchase warrants in Novo ($0.08 per share) and net deferred tax recovery of $10.0 million ($0.05 per share). In Q4 2016, a number of pre-tax expenses were excluded from adjusted net earnings from continuing operations, including: transaction costs of $14.4 million and $6.5 million of purchase price allocations adjustments on acquired metal inventory. In addition, adjusted net earnings from continuing operations in Q4 2016 also excluded an after-tax $4.6 million loss from discontinued operations. In Q3 2017, the Company recorded a $19.2 million pre-tax mark-to-market gain related to the fair value of Novo warrants, which was excluded from adjusted net earnings from continuing operations.
- **Continued exploration success:** Exploration and evaluation expenditures in Q4 2017 totaled $10.7 million compared to $6.0 million in Q4 2016 and $16.9 million the previous quarter. Key drill results released during the quarter included a 120 metre down-plunge extension of the Swan Zone at the Fosterville Mine, a significant expansion of the Lantern Deposit at the Cosmo Mine in the Northern Territory of Australia and the intersection of a new gold zone 350 metres below the West Porphyry Deposit at the Taylor Mine.
- **Share repurchases:** A total of 1,553,500 common shares for $20.7 million (C$26.3) million were repurchased through a Normal Course Issuer Bid ("NCIB").

- **Dividend payment:** The Company's second quarterly dividend of $1.7 (C$2.1) million or C$0.01 per share was made on October 16, 2017. On December 15, 2017, the Company announced an increase to the Q4 dividend payment from C$0.01 to C$0.02 as this was determined for shareholders of record on December 29, 2017.

PERFORMANCE AGAINST 2017 GUIDANCE

Kirkland Lake Gold achieved all of the Company's consolidated production and unit cost guidance for full-year 2017. A number of revisions were made to the Company's guidance during the year. Guidance for consolidated production and AISC per ounce sold were improved three times. Consolidated production guidance began the year at 500,000 - 525,000 ounces and was ultimately improved to 580,000 - 595,000 ounces on November 2, 2017. AISC per ounce sold guidance commenced 2017 at $950 - $1,000 with the final improvement resulting in a target range of $800 - $825. Other revisions to consolidated guidance during 2017 included: two improvements to operating cash cost per ounce sold guidance, which began the year at $625 - $675 and was ultimately established at $475 - $500 on November 2, 2017; a revision to sustaining and growth capital expenditure guidance from $180 - $200 million to $160 - $180 million on August 2, 2017, and an increase in the guidance for corporate G&A expense from $17 million to $20 million on November 2, 2017. (For more information on the revisions to guidance announced on November 2, 2017, August 2, 2017 and May 4, 2017 see the MD&As for the periods ended September 30, 2017, June 30, 2017 and March 31, 2017.)

2017 Guidance (as at November 2, 2017)

	Canadian Mines			Australian Mines		
($ millions unless otherwise stated)	**Macassa**	**Taylor**	**Holt**	**Fosterville**	**Northern Territory (3)**	**Consolidated**
Gold production (kozs)	190 - 195	50 - 55	65 - 70	250 - 260	20	**580 - 595**
Operating cash costs/ounce sold ($/oz) (2)(5)	$520 - $550	$575 - $625	$670 - $725	$260 - $280	$1,500 - $1,600	**$475 - $500**
AISC/ounce sold ($/oz) (2)(5)						**$800 - $825**
Operating cash costs (2)						**$270 - $280**
Royalty costs						**$20 - $25**
Sustaining and growth capital (5)						**$160 - $180**
Exploration and evaluation						**$45 - $55**
Corporate G&A expense (4)						**$20**

(1) *Represents the Company's guidance for which the three-month period ended December 31, 2017 was measured against.*
(2) *Operating cash costs, operating cash cost/ounce sold and AISC/ounce sold reflect an average US$ to C$ exchange rate of 1.2983 and a US$ to A$ exchange rate of 1.3047. See "Non-IFRS Measures" set out starting on page 32 of this MD&A for further details. The most comparable IFRS Measure for operating cash costs, operating cash costs per ounce sold and AISC per ounce sold is production costs as presented in the Consolidated Statements of Operations and Comprehensive Income*
(3) *Northern Territory includes Cosmo Mine and Union Reefs Mill. The Cosmo Mine was placed on care and maintenance effective June 30, 2017 (see News Release dated May 4, 2017).*
(4) *Includes general and administrative costs and severance payments. Excludes non-cash share-based payment expense.*
(5) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on pages 37-44 of this MD&A.*

2017 Performance

($ millions unless otherwise stated)	Canadian Mines			Australian Mines		
	Macassa	**Taylor**	**Holt**	**Fosterville**	**Northern Territory (3)**	**Consolidated (2)**
Gold production (kozs)	194,237	50,764	66,677	263,845	20,595	596,405
Operating cash costs/ounce sold ($/oz) (1)(4)	$523	$610	$685	$264	$1,661	$481
AISC/ounce sold ($/oz) (1)(4)						$812
Operating cash costs (1)						$285.3
Royalty costs						$21.4
Sustaining and growth capital (4)						164.5
Exploration and evaluation						$48.4
Corporate G&A expense (5)						$21.7

(1) *Operating cash costs, operating cash costs/ounce and AISC/ounce sold reflect an average US$ to C$ exchange rate of 1.2965 and a US$ to A$ exchange rate of 1.3041*
(2) *Consolidated 2017 production includes 287 ounces processed from the Holloway Mine.*
(3) *Northern Territory includes Cosmo Mine and Union Reefs Mill. The Cosmo Mine was placed on care and maintenance effective June 30, 2017 (see News Release dated May 4, 2017).*
(4) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on pages 37-44 of this MD&A.*
(5) *Includes general and administrative costs and severance payments. Excludes non-cash share-based payment expense.*

- **Consolidated gold production** for 2017 of 596,405 ounces exceeded the Company's improved guidance for the year of 580,000 - 595,000 ounces. All of the Company's operating mines achieved or exceeded their respective production guidance. The primary factor driving the strong consolidated production performance and multiple increases in guidance was the performance at Fosterville, where grades outperformed expected levels for much of the year, including during Q4 2017 when the mine achieved its highest ever quarterly average grade of 21.5 grams per tonne. Fosterville's production guidance was increased twice during 2017 from 140,000 - 160,000 ounces initially to a final target of 250,000 - 260,000 ounces. Fosterville's total production of 263,845 ounces exceeded the improved guidance. Macassa's production of 194,237 ounces achieved the top end of the improved guidance range of 190,000 - 195,000 ounces. Production guidance for Macassa was increased on May 4, 2017 from 180,000 - 185,000 ounces on the anticipation of higher run-of-mine tonnage over the balance of the year. Both run-of-mine tonnes processed and average grades at Macassa increased from comparable 2016 levels. Guidance for the Holt Mine of 65,000 - 70,000 ounces remained unchanged throughout 2017, with the mine's production of 66,677 ounces achieving the target range. Production at the Taylor Mine of 50,764 ounces achieved the revised target range of 50,000 - 55,000 ounces, which had been revised from 55,000 - 60,000 ounces on August 2, 2017.

- **Production costs** for the year totaled $288.3 million. Operating cash costs of $285.3 million in 2017 exceeded the guidance range of $270 - $280 million due mainly to the higher than expected production volumes during the year.

- **Operating cash costs per ounce sold** for 2017 averaged $481, in the low end of the improved guidance range of $475 - $500. Operating cash costs at Fosterville averaged $264 per ounce sold, achieving guidance of $260 - $280, which had been improved on August 2, 2017 from $310 - $300. Higher than expected grades were the main factor contributing to Fosterville's low unit operating cash costs during the year. Macassa's operating cash costs of $523 per ounce sold were in the low end of the improved target range of $520 -$550, which had been revised from $552 - $568 per ounce sold on May 4, 2018 in anticipation of higher production volumes over the balance of the year. Holt's operating cash cost per ounce sold of $685 was near the low end of the guidance established at the beginning of 2017, while average operating cash costs at Taylor of $610 per ounce sold achieved the mine's guidance of $575 - $625. Operating cash cost guidance for Taylor had been revised higher from $450 - $525 on November 2, 2017, reflecting the impact of lower than expected production volumes during the year.

- **AISC per ounce sold** averaged $812 for 2017, in line with the improved guidance of $800 - $825. In addition to a solid operating cash cost performance, discussed above, the Company's strong AISC performance also reflected lower than anticipated levels of sustaining capital expenditures on a per ounce sold basis.

- **Royalty costs** totaled $21.4 million for 2017, which was in the low end of the Company's full-year 2017 guidance of $20 - $25 million.

- **Sustaining and growth capital** for 2017 totaled $164.5 million, which was in line compared to the Company's revised guidance of $160 - $180 million. Sustaining capital expenditures for the year totaled $147.7 million, with growth capital expenditures totaling $16.8 million. The revision of the Company's guidance on August 2, 2017 from $180 - $200 million largely reflected lower than expected levels of capital development, primarily at Macassa and Holt, due to revisions to mine sequencing plans and, in some cases, the deferral of development work.

- **Exploration expenditures** totaled $48.4 million, consistent with the Company's full-year 2017 guidance of $45 - $55 million.

- **Corporate G&A expense** for 2017 totaled $21.7 million, which compared to revised guidance of $20.0 million. The higher than expected corporate G&A expense was mainly due to additional consulting and legal fees related to initiatives undertaken during the year.

FULL-YEAR 2018 GUIDANCE

On January 17, 2018, Kirkland Lake Gold released full-year guidance for 2018 (see News Release dated January 17, 2018). Compared to the Company's full-year 2017 results, the Company's 2018 guidance includes increased production, improved unit costs and higher levels of capital and exploration expenditures in support of the Company's longer-term objective of growing annual gold production over the next five to seven years to approximately a million ounces. A review of the Company's full-year 2018 guidance is provided below.

($ millions unless otherwise stated)

	Macassa	Taylor	Holt	Fosterville	Consolidated (2)
Gold production (kozs)	215 - 225	60 - 70	65 - 75	260 - 300	+620
Operating cash costs/ounce sold ($/oz) (1)(2)	475 - 500	625 - 650	625 - 650	270 - 290	$425 - $450
AISC/ounce sold ($/oz) (1)(2)					$750 - $800
Operating cash costs (1)					$260 - $270
Royalty costs					$22 - $27
Sustaining capital (2)					$150 - $170
Growth capital (2)					$85 - $95
Exploration and evaluation					$75 - $90
Corporate G&A expense (3)					$20 - $22

(1) *Operating cash costs, operating cash costs/ounce and AISC/ounce sold reflect an average US$ to C$ exchange rate of 1.300 and a US$ to A$ exchange rate of 1.300*
(2) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on pages 37-44 of this MD&A.*
(3) *Includes general and administrative costs and severance payments. Excludes non-cash share-based payment expense.*

- **Consolidated gold production** in 2018 is targeted at over 620,000 ounces, an increase from the 596,405 ounces produced in 2017. Production is expected to increase at both Macassa (2017 production of 194,237 ounces) and Taylor (2017 production totaled 50,764). Production at Holt is expected to be similar to the 2017 production level of 66,677 ounces. Fosterville is also targeting to have similar production to 2017, when the mine produced 263,845 ounces, as the impact of mining lower-grade stopes, due to mine sequencing, is offset by the benefit of initial stope production from the high-grade Swan Zone in the second half of 2018. The wide target range for production at Fosterville reflects the potential for production growth to be achieved in the event that the mine continues to benefit from positive grade reconciliations, as was the case throughout much of 2017.

- **Operating cash costs per ounce sold** are expected to average $425 - $450, which compares to full-year 2017 operating cash costs of $481 per ounces sold. The improvement in operating cash costs per ounce sold in 2018 is largely expected to result from higher grades at the Macassa Mine.

- **AISC per ounce** sold in 2018 are expected to improve from the comparable full-year 2017 level of $812. AISC for full-year 2018 are targeted at $750 - $800 in 2018, with the anticipated year-over-year improvement expected to result from lower operating cash costs per ounce sold, which is expected to more than offset higher levels of sustaining capital expenditures per ounce sold.

- **Operating cash costs** for 2018 are estimated at $260 - $270 million, which compares favourably to full-year 2017 operating cash costs of $285.3 million. Operating cash costs at each of the Company's operating mines are expected to be similar to comparable 2017 levels. The anticipated reduction in consolidated operating cash costs results from the placement of the Cosmo Mine on care and maintenance on June 30, 2017, and the Company's expectation that the mine will remain on care and maintenance throughout 2018.

- **Royalty costs** in 2018 are estimated at $22 - $27 million, which compares to total royalty expense of $21.4 million for full-year 2017.

- **Sustaining capital expenditures** in 2018 are targeted at $150 - $170 million, which compares to total sustaining capital expenditures of $147.7 million for full-year 2017. Higher sustaining capital expenditures in 2018 are expected at Fosterville, reflecting planned investments that will support multiple years of production. Included in the investments is extensive underground development to access and commence production from the Swan Zone in the Lower Phoenix gold system and from the Harrier South Zone in the Harrier gold system. Also included in sustaining capital expenditures at Fosterville will be upgrades to the mine's mobile equipment fleet and investments in the grinding, gravity and BIOX® circuits in the Fosterville mill.

- **Growth capital expenditures** are estimated at $85 - $95 million in 2018, which compares to total growth capital expenditures of $16.8 million for full-year 2017. Of planned growth capital expenditures in 2018, approximately $45 million are at Macassa, and relate to the commencement of two key multi-year projects, the sinking of a new shaft and construction of a new tailings impoundment area, with the latter targeted for completion in 2019. Growth capital at Fosterville in 2018 is estimated at approximately $35 million with major projects planned for the year including a new ventilation system, involving driving two vent raises, construction of a paste fill plant and establishment of a new water treatment plant in support of future production growth and effective environmental management.

- **Exploration and evaluation expenditures** in 2018 are expected to increase to $75 - $90 million from $48.4 million in 2017. Of planned exploration expenditures, approximately $60 - $75 million are targeted for the Company's Australian operations, where the Company is planning extensive exploration drilling and development at both Fosterville and in the Northern Territory. Exploration work at Fosterville will focus on extending known mineralized zones, testing for new mineralized structures in the current mining area, and completing exploration work at a number of district targets within newly granted exploration licenses. Exploration work in the Northern Territory will focus on development and drilling aimed at improving the understanding of the Lantern Deposit at Cosmo, as well as drilling to evaluate a number of other regional targets as the Company works towards establishing a five-year production plan for the Cosmo Mine and Union Reefs Mill that is sufficiently attractive to support a resumption of operations. Lower levels of exploration drilling are planned for the Canadian operations, with planned work to focus on underground drilling at Macassa for resource replacement and expansion and both surface and underground drilling at Taylor targeting additional expansion of mineralization around the Shaft and West Porphyry deposits.

- **Corporate G&A expense** in 2018 is targeted at $20 - $22 million, similar to the $21.7 million of corporate G&A reported for full-year 2017.

LONGER-TERM OUTLOOK

Kirkland Lake Gold is committed to generating returns for shareholders by achieving high levels of operational excellence, effectively allocating capital and growing low-cost, high-margin production. The Company expects to achieve continued year-over-year production growth with a longer-term objective of reaching a million ounces of annual production from existing mines within the next five-to-seven years. At Fosterville, the Company is targeting production growth to over 400,000 ounces per year within the next three years as full production is achieved in the high-grade Swan Zone, and additional mining fronts are established. In Canada, production at Macassa is expected to grow each year over this same period, with a longer-term target of reaching over 400,000 ounces per year over the next five-to-seven years following the completion of a new shaft, announced on January 17, 2018. The Company is also working to increase production at the Taylor Mine and, with continued exploration success, is advancing plans to resume operations in the Northern Territory of Australia in 2019. Kirkland Lake Gold's significant cash balance and strong financial position provides financial flexibility to support the Company's growth plans, including continued aggressive exploration of both near-term and longer-term opportunities on the Company's district-scale land positions in Canada and Australia.

EXTERNAL PERFORMANCE DRIVERS

The Company's results of operations, financial position, financial performance and cash flows are affected by various business conditions and trends. The variability of gold prices, fluctuating currency rates and increases and/or decreases in costs of materials and consumables associated with the Company's mining activities are the primary economic factors that have impacted financial results during the three months and year ended December 31, 2017. The Company's key internal performance drivers are production volumes and costs which are discussed throughout this MD&A, specifically in sections, "Review of Operating Mines" and "Consolidated Financial Review". The key external performance drivers are the price of gold and foreign exchange rates.

Gold Price

The price of gold is a significant external factor affecting profitability and cash flow of the Company and therefore, the financial performance of the Company is expected to be closely linked to the price of gold. The price of gold is subject to volatile fluctuations over short periods of time and can be affected by numerous macroeconomic conditions, including supply and demand factors, value of the US dollar, interest rates, and global economic and political issues.

At December 31, 2017, the gold price closed at $1,297 per ounce (based on the closing price on the London Bullion Market Association ("LBMA") pm fix), which is 13% higher than the closing gold price on December 31, 2016 of $1,146 per ounce. The Company's average realized gold price for 2017 was $1,261 per ounce, 2% higher than the average gold price of $1,224 per ounce during the same period in 2016.

As at December 31, 2017, the Company did not have a precious metals hedging program and management believes the Company is well positioned to benefit from potential increases in the price of gold while continuing to focus on cost management, mine efficiencies and low-cost gold production from its existing mines.

Foreign Exchange Rates

The Company's reporting currency is the US dollar; however , the operations are located in Canada and Australia, where its functional currencies are the Canadian and Australian dollars , respectively. Consequently, the Company's operating results are influenced significantly by changes in the US dollar exchange rates against these currencies. Weakening or strengthening Canadian and Australian dollars respectively decrease or increase costs in US dollar terms at the Company's Canadian and Australian operations, as a significant portion of the operating and capital costs are denominated in Canadian and Australian dollars. The impact of the Australian dollar fluctuations only impact the Company's operations from the date of the acquisition of Newmarket which closed on November 30, 2016.

As at December 31, 2017, the Australian dollar closed at $0.7800 (strengthening by 8% during the year) and the Canadian dollar closed at $0.7952 (strengthening by 7% in 2017) against the US dollar. The average rates for 2017 for the Australian and Canadian dollars were $0.7668 and $0.7713, respectively, against the US dollar. For 2016, the average rate for the Canadian dollar was $0.7551. The Company had exposure to exchange rates involving the Australian dollar only from November 30, 2016 to the end of that year. During that period, the average exchange rate for the Australian dollar was $0.7493.

Consistent with gold prices, currency rates can be volatile and fluctuations can occur as a result of different events, including and not limited to, global economies, government intervention, interest rate changes and policies of the U . S . administration. As at December 31, 2017, the Company did not have a foreign exchange hedging program in place to guard against significant fluctuations in the Canadian, US or Australian dollar.

UPDATED RESOURCE AND RESERVES

On February 20, 2018, the Company provided updated Mineral Reserve and Mineral Resource estimates as at December 31, 2017.

Technical reports prepared in accordance with National Instrument 43-101 supporting the 2017 Mineral Reserve and Mineral Resource estimates will be filed under the Company's SEDAR profile of on or before March 30, 2018.

Highlights of the Mineral Reserve and Mineral Resource estimates for December 31, 2017 include:

- Consolidated Mineral Reserves increased 36% to 4,640,000 ounces @ 11.1 grams per tonne ("g/t") versus 3,420,000 ounces @ 9.0 g/t at December 31, 2016.
- Mineral Reserves at Fosterville increased 1,210,000 ounces or 247% from December 31, 2016 to 1,700,000 ounces with an average grade of 23.1 g/t (65% increase in Mineral Reserve ounces from mid-year 2017 Mineral Reserve and Mineral Resource estimate effective June 30, 2017). Measured and Indicated Mineral Resources increased 59% from December 31, 2016 to 4,190,000 ounces at an average grade of 8.4 g/t (inclusive of Mineral Reserves); Inferred Mineral Resources more than doubled to 1,900,000 ounces at an average grade of 7.1 grams per tonne. Significant growth in Mineral Reserves and Mineral Resources at Fosterville expected to result in reduced depreciation and depletion expense in 2018 compared to 2017.
- Fosterville Swan Zone Mineral Reserves more than doubled from the initial Mineral Reserve estimate dated June 30, 2017, to 1,160,000 ounces @ 61.2 g/t from 532,000 ounces @ 58.8 g/t. Measured and Indicated Mineral Resources at Swan Zone totaled 171,000 ounces at an average grade of 116 g/t, while Inferred Mineral Resources totaled 671,000 ounces at an average grade of 36.6 g/t.
- Mineral Reserves replaced at Macassa after depletion of 190,000 ounces, with Mineral Reserves at December 31, 2017 totaling 2,030,000 ounces at an average grade of 21.0 g/t.
- 58% increase in Measured and Indicated Mineral Resources at Macassa to 2,090,000 ounces at an average grade of 17.1 g/t, with Inferred Mineral Resources increasing 48%, to 1,370,000 ounces at an average grade of 22.2 g/t.
- Taylor mine Mineral Reserves increase 29% to 167,000 ounces at an average grade of 4.8 g/t; exploration drilling continues to focus on identifying new areas of gold mineralization near infrastructure.

Mineral Reserves and Mineral Resources as at December 31, 2017 were estimated using a long-term gold price of $1,280 per ounce (C$1,600 per ounce; A$1,600 per ounce). All Mineral Resource estimates for the Company's Canadian operations are exclusive of Mineral Reserves. Effective with the June 30, 2017 Mineral Reserve and Mineral Resource estimate for Fosterville, the Company's Australian operations commenced reporting Mineral Resources exclusive of Mineral Reserves. Prior to June 30, 2017, the Australian operations had reported Mineral Resources inclusive of Mineral Reserves. In the tables below, M&I Mineral Resources are provided for Fosterville and the Northern Territory in Australia as at December 31, 2017 both inclusive and exclusive of Mineral Reserves to provide for meaningful comparisons to prior periods. All Inferred Mineral Resources are exclusive of Mineral Reserves.

CONSOLIDATED MINERAL RESERVE ESTIMATE (EFFECTIVE DECEMBER 31, 2017)

	December 31, 2017			December 31, 2016		
	Tonnes (000's)	**Grade (g/t)**	**Gold Ozs (000's)**	Tonnes (000's)	Grade (g/t)	Gold Ozs (000's)
Macassa	**3,010**	**21.0**	**2,030**	3,000	20.8	2,010
Taylor	**1,090**	**4.8**	**167**	743	5.4	129
Holt	**3,600**	**4.2**	**486**	3,950	4.5	570
Hislop (1)	**176**	**5.8**	**33**	176	5.8	33
Holloway (1)	**54**	**5.8**	**10**	58	5.7	10
Total Canadian Operations	**7,930**	**10.7**	**2,730**	7,930	10.8	2,750
Fosterville	**2,290**	**23.1**	**1,700**	1,560	9.8	490
Northern Territory (1)	**2,800**	**2.4**	**215**	2,400	2.3	177
Total Australian Operations	**5,090**	**11.7**	**1,910**	3,690	5.3	667
Total	**13,020**	**11.1**	**4,640**	11,890	9.0	3,420

(1) *The Hislop mine is a formerly producing open-pit mine acquired as part of the St Andrew Goldfields acquisition in January 2016. Hislop has not been operated by the Company since the acquisition. The Holloway mine was placed on care and maintenance effective December 31, 2016. The Cosmo mine and Union Reefs mill were placed on care and maintenance effective June 30, 2017.*

The following table compares the mineral reserve estimate for Fosterville mine as at December 31, 2017 to the June 30, 2017 mid-year update (see Company news release dated July 27, 2017).

	December 31, 2017			June 30, 2017		
	Tonnes (000's)	**Grade (g/t)**	**Gold Ozs (000's)**	Tonnes (000's)	Grade (g/t)	Gold Ozs (000's)
Fosterville	**2,290**	**23.1**	**1,700**	1,790	17.9	1,030

Footnotes related to Mineral Reserve Estimates (dated December 31, 2017)

(1) CIM definitions (2014) were followed in the calculation of Mineral Reserves.
(2) Mineral Reserves were estimated using a long-term gold price of US$1,280/oz (C$1,600/oz; A$1,600/oz).
(3) Cut-off grades for Canadian Assets were calculated for each stope, including the costs of: mining, milling, General and Administration, royalties and capital expenditures and other modifying factors (e.g. dilution, mining extraction, mill recovery.
(4) Cut-off grades for Australian Assets from 0.4 g/t Au to 3.0 g/t Au, depending upon width, mining method and ground conditions; dilution and mining recovery factors varied by property.
(5) Mineral Reserves estimates for the Canadian Assets were prepared under the supervision of P. Rocque, P. Eng.
(6) Mineral Reserves estimates for the Fosterville property were prepared under the supervision of Ion Hann, FAusIMM.
(7) Mineral Reserves estimates for the Northern Territory property were prepared under the supervision of Russell Cole, FAusIMM.
(8) Mineral Reserves for Fosterville relate to Underground Mineral Reserves and do not include 649,000 tonnes at an average of 7.7 g/t for 160,000 ounces of Carbon-In-Leach Residues - 25% recovery is expected based on operating performances.
(9) Totals may not add exactly due to rounding.

CONSOLIDATED MEASURED & INDICATED MINERAL RESOURCES (EFFECTIVE DECEMBER 31, 2017)

Measured & Indicated	**December 31, 2017**			December 31, 2016		
	Tonnes (000's)	**Grade (g/t)**	**Gold Ozs (000's)**	Tonnes (000's)	Grade (g/t)	Gold Ozs (000's)
Macassa	**3,800**	**17.1**	**2,090**	2,480	16.6	1,320
Taylor	**1,830**	**6.2**	**370**	2,760	5.6	493
Holt	**6,510**	**4.1**	**860**	6,970	4.2	947
Aquarius	**22,300**	**1.3**	**930**	22,300	1.3	930
Holloway	**1,370**	**5.3**	**230**	1,370	5.3	230
Hislop	**1,150**	**3.6**	**130**	1,150	3.6	130
Ludgate	**520**	**4.1**	**70**	522	4.1	68
Canamax	**240**	**5.1**	**40**	240	5.1	39
Total Canadian Operations	**37,720**	**3.9**	**4,720**	37,790	3.4	4,160
	December 31, 2017			December 31, 2016		
	Inclusive of Reserves					
Fosterville	**15,500**	**8.4**	**4,190**	14,700	5.6	2,640
Northern Territory	**26,900**	**2.3**	**1,940**	30,700	2.2	2,180
	42,400	**4.5**	**6,130**	45,400	3.3	4,820
	December 31, 2017			June 30, 2017		
	Exclusive of Reserves					
Fosterville	**13,900**	**4.8**	**2,150**	13,700	4.4	1,940
Northern Territory	**24,100**	**2.3**	**1,810**	Unavailable		
	38,000	**3.2**	**3,960**	Unavailable		

CONSOLIDATED INFERRED MINERAL RESOURCES (EFFECTIVE DECEMBER 31, 2017)

Inferred	December 31, 2017			December 31, 2016		
	Tonnes (000's)	**Grade (g/t)**	**Gold Ozs (000's)**	Tonnes (000's)	Grade (g/t)	Gold Ozs (000's)
Macassa	**1,920**	22.2	**1,370**	1,420	20.2	924
Taylor	**2,570**	5.2	**430**	1,810	5.4	313
Holt	**8,000**	4.8	**1,220**	8,690	4.7	1,320
Holloway	**2,710**	5.2	**460**	2,710	5.2	456
Hislop	**800**	3.7	**100**	797	3.7	95
Ludgate	**1,400**	3.6	**160**	1,400	3.6	162
Card	**240**	3.3	**30**	—	—	—
Canamax	**170**	4.3	**20**	170	4.3	23
Runway	**210**	3.7	**20**	—	—	—
Total Canadian Operations	**18,020**	6.6	**3,810**	17,000	6	3,290
Fosterville (1)	**8,280**	7.1	**1,900**	5,400	4.6	792
Northern Territory	**16,300**	2.5	**1,280**	15,100	2.3	1,110
Total Australian Operations	**24,580**	4.0	**3,180**	20,500	2.9	1,900

(1) Inferred mineral resources at Fosterville as at June 30, 2017 included 5,560,000 tonnes at an average grade of 5.8 g/t for 1,040,000 ounces.

Footnotes related to Mineral Resource Estimates for Canadian Assets (dated December 31, 2017)

(1) CIM definitions (2014) were followed in the calculation of Mineral Resource.
(2) Mineral Resources are reported Exclusive of Mineral Reserves. Mineral Resources were calculated according to KL Gold's Mineral Resource Estimation guidelines.
(3) Mineral Resource estimates were prepared under the supervision of D. Cater, P. Geo. Vice President Exploration Canada.
(4) Mineral Resources are estimated using a long-term gold price of US$1,280/oz (C$1,600/oz).
(5) Mineral Resources were estimated using a 8.6 g/t cut-off grade for Macassa, a 2.9 g/t cut-off grade for Holt, and a 2.6 g/t cut-off grade for Taylor, a 3.9 g/t cut-off grade (Holloway), a 2.5 g/t cut-off grade for Canamax, Card, Runway and Ludgate, a 2.2 g/t cut-off grade for Hislop and 0 g/t cut-off grade for Aquarius.
(6) Totals may not add up due to rounding.

Footnotes related to Mineral Resource Estimates for Australian Assets (dated December 31, 2017)

(1) CIM definitions (2014) were followed in the estimation of Mineral Resource.
(2) Mineral Resources are estimated using a long-term gold price of US$1,280/oz (A$1,600/oz)
(3) Mineral Resources for the Australian assets are reported exclusive and inclusive of Mineral Reserves to allow for meaningful comparison to prior periods.
(4) Mineral Resources at Fosterville were estimated using cut-off grades 0.7 g/t Au for oxide and 1.0 g/t Au for sulfide mineralization to potentially open-pitable depths of approximately 100m, below which a cut-off grade of 3.0 g/t Au was used.
(5) Mineral Resources in the Northern Territory were estimated using a cut-off grade of 0.5 g/t Au for potentially open pit mineralization and cut-offs of 1.0 to 2.0g/t Au for underground mineralization.
(6) Mineral Resource estimates for the Fosterville property were prepared under the supervision of Troy Fuller, MAIG.
(7) Mineral Resource estimates for the Northern Territory properties were prepared under the supervision of Mark Edwards, FAusIMM (CP).
(8) Totals may not add up due to rounding.

REVIEW OF FINANCIAL AND OPERATING PERFORMANCE

The following discussion provides key summarized consolidated financial and operating information for the three months and year ended December 31, 2017. For the three months and year ended December 31, 2017, the information includes the consolidated financial and operating information for the Company's Canadian and Australian operations. The financial and operating information for the three months and year ended December 31, 2016 includes the Australian operations from November 30, 2016, following the completion of the Newmarket Arrangement on November 30, 2016. In addition, information for the year ended December 31, 2016 includes the St Andrew assets from January 26, 2016, the date the St Andrew Arrangement was completed. In addition, results for 2016 and Q4 2016 presented below have been restated to exclude discontinued operations, related to the sale of Stawell Mine.

(in thousands except per share amounts)	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016 *(Restated)*	**Year Ended December 31, 2017**	Year Ended December 31, 2016 *(Restated)*
Revenue	**$212,364**	$130,901	**$747,495**	$403,340
Production costs	**(68,283)**	(60,625)	**(288,315)**	(192,842)
Royalty expense	**(6,200)**	(4,173)	**(21,396)**	(15,552)
Depletion and depreciation	**(45,621)**	(24,491)	**(148,655)**	(58,970)
Earnings from mine operations	**92,260**	41,612	**289,129**	135,976
Expenses				
General and administrative	**(6,839)**	(2,507)	**(25,646)**	(11,991)
Transaction costs	**—**	(14,379)	**(397)**	(17,746)
Exploration and evaluation	**(10,666)**	(6,044)	**(48,411)**	(15,817)
Care and maintenance	**2,177**	(80)	**(11,877)**	(80)
Earnings from operations	**$76,932**	$18,602	**$202,798**	$90,342
Finance and other items				
Other income (loss), net	**(19,192)**	1,856	**3,376**	210
Finance income	**514**	271	**2,111**	843
Finance costs	**(3,455)**	(3,031)	**(12,206)**	(11,628)
Earnings before taxes	**54,799**	17,698	**196,079**	79,767
Current income tax (expense) recovery	**(13,826)**	310	**(44,223)**	(2,800)
Deferred tax recovery (expense)	**24,911**	(10,305)	**5,474**	(30,233)
Earnings from continuing operations	**65,884**	7,703	**157,330**	46,734
Loss from discontinued operations	**(24,904)**	(4,627)	**(24,904)**	(4,627)
Net earnings	**$40,980**	$3,076	**$132,426**	$42,107
Basic earnings per share	**$0.20**	$0.02	**$0.64**	$0.35
Diluted earnings per share	**$0.20**	$0.02	**$0.63**	$0.34

** General and administrative expense for 2017 and Q4 2017 (2016 and Q4 2016) include general and administrative expenses of $20.2 million and $6.1 ($9.1 million and $2.6 million in 2016), respectively, share based payment expense of $3.9 million and $0.7 million ($1.2 million and ($.0.1) million in 2016), respectively, and severance payments of $1.5 million and nil ($1.6 million and nil), respectively .*

Production, Sales and Revenue

The Company produced 596,405 ounces in 2017, an increase of 90% from 2016 when consolidated production included the Australian operations from November 30, 2016, and the St Andrew assets from January 26, 2016. The increase in production compared to 2016 largely reflected the full-year contribution of the Company's Australian operations, which included production of 284,440 ounces in 2017 compared to 18,657 ounces in the final month of 2016. Production from the Company's Canadian operations totaled 311,965 ounces, which compared to production of 295,838 ounces in 2016. Excluding the impact of the Holloway Mine, which was placed on care and maintenance on December 31, 2016 and produced 27,129 ounces in 2016 versus 287 ounces in 2017, production from the Company's Canadian operations increased 16% from the previous year. Production at Macassa of 194,237 ounces in 2017 increased 19,070 ounces or 11% from the previous year, reflecting both a higher average grade and increased run-of-mine tonnes processed compared to 2016. Production from Holt increased 25% to 66,677 ounces year over year, reflecting a 11% increase in tonnes processed. Production at Taylor totaled 50,764 ounces, an increase of 25% from 2016, reflecting significantly higher tonnes processed during the year.

Gold sales in 2017 totaled 592,674 ounces, an 80% increase from 329,489 ounces in 2016. Higher gold sales were the primarily factor leading to an 85% increase in revenue for the year, to $747.5 million from $403.3 million in 2016. The main contributor to the increase in both gold sales and revenue was increased production related to the full-year contribution from the Company's Australian operations in 2017. The realized gold price in 2017 averaged $1,261 per ounce, 3% higher than the average price of $1,224 per ounce the previous year.

For Q4 2017, consolidated production totaled 166,579 ounces, a 56% increase from Q4 2016. The increase from the prior year mainly reflected a full quarter of results from the Company's Australian operations, which compared to results from November 30, 2016 to the end of the year in Q4 2016 following completion of the Newmarket Arrangement. For Q4 2017, the Fosterville Mine, being the only operating mine in Australia during the quarter, contributed 79,157 ounces, which compared to total production from the Company's Australian operations of 18,657 ounces in Q4 2016, including 13,196 ounces from Fosterville, 4,609 ounces from the Cosmo Mine and 852 ounces from the Stawell Mine. Production from Canadian operations in Q4 2017 totaled 87,426 ounces, which compared to production of 87,952 ounces in Q4 2016. Excluding production from the Holloway Mine, which produced 9,825 ounces in Q4 2016, but was placed on care and maintenance effective December 31, 2016, production from the Canadian operations increased 12% compared to Q4 2016.

Q4 2017 production increased 27,490 ounces or 20% from 139,091 ounces the previous quarter. Each of the Company's operating mines increased production in Q4 2017 compared to Q3 2017. The largest increase was at Fosterville, where production rose 17,622 ounces or 29% quarter over quarter, reflecting a significant increase in the average grade, to 21.5 grams per tonne. Production from the Canadian operations increased 11,160 ounces or 15% from the previous quarter, reflecting both higher tonnes processed and average grades at the Holt and Taylor Mines, and increased run-of-mine tonnes processed at Macassa.

Q4 2017 gold sales totaled 165,715 ounces, 48% and 20% higher than in Q4 2016 and Q3 2017, respectively. The realized gold price for the quarter averaged $1,282 per ounce, an increase of 7% from $1,202 per ounce in Q4 2016 and $1 increase from the previous quarter. Revenue for Q4 2017 totaled $212.4 million, a $82.3 million or 63% increase from Q4 2016 and $35.7 million or 20% higher than in Q3 2017.

Earnings from Mine Operations

Earnings from mine operations in 2017 totaled $289.1 million, more than double the $136.0 million from 2016. The increase in earnings from mine operations in 2017 reflected the significant revenue growth achieved on a year-over-year basis. Partially offsetting the impact of higher revenue were increased levels of production costs, depletion and depreciation expense and royalty expense, with all three increases mainly related to growth in production, gold sales and revenue stemming from the addition of the Company's Australian operation on November 30, 2016. Production costs in 2017 totaled $288.3 million, which compared to $192.8 million in 2016. Depletion and depreciation expense rose to $148.7 million from $59.0 million in 2016. The increase in depletion and depreciation expense in 2017 was a result of the purchase price allocation exercise of assigning fair values to mining interest and plant and equipment acquired in the Newmarket Arrangement on November 30, 2016, which are being amortized over the life of mine and over the life of the underlying assets. Royalty expense in 2017 totaled $21.4 million compared to $15.6 million in 2016. The increase resulted from the addition of the Company's Australian operations, which include a 2% NSR on all gold production at the Fosterville Mine.

Earnings from mine operations in Q4 2017 totaled $92.3 million, more than double the level of $41.6 million achieved in Q4 2016 and 26% higher than $73.4 million the previous quarter. The increase from both prior periods resulted from the solid growth in revenue, both on a year-over-year and quarter-over-quarter basis. Total production costs in Q4 2017 were $68.3 million versus $60.6 million in Q4 2016 and $66.5 million in Q3 2017. Depletion and depreciation expense in Q4 2017 totaled $45.6 million compared to $24.5 million in Q4 2016 and $31.7 million the previous quarter. Royalty expense totaled $6.2 million in Q4 2017 versus $4.2 million for the same period in 2016 and $5.1 million in Q3 2017. The higher expenditure levels in Q4 2017 reflected increased production and sales volumes during the quarter, with the inclusion of the Company's Australian operations for the full quarter in Q4 2017 versus only one month in Q4 2016 mainly accounting for the increase compared to a year ago, and improved results at all four of the Company's operating mines in Q4 2017 accounting for the increases quarter over quarter.

Additional Expenses

Exploration and evaluation expenditures in 2017 rose substantially from the previous year, increasing 206% to $48.4 million from $15.8 million in 2016. The increase reflected the Company's growing asset base, significant commitment to production growth at existing mines, as well as exploration success achieved as the year progressed (see Growth and Exploration section starting on page 23). Exploration and evaluation expenditures in Q4 2017 totaled $10.7 million, which compared to $6.0 million in Q4 2016 and $16.9 million the previous quarter. Growth from Q4 2016 mainly reflected the inclusion of the Company's Australian operation for the full quarter in Q4 2017, as well as the significant exploration activities ongoing at and around both the Fosterville and Cosmo Mines during Q4 2017. The reduction from the previous quarter reflected the timing for completing exploration activities and incurring the related expenditures during 2017.

General and administrative expense (excluding share-based payments expense and transaction costs) totaled $21.7 million in 2017 and $6.1 million in Q4 2017. General and administrative expense for these periods compared to $10.8 million and $2.6 million, respectively in 2016 and Q4 2016. High levels of general and administrative expense both on a full-year and fourth quarter basis compared to 2016, reflected growth in the Company's business portfolio and the full-year contribution to revenue and costs of the Australian operations in 2017 compared to one month in 2016. General and administrative expense in Q4 2017 was similar to the previous quarter's level of $5.9 million.

Share-based payment expense for 2017 of $3.9 million compared to $1.2 million in 2016. The increase was reflective of the granting of restricted-share units ("RSUs") and performance - share units ("PSUs") starting in Q3 2016 and going forward. Share-based payment expense in Q4 2017 totaled $0.7 million, which compared to $0.1 million in Q4 2016 and $1.0 million the previous quarter.

Transaction costs totaled $0.4 million in 2017 and nil in Q4 2017. In 2016, transaction costs totaled $17.7 million for the full year and $14.4 million for the fourth quarter. Most of the transaction costs in 2016 and Q4 2016 related to the completion of the Newmarket Arrangement on November 30, 2016.

Care and maintenance expense related to the suspension of operations and placement on care and maintenance of the Stawell Mine (as of December 13, 2016), the Holloway Mine (as of December 31, 2016) and the Cosmo Mine and Union Reefs Mill (as of June 30, 2017). Care and maintenance expense in 2017 totaled $11.9 million versus $0.1 million in 2016, with the increase largely related to the Cosmo Mine and Union Reefs Mill, where care and maintenance expense in 2017 totaled $9.6 million. In Q4 2017, the Company recorded a recovery on care and maintenance expense of $2.2 million, which compared to care and maintenance expense of $0.1 million in Q4 2016 and $4.9 million in Q3 2017. The recovery in Q4 2017 reflected the reclassification to discontinued operations of year-to-date and 2016 expenses for the Stawell Mine following the sale of the mine on December 21, 2017.

On December 21, 2017, the Company completed a transaction to sell to an affiliate of Arete Capital Partners Ltd. ("Arete") all the issued and outstanding common shares of its indirectly held wholly owned subsidiary, Stawell Gold Mines Pty Ltd., which held the Stawell Mine. Pursuant to the terms of the transaction, the Company received $6.25 million in cash consideration upon closing and retains a 2.5% net smelter return royalty on the Stawell Mine. The components of revenue and expense were separated from continuing operations following completion of the sale and are reported as discontinued operations, with a loss from discontinued operations of $24.9 million being included in the Company's 2017 and Q4 2017 financial results and a loss from discontinued operations of $4.6 million being included in the results for both 2016 and Q4 2016.

Finance costs in 2017 totaled $12.2 million versus $11.7 million in 2016. Q4 2017 finance costs totaled $3.5 million compared to $3.1 million in Q4 2016 and $2.4 million the previous quarter. Finance costs for each period relate to the various financial instruments held by the Company. The increase from the previous quarter mainly related to the timing for incurring finance fees and bank charges. Convertible debenture interest for 2017 totaled $8.2 million, compared to $10.2 million for 2016. Finance income relates primarily to interest earned on excess cash held on account. The increase in finance income in 2017 to $2.1 million from $0.8 million in 2016 resulted from the significant increase in cash during 2017 compared to the previous year. Finance income in Q4 2017 totaled $0.5 million, which compared to $0.3 million in Q4 2016 and $0.4 million in Q3 2017.

The Company's current income tax expense totaled $44.2 million for 2017 along with deferred income tax recovery of $5.5 million, for an effective tax rate of 19.8%, which compared to current and deferred income tax expense of $2.8 million and $30.2 million, respectively, in 2016 for an effective tax rate of 42.5%. The deferred tax recovery was primarily due to the recognition of $40.5 million of previously unrecognized deferred tax assets in the period that were acquired in a previous business combination. These deferred tax assets are recognized as a result of a change in expected future profits to be realized after a reorganization of the acquired corporate structure. In addition, the Company recognized a deferred tax asset recovery of $12.1 million related to the offset of current year income taxes.

For Q4 2017, the current income tax expense totaled $13.8 million, while the Company recorded deferred tax recovery of $24.9 million, mainly related to the previously unrecognized deferred tax assets in the period that were acquired in a previous business combination. In Q4 2016, the Company had current income tax recovery of $0.3 million and deferred income tax expense of $10.3 million, while Q3 2017 reported current and deferred income tax expense totaling $12.0 million and $8.3 million, respectively.

Other income in 2017 totaled $3.4 million compared to $0.2 million in 2016, the increase due to higher amount of premiums recognized on flow through shares. For Q4 2017, the Company recorded other loss of $19.2 million, mainly reflecting a $17.6 million pre-tax mark-to-market loss in the quarter on fair valuing the Company's 14.0 million common share purchase warrants of Novo, which were acquired on September 6, 2017. The other loss in Q4 2017 compared to other income of $2.2 million in Q4 2016 and other income of $21.3 million the previous quarter. The $21.3 million of other income in Q3 2017 was the result of a $19.2 million pre-tax mark-to-market gain on fair valuing the Company's 14.0 million Novo common share purchase warrants.

Unit Cost Performance

Operating cash costs per ounce sold for 2017 averaged $481, a 16% improvement from $571 in 2016 mainly reflecting a higher average mill grade in 2017 compared to the previous year (9.8 grams per tonne versus 7.9 grams per tonne in 2016). Contributing to the improved average grade in 2017 was a the full-year contribution from the Fosterville Mine in Australia, where the average mill grade in 2017 was 15.8 grams per tonne, as well as improved grades at the Macassa, with an average mill grade of 15.2 grams per tonne in 2017 compared to 14.1 grams per tonne in 2016. Operating cash costs per ounce sold from the Company's Australian operations averaged $376 per ounce sold in 2017, compared to $714 per ounce from November 30, 2016 to the end of the year. Operating cash costs per ounce sold from Canadian operation averaged $576, which compared to $558 in 2016. The year-over-year increase for the Canadian operations reflected lower operating cash cost per ounce sold at both Taylor and Holt in 2016.

AISC per ounce sold averaged $812 in 2017, a 13% improvement from $930 in 2016 reflecting improved operating cash cost per ounce sold as well as lower levels of sustaining capital expenditures per ounce sold compared to the same period a year earlier. Sustaining capital expenditures in 2017 totaled $147.7 million ($249 per ounce sold), which compared to $86.6 million ($263 per ounce sold) in 2016. The full-year contribution of the Company's Fosterville Mine, where AISC per ounce sold averaged $491 in 2017, was the primary factor accounting for the year-over-year improvement. AISC per ounce sold for Canadian operations averaged $911 versus $900 in 2016.

For Q4 2017, operating cash costs per ounce sold averaged $412, a 23% improvement from $533 in Q4 2016 and 15% better than $482 the previous quarter. Higher production, largely due to a significant increase in the average grade at Fosterville, to 21.5 grams per tonne, was a key factor contributing to the improvement from both prior periods. AISC per ounce sold for Q4 2017 averaged $816, a 9% improvement from $900 in Q4 2016 and 3% better than $845 for Q3 2017. The improvement from both prior periods resulted from lower operating cash cost per ounce sold, which more than offset an increase in sustaining capital expenditures per ounce sold. Sustaining capital expenditures in Q4 2017 totaled $51.6 million ($312 per ounce sold) compared to $32.5 million ($291 per ounces) in Q4 2016 and $38.3 million ($278 per ounces sold) in Q3 2017. The increase in sustaining capital related to the Company's Canadian operations and was largely due to the timing of sustaining capital expenditures at Macassa and Taylor to late in the year.

Net Earnings of $157.3 million or $0.64 per share in 2017

Net earnings for 2017 totaled $132.4 million ($0.64 per basic share), an increase of $90.3 million or 214% from $42.1 million ($0.35 per basic share) in 2016. Contributing to net earnings in 2017 were earnings from continuing operations of $157.3 million and a loss on from discontinued operations of $24.9 million related to the Stawell Mine. In 2016, earnings from continuing operations totaled $46.7 million, while loss from discontinued operations totaled $4.6 million.

The increase in earnings from continuing operations in 2017 was largely the result of significantly higher revenue due mainly to the full-year contribution from the Company's Fosterville Mine in 2017 versus one month in 2016. Also contributing to the year-over-year increase was a lower effective tax rate in 2017, due largely to the recognition of deferred tax assets, as well as transaction costs totaling $17.7 million in 2016 related mainly to completion of the Newmarket Arrangement on November 30, 2016. Offsetting these favourable factors were higher production and depletion and depreciation costs, as well as increased exploration and general and administrative expenses. The increase in basic earnings per share in 2017 was not as significant as growth in net earnings due to a higher number of average shares outstanding, resulting mainly from the two acquisitions completed in 2016.

Adjusted net earnings from continuing operations in 2017 totaled $149.1 million ($0.72 adjusted net earnings per share from continuing operations), representing growth of $81.2 million or 120% from $67.9 million in 2016. The exclusion from adjusted net earnings from continuing operations in 2017 of the $24.9 million after-tax loss from discontinued operations ($0.12 per share) and net deferred tax recovery of $10.0 million ($0.05 per share) were the most significant differences between net earnings and adjusted net earnings from continuing operations for the year. In 2016, adjusted net earnings from continuing operations were higher than net earnings due to the exclusion of transaction costs, mainly related to the completion of the Newmarket Arrangement, the impact of purchase price allocation adjustments on acquired metal inventory, and a loss from discontinued operations.

Net earnings in Q4 2017 totaled $41.0 million ($0.20 per basic share), which compared to net earnings of $3.1 million ($0.02 per basic share) in Q4 2016. Included in net earnings in Q4 2017 were earnings from continuing operations totaling $65.9 million and a loss from discontinued operations of $24.9 million related to the sale of the Stawell Mine.

The increase in earnings from continuing operations in Q4 2017 compared to Q4 2016 reflected increased revenue and improved unit costs, mainly related to the full-quarter contribution from the Fosterville Mine in Q4 2017 versus one month in Q4 2016. Also contributing to the increase from Q4 2016 was a $24.9 million deferred tax recovery in Q4 2017, mainly related to previously unrecognized deferred tax assets, as well as $14.4 million of transaction costs in Q4 2016 related to completion of the Newmarket Arrangement. Partially offsetting these favourable factors were higher production costs and depletion and depreciation expenses in Q4 2017 versus Q4 2016, as well as increased exploration and general and administrative expenditures. In addition, Q4 2017 earnings from continuing operations included the $17.6 million pre-tax marked-to-market loss on fair valuing the Company's 14.0 million common share purchase warrants of Novo.

Adjusted net earnings from continuing operations in Q4 2017 totaled $71.2 million ($0.34 adjusted net earnings per share from continuing operations) versus $22.8 million in Q4 2016 and $27.4 million in Q3 2017. The difference between net earnings and adjusted net earnings from continuing operations in Q4 2017 mainly related to the exclusion in adjusted net earnings from continuing operations of the $24.9 million after-tax loss on discontinued operations ($0.12 per share), a $17.6 million pre-tax mark-to-market loss on the fair valuing the Company's 14.0 million common share purchase warrants in Novo ($0.08 per share) and net deferred tax recovery of $10.0 million ($0.05 per share). In Q4 2016, a number of pre-tax expenses were excluded from adjusted net earnings from continuing operations, including: transaction costs of $14.4 million and $6.5 million of purchase price allocations adjustments on acquired metal inventory. In addition, adjusted net earnings from continuing operations in Q4 2016 also excluded an after-tax $4.6 million loss from discontinued operations. In Q3 2017, the Company recorded a $19.2 million pre-tax mark-to-market gain related to the fair value of Novo warrants, which was excluded from adjusted net earnings from continuing operations.

The $41.0 million of net earnings in Q4 2017 compared to net earnings of $43.8 million in Q3 2017. The Company's net earnings in Q3 2017 were entirely related to continuing operations. Higher sales and improved unit costs contributed to the $22.4 million or 51% increase earnings from continuing operations quarter over quarter. Also having a significant impact on earnings from continuing operations for both quarters was the fair valuing of the Company's Novo warrants, with the Q4 2017 earnings from continuing operations including the $17.6 pre-tax mark-to-market loss, while earnings from continuing operations in Q3 2017 benefited from a $19.2 million pre-tax mark-to-market gain on the fair valuing of the warrants. In addition, the $24.9 million deferred tax recovery in Q4 2017 also contributed to the increase in earnings from continuing operation compared to the previous quarter.

The adjusted net earnings from continuing operations in Q4 2017 of $71.2 million increased 160% from $27.4 million in Q3 2017. The difference between net earnings and adjusted net earnings from continuing operations in Q3 2017 mainly related to exclusion in adjusted net earnings from continuing operations of the $24.9 million after-tax loss on discontinued operations, $19.2 million pre-tax mark-to-market gain on the fair valuing of the Novo warrants and net deferred tax recovery of $10.0 million, which were excluded from adjusted net earnings from continuing operations in Q3 2017.

2017 Cash flow from operating activities of $309.8 million, free cash flow totals $178.0 million

Cash at December 31, 2017 totaled $231.6 million, which compared to cash of $234.9 million at December 31, 2016 and cash of $210.5 million at September 30, 2017. Cash flow from operating activities and free cash flow in 2017 totaled $309.8 million and $178.0 million, respectively, which compared to $187.0 million and $114.0 million, respectively, in 2016. The significant free cash flow generated by the Company in 2017 was offset by the use of cash in a number of areas focused on value creation for the Company's shareholders, including strategic investments, debt repayment and elimination and share repurchases.

During 2017, the Company made strategic investments in a number of junior exploration companies. In August and September 2017, the Company invested an aggregate of $61.0 (C$74.9) million for the purchase of 25.8 million common shares and 14.0 million common share purchase warrants of Novo. In June 2017, the Company invested $6.9 (C$8.9) million to acquire 17.9 million common shares of Bonterra Resources Inc., a TSX Venture Exchange-listed company with exploration projects in Quebec and Ontario. Through two transactions (in April and December 2017), the Company invested $6.7 (C$8.6) million to acquire 12.3 million common shares and 975,500 common share purchase warrants of Metanor Resources Inc., a TSX Venture Exchange-listed company with assets in the Urban-Barry district of Northern Quebec. In November 2017, the Company invested $3.8 (C$4.9) million to acquire 33.3 common shares and 33.3 options to acquire common shares of De Grey Mining Ltd., an ASX-listed company with assets based in Western Australia.

A total of $44.0 (C$57.2) million of cash was used to redeem and eliminate the Company's two series of convertible debentures during 2017. On June 30, 2017, the Company paid $43.8 (C$56.8) million to redeem the 6% Debentures (with an additional $1.3 (C$1.7) million paid for interest accrued at the maturity date of June 30, 2017). In December 2017, over 99% of the $62.0 million 7.5% Debentures, which matured on December 31, 2017, were converted into common shares at a conversion price of C$13.70 per share, being a conversion rate of 72.9927 common shares for each $1,000 in principal held. As a result, an aggregate of 4,505,393 common shares were issued to the debenture holders. The Company paid an aggregate amount of $0.2 (C$0.3) million in cash with respect to the outstanding 7.5% Debentures not converted at their maturity. In addition, $2.2 (C$2.8) million of cash was paid to all holders of the 7.5% Debentures with respect to interest accrued at the maturity date of December 31, 2017.

During 2017, the Company repurchased 5,443,400 common shares for cancellation under the NCIB program introduced in May 2017. The common shares were repurchased at an average price of $11.05 (C$14.06) per common share for total cash payment of $60.1 (C$76.5) million. Under the NCIB, a maximum of 15,186,571 Kirkland Lake Gold common shares can be purchased for cancellation. Accordingly, the Company may purchase an additional 9,743,171 common shares for cancellation through the NCIB until the program's expiry in May 2018.

REVIEW OF OPERATING MINES

Canadian Mine Operations

Macassa Mine Complex

The Macassa Mine is located in the Municipality of Kirkland Lake, within Teck Township, District of Timiskaming, in the northeast of the province of Ontario , Canada which is approximately 600 km north of Toronto, Canada. Macassa is the Company's flagship Canadian mining operation. Situated in one of Canada's most historic and renowned gold mining districts, the Kirkland Lake Camp, Macassa had proven and probable reserves totaling 3.0 million tonnes grading an average of 21.0 grams per tonne for 2.0 million ounces as at December 31, 2017.

Operating results	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Total Ore Milled (t)	**119,129**	102,288	**409,064**	396,633
Run of Mine (t)	**119,129**	74,745	**387,053**	331,353
Low Grade (t)	**—**	27,543	**22,011**	65,280
Average Grade (g/t)	**13.9**	16.3	**15.2**	14.1
Run of Mine (g/t)	**13.9**	21.6	**16.0**	16.5
Low Grade (g/t)	**—**	2.3	**1.6**	2.0
Gold Contained (oz)	**53,331**	53,605	**200,107**	180,309
Recovery (%)	**96.8%**	97.6%	**97.1%**	97.1%
Gold Produced (oz)	**51,608**	52,318	**194,237**	175,167
Development metres - operating	**1,351**	1,153	**3,983**	5,104
Development metres - capital	**908**	1,578	**5,326**	5,282
Production costs	**$28,642**	$19,988	**$102,743**	$91,279
Operating cash costs per ounce sold (1)	**$541**	$421	**$523**	$527
AISC per ounce sold (1)	**$956**	$817	**$845**	$877
Total capital expenditures (in thousands)	**$21,919**	$17,072	**$61,279**	$51,287

(1) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on pages 37-44 of this MD&A.*

The Macassa Mine achieved record production of 194,237 ounces of gold in 2017, an 11% increase from 2016 production 175,167 ounces. The increase in production reflected both higher levels of run-of-mine tonnes processed and an increase in the average mill grade. A total of 409,064 tonnes was processed in 2017 at an average grade of 15.2 grams per tonne and average recoveries of 97.1%, which compared to 396,633 tonnes at an average grade of 14.1 grams per tonne and average recoveries of 97.1% the prior year. A 17% increase in run-of-mine tonnes processed more than offset a significant reduction in tonnes processed from low-grade stockpiles in accounting for the increase in total mill throughput. The higher volume of run-of-mine tonnes also accounted for the improvement in the average grade year over year.

In 2017, Macassa's production costs of $102.7 million, were higher than the $91.3 million in 2016; however, the mine's unit cost performance remained strong in 2017. Operating cash costs per ounce sold from Macassa averaged $523 in 2017 compared to $527 in 2016, with the higher average mill grade largely accounting for the improvement. AISC per ounce sold improved 4% in 2017 to $845 from $877 in 2016. The improvement largely reflected the increase in ounces produced, as well as a reduction in the level of sustaining capital expenditures on a per ounce sold basis. Sustaining capital expenditures at the mine totaled $57.4 million ($293 per ounce sold) compared to $51.3 million ($297 per ounce sold) in 2016.

In Q4 2017, Macassa produced 51,609 ounces, the mine's second-best quarter of production ever. Production at Macassa in Q4 2017 compared to record quarter quarterly production of 52,318 ounces in Q4 2016 and 48,206 ounces in Q3 2017. A total of 119,129 tonnes were processed during Q4 2017 at an average grade of 13.9 grams per tonne with average recoveries of 96.8%, which compared to 102,288 tonnes at an average grade of 16.3 grams per tonne and recoveries of 97.6% in Q4 2016 and 93,391 tonnes at an average grade of 16.5 grams per tonne and average recoveries of 97.4% the previous quarter. The improvement in production from Q3 2017 reflected higher run-of-mine tonnes processed, which more than offset the impact of lower average grades as a small number of high-grade stopes did not perform as expected.

In Q4 2017, Macassa's production costs totaled $28.6 million, compared to $20.0 million in Q4 2016. Operating cash cost per ounce sold from Macassa in Q4 2017 averaged $541 compared to $421 in Q4 2016, when the mine achieved record production and had a higher average grade, and $546 in Q3 2017. AISC per ounce sold in Q4 2017 averaged $956 versus $817 in Q4 2016 and $841 the previous quarter. Contributing to the increase in AISC per ounce sold from both prior periods was the weighting of planned sustaining capital expenditures, largely related to the procurement of mobile equipment and critical spares, to the fourth quarter of the year. Sustaining capital expenditures in Q4 2017 totaled $20.4 million ($385 per ounce sold) versus $17.1 million ($360 per ounce sold) in Q4 2016 and $13.0 million ($292 per ounce sold) in Q3 2017.

Macassa Shaft Project

Among the Company's planned investments in 2018 (see section, "2018 Guidance") are approximately $40.0 million of initial capital expenditures related to a new shaft at the Macassa Mine. The new, 21.5-foot diameter, concrete-lined shaft will offer a number of important benefits to the Macassa Mine, including: de-risking the operation; enabling more effective underground exploration to the east of the South Mine Complex; improving ventilation and general working conditions in the mine; and supporting higher levels of production and lower unit costs. The new four-compartment shaft will have a total hoisting capacity of 4,000 tonnes per day (ore and waste) and is an important component of the Company's plan to increase production at Macassa with a goal of reaching over 400,000 ounces per year over the next five to seven years.

Construction of the shaft will be completed in two phases. The first phase will be to a depth of 5,450 feet and include a mid-shaft loading pocket. Completion of phase one is targeted for the second quarter of 2022 at a capital cost estimated at $240 million. Phase two of the project will be undertaken following the commencement of production from phase one, and will involve extending the shaft to an ultimate depth of approximately 7,000 feet. Completion of phase two is targeted for the end of 2023 at an estimated capital cost of approximately $80 million. The Company has not completed a National Instrument 43-101 level feasibility study on the shaft project.

Holt Mine Complex

The 100% owned Holt Mine Complex consists of three mines: The Holt Mine and Mill and the Holloway Mine, which are both located at the eastern end of East Timmins, within the Timmins Mining District in northeastern Ontario; and the Taylor Mine located 53 km east of Timmins, Ontario (approximately 68 km by road west of the Holt Mill). The Holt-Holloway property package is comprised of 48 separate property elements totaling 691 claims for an aggregate area of 15,172 hectares. The Taylor Mine consists of 31 patented claims for a total area covering 1,067 hectares. In total, the three mines comprise total proven and probable reserves estimated at 663,000 ounces of gold as at December 31, 2017.

The following section provides a breakdown and discussion of each mine within the Holt Mine Complex. The information represents the results from the completion date of the St Andrew Arrangement (January 26, 2016).

Holt Mine

Operating results	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	**Year Ended December 31, 2017**	Year Ended December 31, 2016 (1)
Total Ore Milled (t)	**127,494**	113,499	**462,987**	386,972
Average Grade (g/t)	**5.0**	4.6	**4.7**	4.5
Gold Contained (oz)	**20,297**	16,684	**70,363**	56,334
Recovery (%)	**94.9%**	94.5%	**94.8%**	94.5%
Gold Produced (oz)	**19,263**	15,761	**66,677**	53,234
Development metres - operating	**757**	381	**3,918**	2,198
Development metres - capital	**629**	1,186	**3,247**	4,134
Production costs	**$11,508**	$8,286	**$44,820**	$36,752
Operating cash costs per ounce sold (2)	**$624**	$542	**$685**	$623
AISC per ounce sold (2)	**$1,031**	$1,038	**$1,043**	$1,044
Total capital expenditures (in thousands)	**$4,099**	$5,682	**$13,980**	$16,846

(1) *Results of the Holt Mine included from the date of St Andrew acquisition (January 26, 2016).*
(2) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on pages 37-44 of this MD&A.*

The Holt Mine produced a record 66,677 ounces in 2017, a 25% increase from 53,234 ounces in 2016, reflecting both higher throughput levels and an improvement in the average grade. During 2017, 462,987 tonnes were processed at an average grade of 4.7 grams per tonne and average recoveries of 94.8%, which compared to 386,972 tonnes processed at an average grade of 4.5 grams per tonne and average recoveries of 94.5% in 2016. The increase in tonnes processed in 2017 was due primarily to improved stope productivity, a new mining horizon being accessed in Zone 6 and favourable sequencing.

In 2017, Holt's production costs increased to $44.8 million, compared to $36.8 million in 2016 due to higher operating cash costs. Operating cash costs per ounce sold in 2017 averaged $685 per ounce, compared to $623 in 2016, with the increase largely reflecting significantly higher levels of operating development during 2017. AISC per ounce sold averaged $1,043 versus $1,044 in 2016, largely unchanged from the year earlier with the impact of higher operating cash cost per ounce sold and increased royalty expense offsetting a 25% reduction in sustaining capital expenditures per ounce sold. Sustaining capital expenditures in 2017 totaled $14.6 million ($224 per ounce sold) compared to $16.9 million ($297 per ounce sold) the previous year. Contributing to the reduction in sustaining capital expenditures were lower levels of capital development and reduced investment in mobile equipment and critical spares.

During Q4 2017, the Holt Mine achieved record quarterly production of 19,263 ounces, representing increases of 22% from Q4 2016 and 13% from the previous quarter, mainly reflecting a combination of higher throughput and an improved average grade compared to both prior periods. A total of 127,494 tonnes was processed from the Holt Mine at an average grade of 5.0 grams per tonne and with average recoveries of 94.9% during Q4 2017, compared to 113,499 tonnes at an average grade of 4.6 grams per tonne and average recoveries of 94.5% for the same period a year earlier and 124,394 tonnes at an average grade of 4.5 grams per tonne at average recoveries of 94.5% in Q3 2017.

In Q4 2017, Holt's production costs increased to $11.5 million, compared to $8.3 million in Q4 2016 due to higher operating cash costs. Total operating cash costs per ounce sold for Q4 2017 averaged $624 per ounce, which compared to $542 in Q4 2016 and $678 the previous quarter. The increase from the prior year's fourth quarter largely reflected low levels of operating development in Q4 2016 (381 metres in Q4 2016 versus 757 metres in Q4 2017). The improvement in operating cash cost per ounce sold from the prior quarter resulted from the impact of a higher average grade on production volumes and reduced levels of operating development.

AISC per ounce sold in Q4 2017 averaged $1,031 versus $1,038 in Q4 2016 and $1,116 the previous quarter. Lower levels of sustaining capital expenditures more than offset higher operating cash cost per ounce sold and increased royalty expense in accounting for the improvement compared to Q4 2016. Lower AISC per ounce sold versus the previous quarter reflected a reduction in both operating cash cost per ounce sold and sustaining capital expenditures per ounce sold quarter over quarter. Sustaining capital expenditures in Q4 2017 totaled $5.0 million ($271 per ounce sold) versus $5.7 million ($373 per ounce sold) in Q4 2016 and $4.9 million ($303 per ounce sold) in Q3 2017.

Taylor Gold Mine

Operating results	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016	**Year Ended December 31, 2017**	Year Ended December 31, 2016 (1)
Total Ore Milled (t)	**89,297**	48,254	**292,003**	188,767
Run of Mine (t)	**89,297**	45,818	**292,003**	178,997
Low Grade (t)	**—**	2,436	**—**	9,770
Average Grade (g/t)	**6.0**	6.7	**5.6**	7.0
Run of Mine (g/t)	**6.0**	7.0	**5.6**	7.2
Low Grade (g/t)	**—**	2.1	**—**	2.4
Gold Contained (oz)	**17,194**	10,288	**52,787**	41,474
Recovery (%)	**96.2%**	96.1%	**96.2%**	96.5%
Gold Produced (oz)	**16,541**	10,048	**50,764**	40,746
Development metres - operating	**1,185**	515	**3,955**	2,014
Development metres - capital	**544**	810	**2,510**	2,966
Production costs	**$8,289**	$4,670	**$29,646**	$21,309
Operating cash costs per ounce sold (2)	**$574**	$446	**$610**	$438
AISC per ounce sold (2)	**$1,187**	$795	**$972**	$692
Total capital expenditures (in thousands)	**$9,459**	$3,384	**$18,387**	$10,036

(1) *Results of the Holt Mine included from the date of St Andrew acquisition (January 26, 2016).*
(2) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on pages 37-44 of this MD&A.*

Production at Taylor for 2017 totaled 50,764 ounces, an increase of 25% from the 40,746 ounces produced in 2016. A total of 292,003 tonnes were processed in 2017 at an average grade of 5.6 grams per tonne and average recoveries of 96.2%, which compared to total tonnes processed of 188,767 tonnes at an average grade of 7.0 grams per tonne and average recoveries of 96.5% in the prior year. The significant increase in tonnes processed reflected a higher number of stopes available for mining, while the average grade was consistent with planned stope grades and was in line with the average reserve grade as at December 31, 2016.

In 2017, Taylor's production costs totaled $29.6 million, compared to $21.3 million in 2016. Operating cash costs per ounce sold in 2017 was $610 compared to $438 in 2016, with the year-over-year increase relating to the change in the average grade compared to 2016 when the average grade was significantly higher than the reserve grade. AISC per ounce sold averaged $972 in 2017, which compared to $692 in 2016. The increase from the previous year reflected higher operating cash cost per ounce sold as well as an increase in sustaining capital expenditures per ounce sold. Sustaining capital expenditures in 2017 totaled $16.6 million ($342 per ounce sold), which compared to $10.0 million ($228 per ounce sold) in 2016, with the higher level of sustaining capital expenditures largely due to construction of ventilation raises and capital development in support of the long-term sustainability of production.

Gold production at Taylor in Q4 2017 was a record 16,541 ounces, based on 89,297 tonnes processed at an average grade of 6.0 grams per tonne and average recoveries of 96.2%. In Q4 2016, Taylor produced 10,048 ounces from processing 48,254 tonnes at an average grade of 6.7 grams per tonne and average recoveries of 96.1%. The higher tonnage in Q4 2017 largely reflected the continued development of the mine over the last year. Q4 2017 production was 49% higher than the 11,066 ounces produced in Q3 2017, when the mine processed 71,897 tonnes at an average grade of 5.0 grams per tonne with average recoveries of 95.5%. Both higher throughput and improved grades contributed to the quarter over quarter increase, with the grade improvement resulting largely from the sequencing of mining activities into higher-grade stopes.

In Q4 2017, Taylor's production costs totaled $8.3 million, compared to $4.7 million in Q4 2016. Operating cash costs per ounce sold in Q4 2017 was $574, which compared to $446 in Q4 2016 and $676 the previous quarter. The change from both prior periods was mainly a reflection of the average grade for the respective quarters. AISC per ounce sold in Q4 2017 averaged $1,187 versus $795 in Q4 2016 and $1,054 in Q3 2017. The elevated level of AISC per ounce sold in Q4 2017 reflected the timing of sustaining capital expenditures, with just over half of total sustaining capital expenditures for full-year 2017 being invested during the fourth quarter, largely related to construction of underground ventilation infrastructure in support of long-term production sustainability at the mine. Sustaining capital expenditures in Q4 2017 totaled $8.6 million ($594 per ounce sold), which compared to $3.4 million ($325 per ounce sold) in Q4 2016 and $4.1 million ($358 per ounce sold) in Q3 2017.

Holloway Mine

In December 2016, Kirkland Lake Gold announced the transitioning of the Holloway Mine to a temporary suspension of operations. The mine will be maintained in a production ready state with the intent of restarting the operation in the future subject to the mine realizing enhanced economics through exploration success. During 2016, the mine produced 27,129 ounces from January 26, 2016 to the end of the year and 9,825 ounces in the fourth quarter. During 2017, 287 ounces were processed from Holloway, mainly in the first quarter of the year (13 ounces in Q4 2017).

Australian Mine Operations

Financial or operational information included in the Company's consolidated financial results for 2016 or Q4 2016 includes results for the Company's Australian Operation from the completion of the Newmarket Arrangement on November 30, 2016 to the end of the year prior ("reported basis" of comparison). However, for comparison purposes, and to assist readers in evaluating the year-over-year performance of the Australian assets, certain production measures for the full year and Q4 2016 are presented on a pro forma basis as well as a reported basis. All unit cost comparisons to Q4 2016 are on a reported basis.

Fosterville Mine

The Fosterville Mine is located approximately 20 km northeast of the town of Bendigo and 130km north of the city of Melbourne in Victoria, Australia. With a noteworthy history of gold mining in the region dating back to 1894, the current Fosterville Mine commenced commercial production in April 2005 with a sulphide plant that has produced approximately 1.4 million ounces to date.

Operating results	Three Months Ended December 31, 2017	Year Ended December 31, 2017	One Month Ended December 31, 2016 (1)
Total Ore Milled (t)	**118,877**	**547,476**	56,754
Average Grade (g/t)	**21.5**	**15.8**	7.9
Gold Contained (oz)	**88,159**	**278,355**	14,392
Recovery (%)	**96.3%**	**95.0%**	91.7%
Gold Produced (oz)	**79,157**	**263,845**	13,196
Development metres - operating	**610**	**2,627**	255
Development metres - capital	**1,866**	**5,193**	318
Production costs	**$18,043**	**$70,906**	$14,637
Operating cash costs per ounce sold (2)	**$226**	**$264**	$420
AISC per ounce sold (2)	**$471**	**$491**	$641
Total capital expenditures (in thousands)	**$22,955**	**$64,054**	$3,401

(1) *Results from the Fosterville Mine in 2016 are from the completion of the Newmarket Arrangement (November 30, 2016).*
(2) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on pages 37-44 of this MD&A.*

2017 was a transformational year for Fosterville, with a significant improvement being achieved in both production levels and average grades. Underground mineral reserves at the mine were more than doubled during the first half of the year, to 1,790,000 tonnes at an average grade of 17.9 grams per tonne for 1,030,000 ounces as at June 30, 2017, from 1,560,000 tonnes at an average grade of 9.8 grams per tonne for 490,000 ounces as at December 31, 2016. As at December 31, 2017, mineral reserves at Fosterville were increased by another 65%, to 2,290,000 tonnes at an average grade of 23.1 grams per tonne for a total of 1,700,000 ounces. Included in the December 31, 2017 updated mineral reserve was a mineral reserve for the Swan Zone, which included 588,000 tonnes at an average grade of 61.2 grams per tonne for 1,160,000 ounces. The mineral reserve estimate at December 31, 2017 was more than double the initial estimate of 282,000 tonnes at an average grade of 58.8 grams per tonne for 532,000 ounces, that was issued in July 2017 and as at June 30, 2017.

For 2017, Fosterville produced a record 263,845 ounces, which compared to production of 13,196 ounces on a reported basis for 2016 following completion of the Newmarket Arrangement on November 30, 2016. On a pro forma basis, 2017 production increased 74% from 151,755 ounces in 2016. A total of 547,476 tonnes was processed in 2017 at an average grade of 15.8 grams per tonne and average recoveries of 95.0%, which compared to 56,754 tonnes at an average grade of 7.9 grams per tonne and average recoveries of 91.7% on a reported basis and 693,066 tonnes at an average grade of 7.6 grams per tonne and average recoveries of 90.1% on a pro-forma basis for 2016. The increase in production compared to the pro forma results for 2016 reflected a higher average grade, which was more than double the 2016 level. During 2017, reconciled grades over-performed relative to the resource model in a number of cases, particularly in areas of structural complexity. The impact of significantly higher grades more than offset reduced tonnes milled in 2017, as the mine increasingly focused on the extraction of high-grade stopes in the Lower Phoenix system during the year. As at the end of 2017, the mine had not yet commenced production from the high-grade Swan Zone.

In 2017, Fosterville's production costs increased to $70.9 million, compared to $14.6 million in 2016. Operating cash cost and AISC per ounce sold in 2017 averaged $264 and $491, respectively, which compared to $420 and $641 in 2016. The significant improvement in the average grade at Fosterville during 2017 largely accounted for the year-over-year improvement in unit costs. Sustaining capital expenditures in 2017 totaled $52.1 million ($202 per ounces sold), which compared to $3.4 million ($175 per ounce sold) in Q4 2016 on a reported basis.

Q4 2017 production at Fosterville was a record 79,157 ounces of gold, which compared to the 13,196 ounces on a reported basis in Q4 2017 and was 78% higher than the 44,406 ounces produced in Q4 2016 on a pro forma basis. The average grade for the quarter was the highest quarterly average in the mine's history, averaging 21.5 grams per tonne, which compared to average grades of 7.9 grams per tonne for the one month ended December 31, 2016 and 8.5 grams per tonne in Q4 2016 on a pro forma basis. A total of 118,877 tonnes were processed during Q4 2017 with average recoveries of 96.3%, with the Q4 2017 recovery rate being the highest quarterly average ever achieved. The mine processed 56,754 tonnes at an average recovery rate of 91.7% on a reported basis in 2016, and 176,242 tonnes at an average recovery rate of 92.4% pro forma for the three months ended December 31, 2016.

Fosterville's Q4 2017 production of 79,157 ounces was 29% higher than the 61,535 ounces produced the previous quarter, when the mine processed 143,326 tonnes at an average grade of 14.1 grams per tonne and with average recoveries of 94.7%. The increase in production reflected a 52% improvement in the average grade, resulting from both mine sequencing as well as improved grade performance, with a large stope in Q4 2017 significantly outperforming expected levels.

In Q4 2017, Fosterville's production costs totaled $18.0 million, compared to $14.6 million in Q4 2016. Operating cash cost per ounce sold in Q4 2017 averaged $226 compared to $420 in Q4 2016 and $295 for Q3 2017, with the improvement from both prior periods mainly reflecting the impact of a significantly higher average grade. AISC per ounce sold for Q4 2017 averaged $471, significantly better than the $621 and $574 recorded in Q4 2016 and Q3 2017, respectively. Sustaining capital expenditures in Q4 2017 totaled $17.5 million ($219 per ounce sold), which compared to $3.4 million ($175 per ounce sold) in Q4 2016 and $16.0 million ($254 per ounce sold) the previous quarter.

Northern Territory

The Northern Territory is comprised of a group of mineral tenements, including the Cosmo Mine totaling over 2,000 km ^{2} in the Northern Territory, Australia, which includes an inventory of historical gold discoveries, historical and modern gold mines, and current mineral resources and mineral reserves. As at December 31, 2017 the Company's mineral reserves in the Northern Territory totaled 2,800,000 tonnes at and average grade of 2.4 grams per tonne for 215,000 ounces.

Operating results	**Three Months Ended December 31, 2017**	**Year Ended December 31, 2017**	One Month Ended December 31, 2016 (1)
Total Ore Milled (t)	—	**259,729**	51,590
Average Grade (g/t)	—	**2.6**	3.0
Gold Contained (oz)	—	**21,671**	4,902
Recovery (%)	—	**95.0%**	94.0%
Gold Produced (oz)	—	**20,595**	4,609
Development metres - operating		**789**	159
Development metres - capital		**860**	10
Production costs	**$—**	**$37,367**	$6,797
Operating cash costs per ounce sold (2)	**$—**	**$1,661**	$1,048
AISC per ounce sold (2)	**$—**	**$1,996**	$1,153
Total capital expenditures (in thousands)	**$213**	**$6,823**	$650

(1) *Results from the Cosmo Mine in 2016 are from the completion of the Newmarket Arrangement (November 30, 2016).*
(2) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on pages 37-44 of this MD&A.*

On June 30, 2017, Kirkland Lake Gold suspended operations at the Cosmo Mine with the mine being placed on care and maintenance. During Q4 2017, there was no gold production recorded from the Cosmo Mine. For 2017, a total of 20,595 ounces was produced at Cosmo, with operating cash costs and AISC per ounce sold averaging $1,661 and $1,996, respectively. There was no production from Cosmo in Q4 2017. On a reported basis, that is for the one month ended December 31, 2016, production for both 2016 and Q4 2016 totaled 4,609 ounces from processing 51,590 tonnes at an average grade of 3.0 grams per tonne and at an average recovery rate of 94.0%. On the same basis, operating cash costs and AISC per ounce sold in 2016 and Q4 2016 averaged $1,048 and $1,153, respectively. On a pro forma basis, production from Cosmo in 2016 totaled 55,765 ounces, which resulted from processing 646,868 tonnes at an average grade of 2.9 grams per tonne and at average recoveries of 93.6%.

For 2017, Cosmo's production costs totaled $37.4 million, compared to $6.8 million for 2016. Following the move to care and maintenance, the Cosmo Mine and Union Reef Mill are being maintained in a state of readiness to resume operation in the event that new reserves are delineated which establish an economic deposit or deposits in the Northern Territory. In December 2017, the Company announced encouraging drill results from the Lantern Deposit at the Cosmo Mine, including the intersection of new high-grade, visible-gold bearing gold mineralization approximately 250 metres north of the Lantern mineral resource. The results significantly increased the size of the Lantern mineralized envelope to over 500 metres along strike and 1,200 metres down-plunge. At the end of 2017, the Company had six drills (three underground, two surface and one reverse circulation drill) operating at the Lantern Deposit, with plans to develop on two levels into the Lantern mineralization from the existing Cosmo ramp. Drilling programs are also planned at a number of district targets at Union Reefs and elsewhere in Northern Territory in 2018.

Stawell Mine

The Stawell Mine was acquired by the Company through the Newmarket Arrangement. The mine, which is located in the Australian State of Victoria, approximately 250 kilometers northwest of Melbourne, was placed on care and maintenance by the Company effective December 13, 2016. Between November 30, 2016 and the date of being placed on care and maintenance, Stawell produced 852 ounces from processing 32,367 tonnes at an average grade of 0.9 grams per tonne and at average recoveries of 87.9%. During this period, operating cash cost per ounce sold averaged 1,973, while AISC per ounce sold averaged $2,005. On a pro forma basis, production at Stawell in 2016 totaled 32,204 ounces from processing 845,573 tonnes at an average grade of 1.5 grams per tonne and average recoveries of 80.9%, while production in Q4 2016 totaled 6,971 ounces from processing 174,049 tonnes at an average grade of 1.5 grams per tonne and average recoveries of 84.5%. There was no production from Stawell in 2017.

On December 21, 2017, the Company completed a transaction to sell to an affiliate of Arete Capital Partners Ltd. ("Arete") all the issued and outstanding common shares of its indirectly held wholly owned subsidiary, Stawell Gold Mines Pty Ltd., which held the Stawell Mine. Pursuant to the terms of the transaction, the Company received $6.25 million in cash consideration upon closing and retains a 2.5% net smelter return royalty on the Stawell Mine. As the operations and cash flows related to the Stawell Mine could be clearly distinguished from the rest of the Company, the components of revenue and expense were separated from operating activities following completion of the sale and are reported as discontinued operations, with a loss from discontinued operations of $24.9 million being included in the Company's 2017 and Q4 2017 financial results.

GROWTH AND EXPLORATION

Canada

At the Canadian operations, Kirkland Lake Gold continued to invest in growth programs with the aim of delineating near-term resource growth at the Company's operating mines. During 2017, the Company's Canadian operations incurred $18.5 million in exploration and evaluation expenditures, consisting of multiple drill programs at the Macassa and Taylor and operations.

Macassa Mine

South Mine Complex ("SMC") Underground Drill Programs - During 2017, the Company completed 46,106 metres of underground exploration testing the SMC from the Macassa 5300 Level. An additional 6,936 metres of underground exploration was completed from the Macassa 4500 Level, testing the `05 Narrows Zone (located approximately 480 metres north of the `04 Break). In addition, 4,785 metres of underground exploration testing the `04 Break was completed from the 4200 level. At December 31, 2017, the Company had three underground exploration drills testing the SMC from the 5300 Level. Of the three drills, one was testing the Lower SMC Zone, with the other two drill rigs testing the potential easterly extension of the SMC.

A significant milestone was achieved on June 28, 2017, when the Company announced that underground drilling had intersected newly-discovered mineralization that succeeded in extending the SMC by 259 metres to the east of the existing mineral resource area. The results also extended the current area of mineralization on the Lower SMC Zone by 65 metres to depth and 60 metres to the west, and intersected high-grade mineralization in a newly-discovered hangingwall system in the Lower SMC area. Underground drilling at Macassa over the balance of the year was largely focused on better defining the geometry of the eastern SMC mineralization in support of potential mineral resource growth.

Most of the drilling in the 2017 exploration program was considered reconnaissance in nature, testing both potential strike and depth extensions to the SMC, along a strike length of approximately 300 metres and to a vertical depth of 366 metres below the drill bay on the 5300 Level east exploration drift. The drilling followed up on the reconnaissance surface exploration program that was reported in the press releases dated November 3, 2015 and January 19, 2016. The mineralization encountered through the FY 2017 program was typical SMC style, with shallow dipping veins mineralized with fine visible gold and tellurides and hosted within both feldspar porphyry and basic syenite. To date, at least five individual vein sets have been intersected with follow up drilling currently underway at closer-spaced centres to define potential resources. The SMC remains open to the east along strike and up dip.

During 2017, 288 metres of development drifting was completed to extend the 5300 Level exploration drift to east, as well as to excavate a new drill bay to support future SMC exploration drilling. The drill bay was completed in August, with a third drill added to test the east SMC program commencing at that time. An additional 103 metres of drifting to the east is underway, and it is anticipated that this development program, which also includes the excavation of another new drill bay, will be completed in the first quarter 2018.

During 2017, the Company completed 73,448 metres of surface exploration drilling. Of this drilling, 58,734 metres was testing the east SMC corridor and the Amalgamated Break, while and the remaining 14,714 metres tested the Main and `04 Breaks between the #2 and #3 shafts above the 3,000-foot level.

Taylor Mine

During 2017, the Company completed 62,669 metres of surface and underground exploration drilling (47,114 metres from surface and 15,555 metres from underground) at the Taylor Mine. Exploration drilling in 2017 focused on four key prospective areas: along the hanging wall of the Porcupine-Destor Fault ("PDF") east of the Shaft Deposit; at a prospective target area situated to the west of the Shaft Deposit and east of the West Porphyry Deposit; at depth below both the East Porphyry and West Porphyry deposits; and up dip of the 1004 Zone of the West Porphyry Deposit.

On June 27, 2017, the Company released results from 28 surface drill holes for 10,365 metres and 17 underground drill holes for 6,588 metres. The results included intersecting gold-bearing quartz veins to the east along the PDF at multiple locations, with the furthest being located 1.8 kms east of the Shaft Deposit. In addition, drilling at depth succeeded in extending gold mineralization approximately 100 metres below the existing mineral resource in the East Porphyry Deposit, and identified mineralization situated along a quartz-carbonate shear zone located approximately 150 metres down dip of the existing 1004 Zone mineral resource and approximately 600 metres below surface. (See Company News Release dated June 27, 2017.)

On August 11, 2017, the Company released results from a total of 15 holes for 12,155 metres of surface drilling and 14 holes for 2,500 metres from underground drilling. The results included additional intersections from surface drilling of high-grade, gold-bearing quartz veins along the PDF east of the Shaft Deposit, including new intersections located within 225 metres of the existing mine infrastructure at the Shaft Deposit. Results from underground drilling included the intersection of gold mineralization approximately 70 metres west of the Shaft Deposit in the target area between the Shaft and West Porphyry deposits, as well as the intersection of gold mineralization approximately 100 metres east of the West Porphyry Deposit.

On December 18, 2017, the Company release results from seven surface drill holes for 9,540 metres and 16 underground drill holes for 3,309 metres. The results were significant, both in the growth potential for the mine, as well as the extend of high-grade mineralization that was intersected. Among key results, a new gold zone was identified located approximately 350 metres below the West Porphyry Deposit, with intersections including 46.7 grams per tonne over 9.6 metres, including 68.3 grams per tonne over 6.0 metres, 89.2 grams per tonne over 1.0 metre and 104.2 grams per tonne over 1.0 metre. Other results included additional high-grade intersections in the target area between the Shaft and West Porphyry deposits with such intersections as 43.8 grams per tonne over 3.8 metres, including 47.9 grams per tonne over 1.3 metres and 69.3 grams per tonne over 1.5 metres. The results also included high-grade intersections up-dip of the 1004 Zone, the continued intersection of high-grade quarter veins from surface drilling east of the Shaft Deposit, and the intersection of high-grade gold-bearing quartz veins with visible gold up to 700 metres below the West Porphyry Deposit.

Drilling in 2018 at Taylor will continue to target additional expansion of mineralization around the Shaft and West Porphyry deposits.

During 2017, exploration drilling was carried out to evaluate numerous drill ready targets associated with the PDF, and other regional structures, with two surface drills operating on the Nighthawk, Garrison Creek, Campbell zone, Runway, Card Lake, Caman, Taylor West, and Pack Can properties. A total of 41,578 metres of surface drilling was completed on these high value targets during the year.

In addition, the Company concluded a number of mineral claim property acquisitions (Card / Runway / Manville / Lalonde and Garrison) during 2017 by purchasing 42 claims totalling 712 hectares. These claim blocks are situated along strike of the Holt and Taylor Mine properties and contain favorable highly prospective geology and the strike extension of the mineralized structures traced on the mine properties.

Australia

At the Company's Australians operations, Kirkland Lake Gold continued to invest in growth programs to both delineate and extend resources at both the Fosterville and Cosmo Mines, and to evaluate district targets within the Fosterville and Northern

Territory land positions. During 2017, the Company's Australian operations incurred $29.8 million in exploration and evaluation expenditures.

Fosterville Mine

An aggressive program of exploration and definition drilling was completed in 2017, aimed at further expanding mineral resources and mineral reserves at the Fosterville Mine. The program involved as many as eight underground and three surface drills and 124,992 metres of total drilling.

The success of exploration efforts in the first half of 2017 contributed to a significant increase in mineral reserves as part of a mid-year reserve update as at June 30, 2017. Underground mineral reserves more than doubled to 1,030,000 ounces from 490,000 ounces in the December 31, 2016 mineral reserve estimate. The average mineral reserve grade estimate increased 83% to 17.9 grams per tonne from 9.8 grams per tonne previously. Included in the June 30, 2017 mineral reserve estimate was 532,000 ounces at an average grade of 58.8 grams per tonne in the Swan Zone.

Step-out extension drilling on the Swan and Eagle zones of the Lower Phoenix system remained a priority throughout the remainder of 2017, with drilling also focused on the extension of the Harrier gold system at depth. Surface drilling was undertaken at both Robbin's Hill and the Lower Phoenix North gold systems, and initial exploratory underground drilling was undertaken on the Sugarloaf target.

On August 8, 2017 , drill results were returned from six underground holes totaling 2,652 metres into existing mineral resources and extensions of the Swan Zone of the Lower Phoenix gold system (see Kirkland Lake Gold News Release dated August 8, 2017). Consistent with earlier results, the new drill intersections continued to return intervals extremely high-grade mineralization with visible gold and to demonstrate both the continuity and growth potential of the Swan Zone. The August 8th results confirmed that the approximate 40° west-dipping Swan Zone was continuously mineralized southwards down-plunge, and extended at least 80 metres laterally to the south and 40 metres below the existing Swan Zone mineral reserves.

On November 7, 2017, drill results were reported for an additional 15 underground holes totaling 2,150 metres outside of measured and indicated mineral resources of the Swan Zone (see Kirkland Lake Gold News Release dated November 7, 2017). The results were significant and included the intersection of high-grade, visible-gold bearing mineralization 120 metres down-plunge of existing Swan Zone inferred mineral resource and 210 metres down-plunge of existing mineral reserves. The release of the November 7th results demonstrated the continuity of the Swan Zone mineralization over a plunge length of 460 metres and vertical extent of approximately 300 metres with the opportunity existing for continued down-plunge growth of the Swan Zone through additional step-out drilling.

During Q4 2017, approximately 25,990 metres of largely resource definition drilling was completed in testing the Phoenix South mineralization system, and mostly focused on the Swan and Eagle structures; with results continuing to confirm the continuity and high-grade tenor of the faults. The mineralization associated with the Swan Fault remains open down-plunge south of 6250mN, with extensive drilling planned in 2018 that will continue to focus on extension and infill definition of the highly-mineralized Swan Zone structure.

Drilling on the Harrier and Osprey structures progressed through most of 2017 to test for potential up-dip gold zones of significant mineralization and resource extensions approximately 100 metres down-plunge from current Harrier mineral resources. During 2017, some 9,049 metres were completed on these programs. In addition, decline development advanced to the south to access the high-grade Harrier Base mineral reserve, with the aim to add an alternative production source to the Lower Phoenix mineralized system during 2018. In the lower part of the Harrier system, diamond drilling in the second half of 2017 continued to reinforce the trend to higher grades.

Surface drilling at Robbin's Hill targets commenced in Q3 2016 and continued throughout 2016 and 2017. A total of 18,499 metres of diamond drilling was completed across three programs during 2017. Drilling was focused on two main structures, the Curie Fault (formerly Farley's Fault) and Rubin Fault (formerly Farley's Footwall Fault) and returned sulfide mineralization intercepts, up to 18 metres in length. Drilling confirmed that massive quartz-stibnite veining occurs with the mineralized faults.

Data from one of the Robbins's Hill holes was used to improve processing of a 2D seismic survey (2 transects), undertaken in the second quarter of2017. The 2D seismic survey was a second stage of de-risking programs, which returned positive results, and lend support to a 3D seismic survey, which is planned to be undertaken in 2018 in the southern portion of the Mining License.

Exploration License 3539 - In addition to actively exploring the Mining License, the Company is investing in a regional exploration program throughout its Exploration License at Fosterville which cover over 505 km ^{2} . Within this land holding there is over 60 km strike length of potential gold-bearing structures located along seven interpreted fault zones. Five of the faults are known to contain gold occurrences with either historic mineral resources or workings. A helicopter electro-magnetic survey was completed and extensive soil sampling program was well advanced in Q4 2017. Drilling was initiated on the Goornong South prospect, approximately 5 kilometres to the north of the Mining License late in the year, with completion of 1,318 metres, and drilling to continue in Q1 2108. Additional drilling is planned in 2018 for advanced prospects, which will include Hallanan's and Russell's Reef in Q1 2018.

Two new exploration licenses, EL006502 (FGM North) and EL006503 (FGM West) were granted to Fosterville Gold Mine Pty Ltd on October 23, 2017. The licenses were granted for five years and encompass a total area of 1,006 graticules (1 graticule = 1 km ^{2}).

Cosmo Mine and Northern Territory

Despite placing the Cosmo Mine and Union Reefs Mill on care and maintenance effective June 30, 2017, the Company completed an extensive exploration program at the Lantern Deposit located adjacent to the Cosmo Mine during 2017. On December 19, 2017, the Company announced results from a total of 65 holes for 23,553 metres from underground diamond drilling and nine holes for 4,184 metres from surface drilling that were designed to test the expansion potential of the Lantern Deposit. The results substantially increased the deposit footprint, particularly to the north, and demonstrated the potential for significant growth in mineral resources. Included in the results was the intersection of extremely high-grade mineralization bearing visible gold more than 250 metres north of the current Lantern Deposit mineral resources. The drilling results extend the Lantern mineralization to over 500 metres along strike, more than 1,200 metres down-plunge and over 1,000 metres vertically from surface. Based on the encouraging drill results in 2017, the Company is planning extensive exploration development and drilling at the Lantern Deposit in 2018 as part of a program aimed at establishing an economic deposit or deposits in the Northern Territory of Australia to support a resumption of operations at the Cosmo Mine and Union Reefs Mill.

At Union Reefs, surface diamond drilling at two targets, the Prospect and Crosscourse plunge extensions was undertaken in 2017 with a total of four holes and 4,332 metres of drilling being completed. The drilling targeted mineralization approximately 700 metres down-plunge of historic mineral resources. The drilling was successful in intersecting mineralization, with visible gold observed in several of the holes.

Exploration drilling in 2018 is expected to concentrate on resource definition and expansion of the Lantern Deposit, and will be supported by construction of underground drill drives that will also provide underground exposures of Lantern mineralization for the first time. Other drilling in the Norther Territory will target extensions of the Prospect mineralized envelope at Union Reefs and investigating a number of additional regional targets.

REVIEW OF FINANCIAL CONDITION AND LIQUIDITY

Kirkland Lake Gold is committed to managing liquidity by achieving positive cash flows from its mine operations to fund operating and capital requirements as well as development projects. The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis; however, there are no significant accounts payable, capital lease obligations, or other payments that are outstanding past their due dates.

As at December 31, 2017, Kirkland Lake Gold had a positive working capital balance of $169.1 million, including a cash balance of $231.6 million, which compares to a working capital of $92.3 million and cash of $234.9 million at December 31, 2016. The strengthening of working capital reflects ongoing free cash flow generation from the Company's mine operations and is aided by increased revenues from higher sales volumes, as well as the timing of sustaining capital outlays.

The Company's 6% Debentures, with a face value of C$57.5 million, were redeemed from cash on their maturity date of June 30, 2017. A majority of the Company's 7.5% Debentures, with a face value of $C62.0 million, were converted into 4,505,393 common shares at a conversion price of C$13.70 per share.

Cash Flow Analysis

Net cash outflows from financing activities of continuing operations for 2017 were $111.3 million, which are largely due to the repurchase of common shares during Q3 and Q4 and the repayment of the 6% Debentures on their maturity date of June 30, 2017. Net cash inflows from financing activities of continuing operations for 2016 totaled $7.7 million, primarily due to net proceeds received from flow through share financings.

Cash outflows from investing activities from continuing operations for 2017 and 2016 were $200.9 million and $19.5 million, respectively. Mineral property expenditures were $85.6 million and $57.8 million for 2017 and 2016, respectively, and amounts of $46.2 million and $15.3 million were spent on plant and equipment during those same periods. In addition, the Company invested a total of $80.8 million in public and private entities. During Q4 2017, JDS Silver Holdings Inc. sold all their issued and outstanding common shares to Coeur Mining Inc. ("Coeur"). The Company received in exchange for its holdings in JDS Silver, 198,217 common shares of Coeur at a value of $7.46 per share and a cash payment of $4.6 million. In addition, the Company purchased 33 million units of De Grey Mining Limited for a total purchase price of $3.8 million. The most significant investments in the second half of 2017 were the purchase of 14.0 million units of Novo Resources Corp. ("Novo") through a private placement, which included one common share and one common share purchase warrant. In addition, the Company acquired 11.8 million common shares of Novo from Newmont Canada FN Holdings ULC. The total investment in Novo amounted to $61.0 million (C$74.9) million. During Q2 2017, the Company also purchased 17.9 million shares Bonterra Resources Inc. for an aggregate purchase price of $6.9 million and 12.3 million units of Metanor Resources Inc. for a total investment of $6.4 million. At December 31, 2017, the Company owned available for sale investments valued at $100.1 million.

The Company generated $309.8 million and $187.0 million, respectively, in cash flow from continuing operations during 2017 and 2016, respectively.

On May 15, 2017, the Company announced its intention to initiate a NCIB to buy back its common shares through the facilities of the TSX. Any purchases made pursuant to the NCIB will be made in accordance with the rules of the TSX. The maximum number of common shares that can be purchased for cancellation pursuant to the NCIB is 15,186,571 common shares, representing 10% of the Company's common shares in the public float as of May 11, 2017. The maximum number of shares that can be purchased daily, other than block purchase exceptions, is 294,727 common shares.

Purchases under the NCIB commenced on May 17, 2017 and will be terminated the earlier of May 16, 2018 or the date on which the maximum number of common shares have been purchased.

During the year ended December 31, 2017, the Company purchased 5,443,400 common shares for cancellation under the NCIB, for $60.1 million (C$76.5 million). All shares purchased pursuant to the NCIB have been tendered for cancellation. As at the date hereof, a balance of 9,743,171 common shares remain available for purchase under the NCIB.

The Company's cash balance supplemented by cash flow from operations are expected to be sufficient to fund operations and capital requirements for at least the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS.

As at December 31, 2017, the Company did not have any off-balance sheet items.

OUTSTANDING SHARE AND CONVERTIBLE EQUITY INFORMATON

Outstanding Share Information

	As at December 31, 2017	Weighted Average Exercise Price
Authorized: Unlimited number of common shares		
Issued: Fully paid common shares	210,944,884	—
Issued: Stock options	1,499,315	C$5.80
Issued: Restricted share units	364,263	—
Issued: Performance share units	342,206	—

Terms of the Company's equity incentive plans are outlined in the Company's audited consolidated financial statements for the year ended December 31, 2017.

SELECTED ANNUAL INFORMATION

(in thousands, except for per share figures)	**Year Ended December 31, 2017**	Year Ended December 31, 2016
Financial Results		
Revenue	**$747,495**	$403,340
Earnings from mine operations	**$289,129**	$135,976
Loss from discontinued operations	**($24,904)**	($4,627)
Net earnings	**$132,426**	$42,107
Basic earnings per share	**$0.64**	$0.35
Diluted earnings per share	**$0.63**	$0.34

(in thousands)	**As at and for the year ended December 31, 2017**	As at and for the year ended December 31, 2016
Financial Position		
Cash	$231,596	$234,898
Working capital	$169,146	$92,307
Mining interests and plant and equipment	$1,049,309	$976,044
Total Assets	$1,485,800	$1,298,694
Total non-current liabilities	$197,732	$195,201
Cash dividends paid	($3,281)	$—

The Company's financial position was significantly impacted as a result of the acquisition of St Andrew on January 26, 2016 and Newmarket on November 30, 2016 which resulted in a much higher cash balance, stronger working capital and increased mining interests and total assets. The revenue and consequently the amount of net income and earnings per share is driven largely by the amount of gold produced and sold and is subject to fluctuations in the market price of gold in US dollars and the strength and weakening of the US dollar specifically against the Canadian and Australian dollars. The timing of gold pours, gold sales, gold price fluctuations, ore grade and gold inventory balances also affect quarterly results. Trends observed or averaged over a longer time period may be more representative of the true performance of the business.

QUARTERLY INFORMATION

The consolidated results presented below include the results of operations for St Andrew from January 26, 2016 and Newmarket from November 30, 2016. Accordingly, results prior to January 26, 2016 only include operations of Old Kirkland Lake Gold. The following selected financial data for the last eight fiscal quarters has been prepared in accordance with IFRS and should be read in conjunction with the Company's Condensed Consolidated Interim Financial Statements for each of the periods considered below and the Consolidated Financial Statements for the year ended December 31, 2017.

	2017			
	Three Months Ended			
(in thousands except per share amounts)	**December 2017**	**September 2017**	**June 2017**	**March 2017**
Revenue	$212,364	$176,709	$189,894	$168,528
Earnings before income taxes	$54,799	$64,048	$52,294	$24,938
Net earnings	$40,980	$43,780	$34,552	$13,114
Basic earnings per share	$0.20	$0.21	$0.17	$0.06
Diluted earnings per share	$0.20	$0.20	$0.16	$0.06

	2016			
	Three Months Ended			
(in thousands except per share amounts)	December 2016 (Restated)	September 2016	June 2016	March 2016
Revenue	$134,225	$100,825	$91,689	$79,925
Earnings before income taxes	$11,194	$30,158	$17,017	$14,894
Net earnings	$3,076	$18,880	$10,641	$9,510
Basic earnings per share	$0.02	$0.15	$0.09	$0.09
Diluted earnings per share	$0.02	$0.15	$0.09	$0.09

The revenue and consequently the amount of net income and earnings per share is driven largely by the amount of gold produced and sold and is subject to fluctuations in the market price of gold in US dollars and the strength and weakening of the US dollar specifically against the Canadian and Australian dollars. The timing of gold pours, gold sales, gold price fluctuations, ore grade and gold inventory balances also affect quarterly results. Trends observed or averaged over a longer time period may be more representative of the true performance of the business.

Revenue and earnings during the previous eight quarters were largely influenced by the timing of the Company's business combinations over the period. Revenue increased from $27.9 million at December 31, 2015 to $79.9 million for the three months ended March 31, 2016, largely reflecting the completion of the St. Andrew Arrangement on January 26, 2016. Through the St. Andrew Arrangement, the Company acquired the Holt, Holloway and Taylor Mines in Northern Ontario. Revenue increased from $100.8 million for the quarter ended September 30, 2016 to $130.9 million for the quarter ended December 31, 2016, partially reflecting the completion of the Newmarket Arrangement on November 30, 2016 through which the Company acquired the Fosterville, Cosmo and Stawell Mines in Australia. Revenue increased to $168.5 million in the first quarter of 2017, representing the first full quarter of production from the Company's acquired Australian operations.

Revenue for 2017 increased to $747 . 5 million from $403 . 3 million for the same period in 2016, mainly reflecting the addition of the Company's Australian assets during the fourth quarter of 2016. Revenue from the Company's Canadian operations in 2017 increased to $393.0 million from $372.7 million in 2016 mainly reflecting the impact of higher gold production at Macassa, Holt and Taylor Mines.

COMMITMENTS AND CONTINGENCIES

Contractual obligations of the Company as at December 31, 2017 are as follows (in thousands):

As at December 31, 2017	Total	Less than a year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	**$84,746**	**$84,746**	**$—**	**$—**	**$—**
Finance lease payments	**42,267**	**18,480**	**23,787**	**—**	**—**
Office rent and other obligations	**5,558**	**1,643**	**2,230**	**1,509**	**176**
Income taxes payable	**8,337**	**8,337**	**—**	**—**	**—**
	$140,908	**$113,206**	**$26,017**	**$1,509**	**$176**

RELATED PARTY TRANSACTIONS

The remuneration of directors and executive officers is determined by the compensation committee of the Board of Directors. The directors' fees and other compensation of directors and executive officers were as follows:

	December 31, 2017	December 31, 2016
Officer salaries and short-term benefits	**$6,405**	$1,463
Share based payment expense	**3,173**	1,799
Directors fees	**553**	522
Severance payments	**1,461**	1,624
	$11,592	$5,408

Related party transactions are measured at the exchange amount which is the consideration agreed to between the parties.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reporting amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ materially from these estimates.

Significant Judgments in Applying Accounting Policies

Determination of functional currency

In accordance with International Accounting Standards ("IAS") 21, The Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of the Company's Canadian and Australian subsidiaries is, respectively, the Canadian and Australian dollar. Determination of functional currency involves judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Deferred income taxes

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company and/or its subsidiaries will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.

Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition of St Andrew on January 26, 2016 and Newmarket on November 30, 2016 met the criteria for accounting as a business combination.
Determination of reserves and resources

Accounting Estimates and Assumptions

Determination of reserves and resources

Reserve and resource estimates are used in the unit of production calculation for depletion and depreciation expense, the determination of the timing of rehabilitation provision costs, business combination accounting and impairment analysis.

There are numerous uncertainties inherent in estimating reserves and resources. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs, or recovery rates as well as new drilling results may change the economic status of reserves and resources and may result in the reserves and resources being revised.

Deferred income taxes

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company and/or its subsidiaries to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company and its subsidiaries operate could limit the ability of the Company to obtain tax deductions in future periods.

Business combinations

The allocation of the purchase price of acquisitions requires estimates as to the fair market value of acquired assets and liabilities. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of mineral reserves and mineral resources and exploration potential of the assets acquired, future operating costs and capital expenditures, discount rates to determine fair value of assets acquired and future metal prices and long term foreign exchange rates.

Changes to the preliminary measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined within one year of the acquisition date.

Impairment of assets

The carrying amounts of mining properties and plant and equipment are assessed for any impairment triggers such as events or changes in circumstances which indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash generating unit level ("CGU").

The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

Environmental rehabilitation

Significant estimates and assumptions are made in determining the environmental rehabilitation costs as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates.

Those uncertainties may result in actual expenditures in the future being different from the amounts currently provided. The provision represents management's best estimate of the present value of the future rehabilitation costs required.

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Company's significant accounting policies and future changes in accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2017. The following outlines the new accounting policies adopted by the Company effective January 1, 2017 and those new standards and interpretations not yet adopted by the Company.

Adoption of new accounting standards

The Company has adopted the following amendments to accounting standards, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

IAS 12, Income Taxes ("IAS 12")
The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of a reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. The amendments to the standard did not have a material impact on the consolidated financial statements.

IAS 7, Statement of Cash Flows
This amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The Company has presented the required disclosures for the current period in note 22.

Accounting Standards Issued But Not yet Adopted

IFRS 9, Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9"), which replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company will adopt IFRS 9 for the annual period beginning January 1, 2018 and will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification of its available for sale investments. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 introduces a reformed approach to hedge accounting. IFRS 9 also largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Company has completed its assessment of the impact of IFRS 9 and expects the following impacts upon adoption:

i) The Company holds several equity investments as available for sale that are currently measured at FVTOCI under IAS 39 with a fair value of $100,109 as at December 31, 2017. Under the new standard, the Company will make the irrevocable election under IFRS 9 to measure its available for sale investments at FVTOCI. As a result, all fair value gains and losses will be reported in OCI, no future impairment losses will be recognized in net earnings, similarly no gains or losses will be reclassified to net earnings on disposal.

As at December 31, 2017, the balance of unrealized gains which will continue to remain within accumulated other comprehensive income is $26,764 . The new classification and measurement requirements under IFRS 9 are not expected to have a material impact on the Company's other financial assets and financial liabilities.

ii) The other changes under IFRS 9, including the new ECL impairment model, are not expected to have a material impact on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") proposes to replace IAS 18 Revenue, IAS 11 Construction Contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company will adopt IFRS 15 for the annual period beginning January 1, 2018. Based on the Company's preliminary assessment, it concluded that the new revenue standard will not have an impact on the timing of revenue recognition at its Canadian or Australian operations.

IFRS 16, Leases

In January 2016, the IASB issued the IFRS 16, Leases ("IFRS 16") which replaces the existing lease accounting guidance. IFRS 16 requires all leases to be reported on the balance sheet as well as corresponding depreciation and interest expense, unless certain criteria for exclusion are met.

The Company will adopt IFRS 16 for the annual period beginning January 1, 2019. The Company expects IFRS 16 will result in the recognition of additional assets and liabilities on the balance sheet, and a corresponding increase in depreciation and interest expense. The Company also expects cash flow from operating activities to increase under IFRS 16 as lease payments for most leases will be recorded as financing outflows in the statement of cash flows. The extent of the impact of adopting the standard has not yet been determined.

The Company is in the process of developing its implementation plan and expects to report more detailed information, including estimated quantitative financial impacts, if material, in its consolidated financial statements as the effective date approaches.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Company will adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. Based on the Company's assessment, this interpretation will not have a material impact on the dates used for translation for advance payments or receipts in foreign currencies.

IFRIC 23, Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of assessing the impact that the new interpretation will have on its consolidated financial statements.

NON-IFRS MEASURES

The Company has included certain non-IFRS measures in this document, as discussed below. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

Free Cash Flow

In the gold mining industry, free cash flow is a common performance measure with no standardized meaning. Free cash flow is calculated by deducting capital cash spending (capital expenditures for the period, net of expenditures paid through finance leases) from net cash provided by operating activities of continuing operations.

The Company discloses free cash flow as it believes the measures provide valuable assistance to investors and analysts in evaluating the Company's ability to generate cash flow. The most directly comparable measure prepared in accordance with IFRS is cash flows generated from net cash provided by operating activities of continuing operations

Free cash flow is reconciled to the amounts included in the Consolidated Statements of Cash Flows as follows:

(in thousands, except per share amounts)	**Three months ended December 31, 2017**	Three months ended December 31, 2016 *(Restated)*	Three months ended September 30, 2017	**Year ended December 31, 2017**	Year ended December 31, 2016 *(Restated)*
Net cash provided by operating activities of continuing operations	**$103,351**	$68,456	$66,829	**$309,812**	$186,981
Mineral property additions	**(16,184)**	(16,306)	(24,435)	**(85,643)**	(57,778)
Plant and equipment (1)	**(22,648)**	(6,805)	(10,863)	**(46,197)**	(15,273)
Free cash flow	**$64,519**	$45,345	$31,531	**$177,972**	$113,930

(1) Excludes finance lease additions

Operating Cash Costs and Operating Cash Costs per Tonne and Ounce Sold

Operating cash costs and operating cash cost per tonne and per ounce sold are non-IFRS measures. In the gold mining industry, these metrics are common performance measures but do not have any standardized meaning under IFRS. Operating cash costs include mine site operating costs such as mining, processing and administration, but exclude royalty expenses, depreciation and depletion and share based payment expenses and reclamation costs. Operating cash costs per tonne of ore produced is calculated by dividing operating cash costs to tonnes milled; operating cash cost per ounce sold is based on ounces sold and is calculated by dividing operating cash costs by volume of gold ounces sold.

The Company discloses operating cash costs and operating cash cost per tonne and per ounce sold as it believes the measures provide valuable assistance to investors and analysts in evaluating the Company's operational performance and ability to generate cash flow. The most directly comparable measure prepared in accordance with IFRS is total production expenses. Operating cash costs and operating cash cost per ore tonne produced and per ounce of gold sold should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Sustaining and Growth Capital

Sustaining capital and growth capital are Non-IFRS measures. Sustaining capital is defined as capital required to maintain current operations at existing levels. Growth capital is defined as capital expenditures for major growth projects or enhancement capital for significant infrastructure improvements at existing operations.

	Three months ended December 31, 2017	Three months ended December 31, 2016 (Restated)	Three months ended September 30, 2017	**Year ended December 31, 2017**	Year ended December 31, 2016 (Restated)
Sustaining capital	**$51,644**	$31,701	$38,311	**$147,706**	$86,623
Growth capital	**5,446**	55,106	68,130	**16,817**	184
Total capital expenditures	**$57,090**	**$86,807**	**$106,441**	**$164,523**	**$86,807**

AISC and AISC per Ounce Sold

AISC and AISC per ounce sold are Non-IFRS measures. These measures are intended to assist readers in evaluating the total costs of producing gold from current operations. While there is no standardized meaning across the industry for this measure, the Company's definition conforms to the definition of AISC as set out by the World Gold Council in its guidance note dated June 27, 2013.

The Company defines AISC as the sum of operating costs (as defined and calculated above), royalty expenses, sustaining capital, corporate expenses, underground exploration expenses and reclamation cost accretion related to current operations. Corporate expenses include general and administrative expenses, net of transaction related costs, severance expenses for management changes and interest income. AISC excludes growth capital, reclamation cost accretion not related to current operations, interest expense, debt repayment and taxes.

Total cash costs and AISC Reconciliation

The following tables reconciles these non-IFRS measures to the most directly comparable IFRS measures available for the three months and year ended December 31, 2017 and 2016 and the three months ended September 30, 2017:

Year ended December 31, 2017

(in thousands, except per tonne and per ounce amounts)	Holt Mine	Holloway Mine	Taylor Mine	Holt Mine Complex (1)	Macassa Mine	Total Canadian Operations	Fosterville Mine	Cosmo Mine	Total Australian Operations	General and administrative	Total Consolidated
Production costs	$44,820	$2,833	$29,646	$77,299	$102,743	**$180,042**	$70,906	$37,367	**$108,273**	$—	**$288,315**
Stock-based compensation	(30)	—	(13)	(43)	(216)	**(259)**	(138)	—	**(138)**	—	**(397)**
Purchase Price Allocation	—	—	—	—	—	**—**	(2,630)	—	**(2,630)**	—	**(2,630)**
Operating cash costs	44,790	2,833	29,633	77,256	102,527	**179,783**	68,138	37,367	**105,505**	—	**285,288**
Royalties	8,644	32	911	9,587	5,376	**14,963**	6,433	—	**6,433**	—	**21,396**
Stock-based compensation	30	—	21	51	218	**269**	138	—	**138**	3,937	**4,344**
Rehabilitation and remediation	83	3	18	104	173	**277**	95	634	**729**	—	**1,006**
General and administrative costs	—	—	—	—	—	**—**	—	—	**—**	21,699	**21,699**
Mine development	9,238	—	11,315	20,553	29,058	**49,611**	36,496	5,680	**42,176**	—	**91,787**
Plant and equipment	5,407	—	5,290	10,697	28,380	**39,077**	15,641	1,201	**16,842**	—	**55,919**
AISC	$68,192	$2,868	$47,188	$118,248	$165,732	**$283,980**	$126,941	$44,882	**$171,823**	$25,636	**$481,439**
Ounces of gold sold	65,406	1,780	48,564	115,750	196,119	**311,869**	258,315	22,490	**280,805**	—	**592,674**
Operating cash cost per ounce sold	$685	$1,592	$610	$667	$523	**$576**	$264	$1,661	**$376**	$—	**$481**
AISC per ounce sold	$1,043	$1,611	$972	$1,022	$845	**$911**	$491	$1,996	**$612**	$—	**$812**

(1) *Holt Mine Complex includes Holloway Mine, which was transitioned into Care and Maintenance at the beginning of 2017.*

Three months ended December 31, 2017

(in thousands, except per tonne and per ounce amounts)	Holt Mine	Taylor Mine	Holt Mine Complex	Macassa Mine	Total Canadian Operations	Fosterville Mine	Cosmo Mine	Total Australian Operations	General and administrative	Total Consolidated
Production costs	$11,508	$8,289	$21,597	$28,642	**$50,239**	$18,043	$—	**$18,043**	$—	**$68,282**
Stock-based compensation	(16)	5	(11)	(33)	**(44)**	—	—	**—**	—	**(44)**
Purchase Price Allocation	—	—	—	—	**—**	—	—	**—**	—	**—**
Operating cash costs	11,492	8,294	21,586	28,609	**50,195**	18,043	—	**18,043**	—	**68,238**
Royalties	2,502	272	2,774	1,374	**4,148**	2,052		**2,052**	—	**6,200**
Stock-based compensation	16	3	19	35	**54**	—	—	**—**	687	**741**
Rehabilitation and remediation	(24)	(9)	(33)	173	**140**	52	626	**678**	—	**818**
General and administrative costs	—	—	—	—	**—**	—	—	**—**	7,603	**7,603**
Mine development	2,707	6,192	8,899	6,331	**15,230**	12,855	213	**13,068**	—	**28,298**
Plant and equipment	2,275	2,384	4,659	14,036	**18,695**	4,651	—	**4,651**	—	**23,346**
AISC	$18,968	$17,136	$37,904	$50,558	**$88,462**	$37,653	$839	**$38,492**	$8,290	**$135,244**
Ounces of gold sold	18,404	14,438	32,850	52,865	**85,715**	80,000	—	**80,058**	—	**165,715**
Operating cash cost per ounce sold	$624	$574	$657	$541	**$586**	$226	$—	**$225**	$—	**$412**
AISC per ounce sold	$1,031	$1,187	$1,154	$956	**$1,032**	$471	$—	**$481**	$—	**$816**

Year ended December 31, 2016

(in thousands, except per tonne and per ounce amounts)	Holt Mine	Holloway Mine	Taylor Mine	Holt Mine Complex	Macassa Mine	Total Canadian Operations	Fosterville Mine	Cosmo Mine	Stawell Mine	Total Australian Operations	General and administrative	Total Consolidated
Production costs	$36,752	$22,068	$21,309	$80,129	$91,279	**$171,408**	$14,637	$6,797	$5,527	**$26,961**	$—	**$198,369**
Stock-based compensation	(21)	(21)	(21)	(63)	(280)	**(343)**	—	—	—	—	—	**(343)**
Purchase Price Allocation	(1,335)	(58)	(1,958)	(3,351)	—	**(3,351)**	(6,478)	—	—	**(6,478)**	—	**(9,829)**
Operating cash costs	35,396	21,989	19,330	76,715	90,999	**167,714**	8,159	6,797	5,527	**20,483**	—	**188,197**
Royalties	6,882	2,562	555	9,999	5,070	**15,069**	483	—	35	**518**	—	**15,587**
Stock-based compensation	21	21	21	63	1,510	**1,573**	—	—	—	—	1,230	**2,803**
Rehabilitation and remediation	133	31	36	200	123	**323**	15	32	7	**54**	—	**377**
Underground mine drilling	—	512	548	1,060	2,501	**3,561**	—	—	—	—	—	**3,561**
General and administrative costs	—	—	—	—	—	—	—	—	—	—	9,137	**9,137**
Mine development	10,914	1,491	6,748	19,153	33,551	**52,704**	2,861	178	—	**3,039**	—	**55,743**
Plant and equipment	5,940	2,857	3,288	12,085	17,736	**29,821**	539	472	48	**1,059**	—	**30,880**
AISC	$59,286	$29,463	$30,526	$119,275	$151,490	**$270,765**	$12,057	$7,479	$5,617	**$25,153**	$10,367	**$306,285**
Ounces of gold sold	56,792	27,129	44,086	128,007	172,784	**300,791**	19,408	6,487	2,802	**28,697**	—	**329,488**
Operating cash cost per ounce sold	$623	$811	$438	$599	$527	**$558**	$420	$1,048	$1,973	**$714**	$—	**$571**
AISC per ounce sold	$1,044	$1,086	$692	$932	$877	**$900**	$641	$1,153	$2,005	**$877**	$—	**$930**

(1) *Purchase price allocation represents the impact on production costs of the valuation of metal inventory acquired with the business combinations.*
(2) *General and administration costs are net of finance and certain other income items.*
(3) *Mine development excludes certain items regarded as capital growth spending.*

Three months ended December 31, 2016

(in thousands, except per tonne and per ounce amounts)	Holt Mine	Holloway Mine	Taylor Mine	Holt Mine Complex	Macassa Mine	Total Canadian Operations	Fosterville Mine	Cosmo Mine	Stawell Mine	Total Australian Operations	General and administrative	Total Consolidated
Production costs	$8,286	$6,248	$4,670	**$19,204**	$19,988	$39,192	$14,637	$6,797	$5,527	**$26,961**	$—	**$66,153**
Stock-based compensation	(21)	(21)	(21)	**(63)**	(79)	(142)	—	—	—	—	—	**(142)**
Purchase Price Allocation	—	—	—	—	—	—	(6,478)	—	—	**(6,478)**	—	**(6,478)**
Operating cash costs	8,265	6,227	4,649	**19,141**	19,909	39,050	8,159	6,797	5,527	**20,483**	—	**59,533**
Royalties	1,820	876	127	**2,823**	867	3,690	483	—	35	**518**	—	**4,208**
Stock-based compensation	21	21	21	**63**	198	261	—	—	—	—	1,348	**1,609**
Rehabilitation and remediation	34	7	9	**50**	12	62	15	32	7	**54**	—	**116**
Mine exploration	—	84	86	**170**	610	780	—	—	—	—	—	**780**
General and administrative costs	—	—	—	—	—	—	—	—	—	—	2,625	**2,625**
Mine development	2,981	294	2,073	**5,348**	7,691	13,039	2,861	178	—	**3,039**	—	**16,078**
Plant and equipment	2,702	1,170	1,311	**5,183**	9,381	14,564	539	472	48	**1,059**	—	**15,623**
AISC	$15,823	$8,679	$8,276	**$32,778**	$38,668	$71,446	$12,057	$7,479	$5,617	**$25,153**	$3,973	**$100,572**
Ounces of gold sold	15,242	10,001	10,414	**35,657**	47,342	82,999	19,408	6,487	2,802	**28,697**	—	**111,696**
Operating cash cost per ounce sold	$542	$623	$446	**$537**	$421	$470	$420	$1,048	$1,973	**$714**	$—	**$533**
AISC per ounce sold	$1,038	$868	$795	**$919**	$817	$861	$641	$1,153	$2,005	**$877**	$—	**$900**

(1) *Purchase price allocation represents the impact on production costs of the valuation of metal inventory acquired with the business combinations.*
(2) *GeneraL and administration costs are net of finance and certain other income items.*

Three months ended September 30, 2017

(in thousands, except per tonne and per ounce amounts)	Holt Mine	Holloway Mine	Taylor Mine	Holt Mine Complex	Macassa Mine	Total Canadian Operations	Fosterville Mine	Cosmo Mine	Total Australian Operations	General and administrative	Total Consolidated
Production costs	$11,055	$—	$7,813	$18,868	$23,225	**$42,093**	$18,583	$5,821	**$24,404**	$—	**$66,497**
Stock-based compensation	(12)	—	—	(12)	(44)	**(56)**	—	—	**—**	—	**(56)**
Purchase Price Allocation	—	—	—	—	—	**—**	—	—	**—**	—	**—**
Operating cash costs	11,043	—	7,813	18,856	23,181	**42,037**	18,583	5,821	**24,404**	—	**66,441**
Royalties	2,135	—	222	2,357	1,179	**3,536**	1,584	—	**1,584**	—	**5,120**
Stock-based compensation	12	—	—	12	44	**56**	—	—	**—**	1,012	**1,068**
Rehabilitation and remediation	37	—	9	46	20	**66**	4	(41)	**(37)**	—	**29**
General and administrative costs	—	—	—	—	—	**—**	—	—	**—**	5,566	**5,566**
Mine development	2,085	—	1,897	3,982	7,820	**11,802**	7,656	246	**7,902**	—	**19,704**
Plant and equipment	2,851	—	2,244	5,095	5,161	**10,256**	8,351	—	**8,351**	—	**18,607**
AISC	$18,163	$—	$12,185	$30,348	$37,405	**$67,753**	$36,178	$6,026	**$42,204**	$6,578	**$116,535**
Ounces of gold sold	16,280	2	11,558	27,840	44,456	**72,296**	62,998	2,614	**65,612**	—	**137,908**
Operating cash cost per ounce sold	$678	$—	$676	$677	$521	**$581**	$295	$2,227	**$372**	$—	**$482**
AISC per ounce sold	$1,116	$—	$1,054	$1,090	$841	**$937**	$574	$2,305	**$643**	$—	**$845**

(1) *Purchase price allocation represents the impact on production costs of the valuation of metal inventory acquired with the business combinations.*
(2) *General and administration costs are net of finance and certain other income items.*
(3) *Mine development excludes certain items regarded as capital growth spending.*

Average Realized Price per Ounce Sold

In the gold mining industry, average realized price per ounce sold is a common performance measure that does not have any standardized meaning. The most directly comparable measure prepared in accordance with IFRS is revenue from gold sales. Average realized price per ounces sold should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The measure is intended to assist readers in evaluating the total revenues realized in a period from current operations.

Average realized price per ounce sold is reconciled for the periods presented as follows:

	Three months ended December 31, 2017	Three months ended December 31, 2016 *(Restated)*	Three months ended September 30, 2017	**Year ended December 31, 2017**	Year ended December 31, 2016 *(Restated)*
Revenue from gold sales (in thousands)	**$212,364**	$130,900	**$176,709**	**$747,495**	$403,340
Ounces sold	**165,713**	111,690	**137,908**	**592,732**	329,489
Average realized price per ounce sold	**$1,282**	$1,172	**$1,281**	**$1,261**	$1,224

Adjusted Net Earnings from Continuing Operations and Adjusted Net Earnings per Share from Continuing Operations

Adjusted net earnings from continuing operations and adjusted net earnings per share from continuing operations are used by management and investors to measure the underlying operating performance of the Company.

Adjusted net earnings from continuing operations is defined as net earnings adjusted to exclude the after-tax impact of specific items that are significant, but not reflective of the underlying operations of the Company, including transaction costs and executive severance payments, purchase price adjustments reflected in inventory, and other non-recurring items. Adjusted net earnings per share from continuing operations is calculated using the weighted average number of shares outstanding for adjusted net earnings per share from continuing operations.

(in thousands, except per share amounts)	**Three months ended December 31, 2017**	Three months ended December 31, 2016 *(Restated)*	Three months ended September 30, 2017	**Year ended December 31, 2017**	Year ended December 31, 2016 *(Restated)*
Net earnings	**$40,980**	$3,076	$43,780	**$132,426**	$42,107
Loss (gain) on warrant investment	**17,601**	—	(19,219)	**(1,618)**	—
Transaction costs	—	14,379	—	**397**	17,746
PPA adjustment on inventory (1)	—	6,478	—	**2,630**	9,829
Executive severance payments	—	—	383	**1,461**	1,624
Income tax related to above adjustments	**(2,332)**	(5,754)	2,445	**(1,067)**	(8,082)
Loss on discontinued operations	**24,904**	4,627	—	**24,904**	4,627
Net deferred tax recovery (2)	**(10,000)**	—	—	**(10,000)**	—
Adjusted net earnings from continuing operations	**71,153**	22,806	27,389	**149,133**	67,851
Weighted average shares outstanding - basic ('000s)	**207,737**	146,458	208,149	**207,436**	121,172
Adjusted net earnings per share from continuing operations	**$0.34**	$0.16	$0.14	**$0.72**	$0.56

(1) Purchase price allocation represents the impact on production costs of the valuation of metal inventory acquired with the business combinations.
(2) One-time net deferred tax recovery of $52.6 million partially offset by one-time current and deferred tax expense of $42.6 million related to the tax impacts of Australian reorganizations and Canadian flow through shares.

Earnings from Continuing Operations before Interest, Taxes, Depreciation, and Amortization ("EBITDA from continuing operations")

EBITDA from continuing operations represents net earnings from continuing operations before interest, taxes, depreciation and amortization. EBITDA from continuing operations is an indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures.

The following is a reconciliation of EBITDA from continuing operations to the consolidated financial statements:

(in thousands, except per share amounts)	**Three months ended December 31, 2017**	Three months ended December 31, 2016	Three months ended September 30, 2017	**Year ended December 31, 2017**	Year ended December 31, 2016
Net earnings	**$40,980**	$3,076	$43,780	**$132,426**	$42,107
Loss from discontinued operations	**24,904**	4,627	—	**24,904**	4,627
Earnings from continuing operations	**65,884**	7,703	43,780	**157,330**	46,734
Add back:					
Finance costs	**3,455**	3,031	2,350	**12,206**	11,628
Depletion and depreciation	**45,621**	24,491	31,686	**148,655**	58,970
Current income tax expense	**13,826**	(310)	11,976	**44,223**	2,800
Deferred income tax (recovery) expense	**($24,911)**	$10,305	$8,292	**($5,474)**	$30,233
EBITDA from continuing operations	**$103,875**	$45,220	$98,084	**$356,940**	$150,365

Working Capital

Working capital is a Non-IFRS measure. In the gold mining industry, working capital is a common measure of liquidity, but does not have any standardized meaning.

The most directly comparable measure prepared in accordance with IFRS is current assets and current liabilities. Working capital is calculated by deducting current liabilities from current assets. Working capital should not be considered in isolation or as a substitute from measures prepared in accordance with IFRS. The measure is intended to assist readers in evaluating the Company's liquidity. Working capital is reconciled to the amounts in the Consolidated Statements of Financial Position as follows:

(in thousands)	**As at December 31, 2017**	As at December 31, 2016
Current assets	**$299,618**	$289,886
Current liablities	**130,472**	197,579
Working capital	**$169,146**	$92,307

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the President and Chief Executive Officer ("CEO") and the Executive Vice President and Chief Financial Officer ("CFO"), as appropriate to permit timely decisions regarding public disclosure.

Kirkland Lake Gold's management, including the CEO and CFO, have as at December 31, 2017, designed Disclosure Controls and Procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators), or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the issuer is made known to them by others, particularly during the period in which the interim or annual filings are being prepared; and information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

Kirkland Lake Gold's management, including the CEO and CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Kirkland Lake Gold's management, including the CEO and CFO, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed.

Management used the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to evaluate the effectiveness of the Company's internal controls for the year ended
December 31, 2017. Based on this evaluation, management concluded that the Company's internal control over financial reporting was operating effectively as at December 31, 2017 to provide reasonable assurance the financial information is recorded, processed, summarized and reported in a timely manner.

Due to its inherent limitations, internal controls over financial reporting and disclosure may not prevent or detect all misstatements. Management will continue to monitor the effectiveness of its internal control over financial reporting and disclosure controls and procedures and may make modifications from time to time as considered necessary.

There have been no changes in the Company's internal control over financial reporting during the three months and year ended December 31, 2017, that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

The exploration, development and mining of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Kirkland Lake Gold is subject to several financial and operational risks that could have a significant impact on its cash flows and profitability. The most significant risks and uncertainties faced by the Company include: the price of gold; the uncertainty of production estimates, including the ability to extract anticipated tonnes and successfully realizing estimated grades; changes to operating and capital cost assumptions; the inherent risk associated with project development and permitting processes; the uncertainty of the mineral resources and their development into mineral reserves; the replacement of depleted reserves; foreign exchange risks; regulatory; tax as well as health, safety, and environmental risks. For more extensive discussion on risks and uncertainties refer to the "Risks and Uncertainties" section in the December 31, 2016 Annual Information Form and the Company's MD&A for the period ended December 31, 2017 filed on SEDAR.

Price of Gold

The Company's profitability and long-term viability depend, in large part, upon the market price of gold. Market price fluctuations of gold could adversely affect the profitability of the Company's operations and lead to impairments and write downs of mineral properties. Metal prices fluctuate widely and are affected by numerous factors beyond the Company's control, including: global and regional supply and demand for industrial products containing metals generally; and global or regional political or economic conditions.

There can be no assurance that metal prices will remain at current levels or that such prices will improve. A decrease in the market prices could adversely affect the profitability of the Company's existing mines and projects as well as its ability to finance the exploration and development of additional properties, which would have a material adverse effect on the Company's results of operations, cash flows and financial position. A decline in metal prices may require the Company to write-down mineral reserve and mineral resource estimates, which could result in material impairments of investments in mining properties. Further, if revenue from metal sales declines, the Company may experience liquidity difficulties. Its cash flow from mining operations may be insufficient to meet its operating needs, and as a result the Company could be forced to discontinue production and could lose its interest in, or be forced to sell, some or all of its properties.

In addition to adversely affecting mineral reserve and mineral resource estimates and the Company's results of operations, cash flows and financial position, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project and such reassessment may cause substantial delays or further interruptions which may have a material adverse effect on the Company's results of operations, cash flows and financial position.

Exploration, Development and Operating Risks

Mining operations are inherently dangerous and generally involve a high degree of risk. Kirkland Lake Gold's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of precious and base metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, personal injury or loss of life and damage to tailings dams, property, and environmental damage, all of which may result in possible legal liability. Although the Company expects that adequate precautions to minimize risk will be taken, mining operations are subject to hazards such as fire, rock falls, geomechanical issues, equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. The occurrence of any of these events could result in a prolonged interruption of the Company's operations that would have a material adverse effect on its business, financial condition, results of operations and prospects. Further, the Company may be subject to liability or sustain losses in relation to certain risks and hazards against it cannot insure or for which it may elect not to insure. The occurrence of operational risks and/or a shortfall or lack of insurance coverage could have a material adverse impact on our future cash flows, earnings, results of operations and financial condition.

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Kirkland Lake Gold will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices that are highly cyclical, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Kirkland Lake Gold not receiving an adequate return on invested capital. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Development projects have no operating history upon which to base estimates of future capital and operating costs. For development projects, resource estimates and estimates of operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of capital and operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from ore, estimated operating costs, and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production can often occur.

Mineral exploration is highly speculative in nature. There can be no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves.

The Company's ability to meet development and production schedules and cost estimates for its development and expansion projects cannot be assured. Without limiting the generality of the foregoing, Kirkland Lake Gold is in the process of undertaking permitting efforts with respect to the Macassa Shaft Project, permitting with respect to its new tailings facility at the Macassa Mine, rehabilitiation of the current tailings facility at the Macassa Mine, the development and implementation of a paste fill plant for the Fosterville Mine and a water treatment plant at the Fosterville Mine. Technical considerations, delays in obtaining government approvals and necessary permits, the inability to obtain financing and/or the unanticipated costs associated with the development and construction of such projects could lead to further delays and delays in current mining operations in developing certain properties. Such delays could materially affect the financial performance of the Company.

Health, Safety and Environmental Risks and Hazards

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities due to accidents that could result in serious injury or death and/or material damage to the environment and Company assets. The impact of such accidents could affect the profitability of the operations, cause an interruption to operations, lead to a loss of licenses, affect the reputation of the Company and its ability to obtain further licenses, damage community relations and reduce the perceived appeal of the Company as an employer. Personnel involved in the Company's operations are subject to many inherent risks, including but not limited to, rock bursts, cave-ins, flooding, fall of ground, electricity, slips and falls and moving equipment that could result in occupational illness, health issues and personal injuries. The Company strives to manage all such risks in compliance with local and international standards. The Company has implemented various health and safety measures designed to mitigate such risks, including the implementation of improved risk identification and reporting systems across the Company, effective management systems to identify and minimize health and safety risks, health and safety training and the promotion of enhanced employee commitment and accountability, including a fitness for work program which focuses on fatigue, stress, and alcohol and drug abuse. Such precautions, however, may not be sufficient to eliminate health and safety risks and employees, contractors and others may not adhere to the occupational health and safety programs that are in place. Any such occupational health and personal safety issues may adversely affect the business of the Company and its future operations.

All phases of the Company's operations are also subject to environmental and safety regulations in the jurisdictions in which it operates. These regulations mandate, among other things, water and air quality standards, noise, surface disturbance, the impact on flora and fauna and land reclamation, and regulate the generation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that the Company has been or will at all times be in full compliance with all environmental laws and regulations or hold, and be in full compliance with, all required environmental, health and safety permits. In addition, no assurances can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have an adverse effect on the Company's financial position and operations. The potential costs and delays associated with compliance with such laws, regulations and permits could prevent the Company from proceeding with the development of a project or the operation or further development of a project, and any non-compliance therewith may adversely affect the Company's business, financial condition and results of operations. Environmental hazards may also exist on the properties on which the Company holds interests that are unknown to the Company at present and that have been caused by previous or existing owners or operators of the properties.

Government environmental approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The costs associated with such instances and liabilities could be significant. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduced levels of production at producing properties or require abandonment or delays in development of its mining properties. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. The Company may also be held financially responsible for remediation of contamination at current or former sites, or at third party sites. The Company could also be held responsible for exposure to hazardous substances.

In the context of environmental permits, including the approval of reclamation plans, Kirkland Lake Gold must comply with standards, laws and regulations that may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the regulatory authority. The reclamation liability on any of Kirkland Lake Gold's properties will be calculated based on current laws and regulations and the expected future costs to be incurred in reclaiming, restoring and closing its exploration or operating mine sites. The Company may incur costs associated with reclamation activities, which may materially exceed the provisions established by the Company for the activities. In addition, possible additional future regulatory requirements may require additional reclamation requirements creating uncertainties related to future reclamation costs. Should the Company be unable to post required financial assurance related to an environmental remediation obligation, the Company might be prohibited from starting planned operations or required to suspend existing operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect.

Foreign Operations and Political Risk

Kirkland Lake Gold conducts mining, development and exploration and other activities in Canada and Australia. Inherent risks with conducting foreign operations include, but are not limited to: renegotiation, cancellation or forced modification of existing contracts; expropriation or nationalization of property; changes in laws or policies or increasing legal and regulatory requirements of particular countries including those relating to taxation, royalties, imports, exports, duties, currency, or other claims by government entities, including retroactive claims and/or changes in the administration of laws, policies and practices; uncertain political and economic environments; war, terrorism, sabotage and civil disturbances; delays in obtaining or the inability to obtain or maintain necessary governmental permits or to operate in accordance with such permits or regulatory requirements; currency fluctuations; import and export regulations, including restrictions on the export of gold or other minerals; limitations on the repatriation of earnings; and increased financing costs.

These risks may limit or disrupt operating mines or projects, restrict the movement of funds, cause the Company to have to expend more funds than previously expected or required, or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation, and may materially adversely affect the Company's financial position or results of operations.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that the Company continues to realize its existing identified mineral reserves, convert mineral resources into mineral reserves, increase its mineral resource base by adding new mineral resources from areas of identified mineralized potential, and/or undertake successful exploration or acquire new mineral resources.

The figures for mineral reserves and mineral resources contained in this MD&A are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves will be mined or processed profitably. Actual mineral reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may differ from estimated levels. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its mineral reserve estimates from time to time or may render the Company's mineral reserves uneconomic to exploit. Mineral reserve data is not indicative of future results of operations. If the Company's actual mineral reserves and mineral resources are less than current estimates or if the Company fails to develop its mineral resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of mineral reserves and mineral resources occurs from time to time and estimates may change depending on further geological interpretation, drilling results and metal prices, which could have a negative effect on the Company's operations. The category of inferred mineral resource is often the least reliable mineral resource category and is subject to the most variability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to proven mineral reserves and probable mineral reserves as a result of continued exploration. The Company regularly evaluates its mineral resources and it often determines the merits of increasing the reliability of its overall mineral resources.

Replacement of Depleted Mineral Reserves

Given that mines have limited lives based on proven and probable mineral reserves, the Company must continually replace and expand its mineral resources and mineral reserves at its gold mines and discover, develop, or acquire mineral reserves for production. The Company's ability to maintain or increase its annual production of gold will depend in significant part on its ability to bring new mines into production and to expand mineral reserves or extend the life of existing mines.

Uncertainty Relating to Mineral Resources

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may be attached to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to measured or indicated mineral resources as a result of continued exploration.

Production Estimates

Kirkland Lake Gold has prepared estimates of future gold production for its existing and future mines. The Company cannot give any assurance that such estimates will be achieved. Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, profitability, results of operations and financial conditions. The realization of production estimates are dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions (including hydrology), the physical characteristics of ores, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining, ore haulage and processing. Actual production may vary from estimates for a variety of reasons, including the actual ore mined varying from estimates of grade or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of ore or not); short-term operating factors such as the need for sequential development of ore bodies and the processing of new or adjacent ore stopes from those planned; mine failures or slope failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; plant and equipment failure; the inability to process certain types of ores; labour shortages or strikes; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment. Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of Kirkland Lake Gold or others, monetary losses and legal liabilities in addition to adversely affecting mineral production. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable, forcing Kirkland Lake Gold to cease production.

Cost Estimates

Capital and operating cost estimates made in respect of Kirkland Lake Gold's mines and development projects may not prove accurate. Capital and operating cost estimates are based on the interpretation of geological data, feasibility studies, anticipated climatic conditions, market conditions for required products and services, and other factors and assumptions regarding foreign exchange currency rates. Any of the following events could affect the ultimate accuracy of such estimate: unanticipated changes in grade and tonnage of ore to be mined and processed; incorrect data on which engineering assumptions are made; delay in construction schedules, unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; labour negotiations; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals); and title claims.

Changes in the Company's production costs could have a major impact on its profitability. Its main production expenses are personnel and contractor costs, materials, and energy. Changes in costs of the Company's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, a change in commodity prices, increased costs (including oil, steel and diesel) and scarcity of labour, and could result in changes in profitability or mineral reserve estimates. Many of these factors may be beyond the Company's control.

The Company prepares estimates of future cash costs, operating costs and/or capital costs for each operation and project. There can be no assurance that uch estimates will be achieved and that actual costs will not exceed such estimates. Failure to achieve cost estimates and/or any material increases in costs not anticipated by the Company could have an adverse impact on future cash flows, profitability, results of operations and the financial condition of the Company.

Obligations as a Public Company

The Company's business is subject to evolving corporate governance and public disclosure regulations that may from time to time increase both the Company's compliance costs and the risk of non-compliance, which could adversely impact the price of the Common Shares.

The Company is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including, but not limited to, the Canadian Securities Administrators and the TSX. These rules and regulations continue to evolve in scope and complexity creating many new requirements. For example, the Government of Canada proclaimed into force the Extractive Sector Transparency Measures Act on June 1, 2015, which mandates the public disclosure of payments made by mining companies to all levels of domestic and foreign governments starting in 2017 for the year ended December 31, 2016. The Company's efforts to comply with such legislation could result in increased general and administration expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Government Regulation

The Company's business, mining operations and exploration and development activities are subject to extensive federal, state, territorial and local laws and regulations governing exploration, development, production, exports, taxes, labour standards, waste disposal, protection of the environment, reclamation, historic and cultural resource preservation, mine safety and occupational health, control of toxic substances, reporting and other matters. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, new rules and regulations may be enacted and existing rules and regulations may be applied in a manner that could limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition and results of operations. See also "Foreign Operations and Political Risk".

Acquisitions and Integration

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may experience dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Australian Foreign Investment Law

Pursuant to Australian law, a person acquiring control or direction, directly or indirectly, of 15% or more of the securities of the Company may be required to obtain prior approval from the Australian Foreign Investment Review Board. An investor who fails to obtain such approval may be subject to fines or may be forced to dispose of a portion of the investment. Investors should consult their own legal advisors prior to making any investment in securities of the Company.

Additional Capital

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and the failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

Market Price of Securities

The Common Shares are listed on the TSX, NSYE and the ASX. Securities markets have had a high level of price and volume volatility, and the market price of securities of many resource companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of Kirkland Lake Gold include macroeconomic developments locally and globally and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in mineral prices will not occur.

As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the Company's long-term value. In response to periods of volatility in the market price of a company's securities, shareholders may institute class action securities litigation. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of Kirkland Lake Gold.

Liquidity Risk

The Company has in the past and may in the future seek to acquire additional funding by the sale of Common Shares, the sale of assets or through the assumption of additional debt. Movements in the price of the Common Shares have been volatile in the past and may be volatile in the future. Furthermore, since approximately 10.4% of the Common Shares are held by Eric Sprott, the Chairman of the Board, the liquidity of the Company's securities may be negatively impacted.

Community Relations

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company, its operations or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which Kirkland Lake Gold operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk. Further, damage to the Company's reputation can be the result of the perceived or actual occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities,whether true or not. While the Company strives to uphold and maintain a positive image and reputation, the Company does not ultimately have control over how it is perceived by others. Reputation loss may lead to increased challenges in developing, maintaining community relations and advancing its projects and decreased investor confidence, all of which may have a material adverse impact on the financial performance and growth of the Company.

First Nations and Aboriginal Heritage

First Nations title claims and Aboriginal heritage issues may affect the ability of the Company to pursue exploration, development and mining on its properties. The resolution of First Nations and Aboriginal heritage issues is an integral part of exploration and mining operations in Canada and Australia and the Company is committed to managing any issues that may arise effectively. However, in view of the inherent legal and factual uncertainties relating to such issues, no assurance can be given that material adverse consequences will not arise.

Construction and Development of New Mines

The success of construction projects and the development of new mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities, the conduct of mining operations (including environmental permits), and the successful completion and operation of ore passes, among other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements of new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Company will be successful, that the Company will be able to obtain sufficient funds to finance construction and start-up activities, that the Company will be able to obtain all necessary governmental approvals and permits or that the construction, start-up and ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

Commercial viability of a new mine or development project is predicated on many factors. Mineral reserves and mineral resources projected by feasibility studies and technical assessments performed on the projects may not be realized, and the level of future metal prices needed to ensure commercial viability may not materialize. Consequently, there is a risk that start-up of new mine and development projects may be subject to write-down and/or closure as they may not be commercially viable.

Availability and Costs of Infrastructure, Energy and Other Commodities

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Kirkland Lake Gold's operations, financial condition and results of operations.

The profitability of the Company's operations will be dependent upon the cost and availability of commodities which are consumed or otherwise used in connection with the Company's operations and projects, including, but not limited to, diesel, fuel, natural gas, electricity, steel and concrete. Commodity prices fluctuate widely and are affected by numerous factors beyond the control of the Company. If there is a significant and sustained increase in the cost of certain commodities, the Company may decide that it is not economically feasible to continue all of the Company's commercial production and development activities and this could have an adverse effect on profitability. Higher worldwide demand for critical resources like input commodities, drilling equipment, mobile mining equipment, tires and skilled labour could affect the Company's ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on the Company's operating costs, capital expenditures and production schedules.

Further, the Company relies on certain key third-party suppliers and contractors for services, equipment, raw materials used in, and the provision of services necessary for, the development, construction and continuing operation of its assets. As a result, the Company's activities at its mine sites are subject to a number of risks, some of which are outside its control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or a contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen event and failure of a supplier or contractor to perform under its agreement with the Company. The occurrences of one or more of these events could have a material effect on the business, results of operations and financial condition of the Company.

Nature and Climatic Conditions

The Company and the mining industry are facing continued geotechnical challenges, which could adversely impact the Company's production and profitability. Unanticipated adverse geotechnical and hydrological conditions, such as landslides, droughts, pit wall failures and rock fragility may occur in the future and such events may not be detected in advance. Geotechnical instabilities and adverse climatic conditions can be difficult to predict and are often affected by risks and hazards outside of the Company's control, such as severe weather and considerable rainfall, which may lead to periodic floods, mudslides, wall instability and seismic activity, which may result in slippage of material.

Geotechnical failures could result in limited or restricted access to mine sites, suspension of operations, government investigations, increased monitoring costs, remediation costs, loss of ore and other impacts, which could cause one or more of the Company's projects to be less profitable than currently anticipated and could result in a material adverse effect on the Company's results of operations and financial position. At the Fosterville Mine, ore is processed by crushing and grinding followed by flotation, bacterial oxidation and carbon in leach (CIL) circuits. Downtime at the Fosterville BIOX® plant impacts bacterial activity and gold recovery in the BIOX® circuit, which could have a negative effect on the financial condition and results of operation of the mine.

Kirkland Lake Gold has properties located in the Northern Territory, Australia. Typically, the Northern Territory's tropical wet season is from the end of November to the end of March. During the wet season, the properties may be subject to unpredictable weather conditions such as cyclones, heavy rains, strong winds and flash flooding. Kirkland Lake Gold has undertaken several steps to minimize the effects of the wet season on its operations including sealing roads, accommodating the build-up of mined inventory and planning exploration and mining activities around the wet season. Nonetheless, no assurance can be given that the unpredictable weather conditions will not adversely affect mining and exploration activities. In particular, mining, drilling and exploration activities may be suspended due to poor ground conditions, ore haulage activities may be slowed or delayed as roads may be temporarily flooded, and deposits where the host rock is clayish in nature may have to be mined or processed at slower than anticipated rates and/or mixed with lower grade stockpile ore.

Information Technology

The Company is reliant on the continuous and uninterrupted operations of its information technology ("IT") systems. User access and security of all IT systems are critical elements to the operations of the Company. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any IT failure pertaining to availability, access or system security could result in disruption for personnel and could adversely affect the reputation, operations or financial performance of the Company.

The Company's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions by the Company's employees or vendors. A cyber security incident resulting in a security breach or failure to identify a security threat, could disrupt business and could result in the loss of business sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Permitting

The Company's operations are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of permits for the Company's existing operations, additional permits for any possible future changes to operations, or additional permits associated with new legislation. Prior to any development on any of its properties, the Company must receive permits from appropriate governmental authorities. There can be no assurance that the Company will continue to hold all permits necessary to develop or continue operating at any particular property. Any of these factors could have a material adverse effect on the Company's results of operations and financial position.

Insurance and Uninsured Risks

Kirkland Lake Gold's business is subject to a number of risks and hazards generally, including: adverse environmental conditions; industrial accidents; labour disputes; unusual or unexpected geological conditions; ground or slope failures; cave-ins; changes in the regulatory environment; and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Kirkland Lake Gold's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

The businesses and properties of Kirkland Lake Gold are insured against loss or damage, subject to a number of limitations and qualifications. Such insurance will not cover all the potential risks associated with a mining company's operations. Kirkland Lake Gold may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Kirkland Lake Gold or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that it may not be insured against or that Kirkland Lake Gold may elect not to insure against because of premium costs or other reasons. The Company may suffer a material adverse effect on its business, results of operations, cash flows and financial position if it incurs a material loss related to any significant event that is not covered, or adequately covered, by its insurance policies.

Competition

The mining industry is intensely competitive in all of its phases and Kirkland Lake Gold competes with many companies possessing greater financial and technical resources than itself. Competition in the precious metals mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a global basis. Such competition may result in Kirkland Lake Gold being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect Kirkland Lake Gold's prospects for mineral exploration and success in the future.

Currency Fluctuations

Currency fluctuations may affect the Company's capital costs and the costs that the Company incurs at its operations. Gold is sold throughout the world based principally on a United States dollar price, but most of the Company's operating and capital expenses are incurred in Australian dollars and Canadian dollars. The appreciation of these currencies against the United States dollar would increase the costs of gold production at such mining operations, which could materially and adversely affect Kirkland Lake Gold's profitability, results of operations and financial position.

Tax Matters

The Company's taxes are affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If the Company's filing position, application of tax incentives or similar "holidays" or benefits were to be challenged for any reason, this could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is subject to routine tax audits by various tax authorities. Tax audits may result in additional tax, interest payments and penalties which would negatively affect the Company's financial condition and operating results. New laws and regulations or changes in tax rules and regulations or the interpretation of tax laws by the courts or the tax authorities may also have a substantial negative impact on the Company's business. There is no assurance that the Company's current financial condition will not be materially adversely affected in the future due to such changes.

Foreign Mining Tax Regimes

Mining tax regimes in foreign jurisdictions are subject to differing interpretations and are subject to constant change. The Company's interpretation of taxation law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and the Company's operations may be assessed, which could result in significant additional taxes, penalties and interest. In addition, proposed changes to mining tax regimes in foreign jurisdictions could result in significant additional taxes payable by the Company, which would have a negative impact on the financial results of Kirkland Lake Gold.

Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. Legal proceedings may arise from time to time in the course of the Company's business. Such litigation may be brought in the future against Kirkland Lake Gold or one or more of its Subsidiaries or the Company or one or more of its Subsidiaries may be subject to another form of litigation. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. As of the date hereof, no material claims have been brought against the Company, nor has the Company received an indication that any material claims are forthcoming. However, due to the inherent uncertainty of the litigation process, should a material claim be brought against the Company, the process of defending such claims could take away from the time and effort management of the Company would otherwise devote to its business operations and the resolution of any particular legal proceeding to which the Company or one or more of its Subsidiaries may become subject could have a material adverse effect on the Company's financial position and results of operations.

Title to the Company's Mining Claims and Leases

The acquisition and maintenance of title to mineral properties is a very detailed and time-consuming process. While the Company has carried out reviews of title to its mining claims and leases, this should not be construed as a guarantee that title to such interests will not be challenged or impugned. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure mine tenure may be severely constrained. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, royalty transfers or claims, including native land claims, other encumbrances and title may be affected by, among other things, undetected defects. The Company has had difficulty in registering ownership of certain titles in its own name due to the demise of the original vendors of such titles when owned by the Company's predecessors-in-title. If these challenges are successful, this could have an adverse effect on the development of the Company's properties as well as its results of operations, cash flows and financial position. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Dependence on Outside Parties

Kirkland Lake Gold has relied upon consultants, engineers, contractors and other parties and intends to rely on these parties for exploration, development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract metal from ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. Deficient or negligent work or work not completed in a timely manner could have a material adverse effect on Kirkland Lake Gold.

Dependence on Key Management Personnel

The Company is dependent upon a number of key management personnel. The Company's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals. As the Company's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations. The Company faces intense competition for qualified personnel, and there can be no assurance that the Company will be able to attract and retain such personnel. The loss of the services of one or more key employees or the failure to attract and retain new personnel could have a material adverse effect on the Company's ability to manage and expand the Company's business.

Labour and Employment Matters

Production at the Company's mining operations is dependent upon the efforts of its employees and the Company's operations would be adversely affected if it fails to maintain satisfactory labour relations. Factors such as work slowdowns or stoppages caused by the attempted unionization of operations and difficulties in recruiting qualified miners and hiring and training new miners could materially adversely affect the Company's business. This would have a negative effect on the Company's business and results of operations; which might result in the Company not meeting its business objectives.

In addition, relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations and financial condition. There are currently no material labour shortages with the Company operating near its budgeted manning levels.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the Company's directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the OBCA and any other applicable law. In the event that the Company's directors and officers are subject to conflicts of interest, there may be a material adverse effect on its business.

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute 'forward looking statements', including statements regarding the plans, intentions, beliefs and current expectations of the Company with respect to the future business activities and operating performance of the Company. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company, are intended to identify such forward-looking statements. Investors are cautioned that forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, among others, the development of the Company's properties and the anticipated timing thereof, expected production from, and the further potential of, the Company's properties, the anticipated timing and commencement of exploration programs on various targets within the Company's land holdings, the ability to lower costs and gradually increase production, the ability of the Company to successfully achieve business objectives, the ability of the Company to achieve its longer-term outlook and the anticipated timing and results thereof, the performance of the Company's equity investments and the ability of the Company to realize on its strategic goals with respect to such investments, the effects of unexpected costs, liabilities or delays, the potential benefits and synergies and expectations of other economic, business and or competitive factors, the Company's expectations in connection with the projects and exploration programs being met, the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating gold prices, currency exchange rates (such as the Canadian dollar versus the US dollar), mark-to-market derivative variances, possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate mineral resources, changes in project parameters as plans continue to be refined, changes in project development, construction, production and commissioning time frames, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, the ability to obtain the necessary permits in connection with the rehabilitation of the Macassa tailings facility and the development of a new tailings facility and the anticipated results associated therewith, native and aboriginal heritage issues, risks relating to infrastructure, permitting and licenses, government regulation of the mining industry, risks relating to foreign operations, uncertainty in the estimation and realization of mineral resources and mineral reserves, quality and marketability of mineral product, environmental regulation and reclamation obligations, risks relating to the Northern Territory wet season, risks relating to litigation, risks relating to foreign mining tax regimes, competition, currency fluctuations, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, and limitations on insurance, as well as those risk factors discussed or referred to in the AIF of the Company for the year ended December 31, 2016 filed with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not be as anticipated, estimated or intended. The Company does not intend, and does not assume any obligation, to update these forward-looking statements except as otherwise required by applicable law.

Mineral resources are not mineral reserves, and do not have demonstrated economic viability, but do have reasonable prospects for eventual economic extraction. Measured and indicated resources are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resource. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that Measured or Indicated mineral resources can be upgraded to mineral reserves through continued exploration and positive economic assessment.

INFORMATION CONCERNING ESTIMATES OF MINERAL RESERVES AND MEASURED, INDICATED AND INFERRED RESOURCES

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101-Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM")-CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1993, as amended (the "Securities Act").

Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this Management's Discussion and Analysis contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

This document uses the terms "Measured", "Indicated" and "Inferred" Resources. US investors are advised that while such terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of pre-feasibility, feasibility or other economic studies. U.S. investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. U.S. investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

TECHNICAL INFORMATION

The technical contents related to Kirkland Lake Gold Ltd. mines and properties, have been reviewed and approved by Pierre Rocque, P.Eng., Vice President, Canadian Operations and Ian Holland, FAusIMM, Vice President, Australian Operations. Mr. Rocque and Mr. Holland are "qualified persons" as defined in National Instrument 43-101 and have reviewed and approved disclosure of the technical information and data in this news release.

CORPORATE INFORMATION

Directors

Eric Sprott	Chairman of the Board
Anthony Makuch (3) (5)	President and Chief Executive Officer
Jeffrey Parr (2) (3) (4)	Independent Director
Barry P. Olson (3) (5)	Independent Director
Pamela Klessig (1) (3) (5)	Independent Director
Raymond Threlkeld (1) (2)	Independent Director
Jonathan Gill (3) (4) (5)	Independent Director
Arnold Klassen (1) (2) (4)	Independent Director

Board Committees

(1) Corporate Governance and Nominating Committee
(2) Audit Committee
(3) Technical Committee
(4) Compensation Committee
(5) HSE & Corporate Social Responsibility Committee

Management

Anthony Makuch	**President and Chief Executive Officer**
Philip Yee	**Executive VP and Chief Financial Officer**
Alasdair Federico	**Executive VP, Corporate Affairs & CSR**
Christina Ouellette	**Executive VP, Human Resources**
Pierre Rocque	**VP, Canadian Operations**
Ian Holland	**VP, Australian Operations**
Doug Cater	**VP, Exploration, Canada**
John Landmark	**VP, Exploration, Australia**
Jennifer Wagner	**Corporate Legal Counsel**
Raymond Yip	**VP, Business Intelligence**
Mark Utting	**VP, Investor Relations**
Brian Hagan	**VP, Health Safety and Environment**

Company Information

<u>Corporate Head Office</u>
200 Bay Street, Suite 3120
RBC Plaza – South Tower
Toronto, Ontario M5J 2J1
Canada

<u>Investor Relations</u>
Mark Utting, Vice President, Investor Relations
T: 416.840.7884
E: mutting@klgold.com

<u>Registrar and Transfer Agent</u>
TSX Trust Company
200 University Avenue, Suite 300
Toronto, Ontario M5H 4H1
Canada
T: 416.607.7898
www.tsxtrust.com

<u>Auditors</u>
KPMG LLP
333 Bay Street #4600
Toronto, Ontario M5H 2S5
Canada
T: 416.777.8500
www.kpmg.ca

FORM 52-109F1
CERTIFICATION OF ANNUAL FILINGS
FULL CERTIFICATE

I, **Anthony Makuch, Chief Executive Officer of Kirkland Lake Gold Ltd.,** certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of **Kirkland Lake Gold Ltd.** (the “issuer”) for the financial year ended **December 31, 2017** .

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

I. material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
II. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the **COSO framework** .

5.2 **ICFR - material weakness relating to design:** N/A

5.3 **Limitation on scope of design:** Items A. and B. N/A respectively

6. **Evaluation:** The issuer’s other certifying officer(s) and I have

A. evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

B. evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer’s ICFR at the financial year end and the issuer has disclosed in its annual MD&A
III. our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
IV. for each material weakness relating to operation existing at the financial year end

A. a description of the material weakness;

B. the impact of the material weakness on the issuer’s financial reporting and its ICFR; and

C. the issuer’s current plans, if any, or any actions already undertaken, for remediating the material weakness.

7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on **January 1, 2017** and ended on **December 31, 2017** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: February 21, 2018

"Anthony Makuch"

Anthony Makuch
President and Chief Executive Officer

FORM 52-109F1
CERTIFICATION OF ANNUAL FILINGS
FULL CERTIFICATE

I, **Philip C. Yee, Executive Vice President and Chief Financial Officer of Kirkland Lake Gold Ltd.** , certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of **Kirkland Lake Gold Ltd.** (the "issuer") for the financial year ended **December 31, 2017** .

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. **Responsibility:** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the issuer.

5. **Design: :** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
that
  i. material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
  ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is **COSO framework** .

5.2 **ICFR – material weakness relating to design:** N/A

5.3 **Limitation on scope of design:** Items (a) and (b) N/A respectively6. **Evaluation:** The issuer's other certifying officer(s) and I have

(a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

(b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

  i. our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

  ii. for each material weakness relating to operation existing at the financial year end

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on **January 1, 2017** and ended on **December 31, 2017** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit

committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer’s ICFR.

Date: February 21, 2018

“ *Philip C. Yee* ”

Philip C. Yee
Executive Vice President and Chief Financial Officer

KIRKLAND LAKE GOLD REPORTS STRONG FULL-YEAR AND Q4 2017 EARNINGS AND CASH FLOW

Toronto, Ontario - February 21, 2018 - Kirkland Lake Gold Ltd. ("Kirkland Lake Gold" or the " **Company** ") (TSX:KL) (NYSE:KL) today announced the Company's financial and operating results for the full-year ("2017") and fourth quarter ("Q4 2017") of 2017. The Company's full financial statements and management discussion & analysis are available on SEDAR at www.sedar.com and on the Company's website at www.klgold.com . All dollar amounts in this news release are expressed in U.S. dollars, unless otherwise noted.

Key highlights of the 2017 results include:

- **Record production:** 596,405 ounces produced in 2017, 90% increase from 2016 and better than improved guidance of 580,000 - 595,000 ounces.
- **Improved unit costs:** Operating cash cost averaged $481/oz sold (1) , achieved improved guidance of $475 - $500 and 16% better than 2016; all-in sustaining costs ("AISC") (1) averaged $812/oz sold, in line with improved guidance of $800 - $825 and 13% improvement from 2016. (Total production in 2017 costs totaled $288.3 million compared to $192.8 million in 2016 due to higher business volumes.)
- **Strong free cash flow:** Cash flow from operating activities in 2017 totaled 309.8 million, 66% increase from 2016, while free cash flow (1) totaled $178.0 million, 56% higher than previous year.
- **Solid earnings performance:** 2017 net earnings totaled $132.4 million ($0.64 per basic share) versus $42.1 million ($0.35 per basic share) in 2016. Net earnings in 2017 consisted of earnings from continuing operations of $157.3 million ($0.76 per basic share) and a loss from discontinued operations of $24.9 million ($0.12 per basic share) related to the 2017 care and maintenance expenses and sale of the Company's Stawell mine on December 21, 2017.
- **Adjusted net earnings from continuing operations** (1) in 2017 totaled $149.1 million ($0.72 per share), 120% increase from 2016. The exclusion from adjusted net earnings from continuing operations in 2017 of the loss from discontinued operations as well as a net deferred tax recovery of $10.0 million ($0.05 per basic share) were the main differences between net earnings and adjusted net earnings from continuing operations.
- **Significant exploration success** : Drilling extends high-grade zones at Fosterville, Macassa and Cosmo and intersects new areas of gold mineralization at Taylor (total exploration and evaluation expenditures of $48.4 million in 2017 versus $15.8 million the prior year).
- **Solid financial position** : Cash and cash equivalents at December 31, 2017 totaled $231.6 million with no debt following repayment or conversion at maturity of two series of convertible debentures ($44.0 million paid in cash, 4,505,393 common shares issued on conversion of 7.5% Debentures).
- **Share repurchases:** 5.4 million common shares repurchased for $60.1 million (C$76.5) million through a normal course issuer bid ("NCIB") initiated in May 2017.
- **Dividend:** Quarterly dividend introduced with first payment of $0.01 per share in July 2017 (dividend increased to $0.02 per share effective January 15, 2018 payment).

Key highlights of Q4 2017 results include:

- **Record quarterly production:** Q4 2017 production totaled 166,579 ounces, 56% increase from Q4 2016 and 20% higher than Q3 2017.
- **Low unit costs:** Operating cash costs per ounces sold in Q4 2017 averaged $412, 23% improvement from $533 in Q4 2016 and 15% better than $482 the previous quarter; AISC per ounce sold averaged $816, 9% better than $900 in Q4 2016 and an 3% improvement from $845 in Q3 2017 (total production costs of $68.3 million compared to production costs of $60.5 million in Q4 2016 and $66.5 million in Q3 2017).
- **Solid cash flow generation:** Cash flow from operating activities of continuing operations totaled $103.4 million compared to $68.5 million in Q4 2016 and $66.8 million in Q3 2017; free cash flow in Q4 2017 totaled $64.5 million, 42% and 105% higher than $45.3 million in Q4 2016 and $31.5 million in Q3 2017, respectively.
- **Solid earnings growth:** Net earnings in Q4 2017 totaled $41.0 million ($0.20 per basic share), which compared to net earnings of $3.1 million ($0.02 per basic share) in Q4 2016 and $43.8 million ($0.21 per basic share) the previous quarter. Included in net earnings for Q4 2017 were earnings from continuing operations totaling $65.9 million ($0.32 per basic share) and a loss from discontinued operations of $24.9 million ($0.12 per basic share) related to the care and maintenance and sale of the Company's Stawell Mine on December 21, 2017.

- **Adjusted net earnings from continuing operations** in Q4 2017 totaled $71.2 million ($0.34 per share) versus $22.8 million ($0.16 per share) in Q4 2016 and $27.4 million ($0.13 per share) in Q3 2017. Adjusted net earnings from continuing operations in Q4 2017 excludes the $24.9 million loss on discontinued operations, a $17.6 million pre-tax mark-to-market loss on fair valuing the Company's 14.0 million common share purchase warrants in Novo Resources Corp. ("Novo") ($0.08 per share) and the $10.0 million ($0.05 per share) net deferred tax recovery.
- **Continued exploration success:** Exploration and evaluation expenditures in Q4 2017 totaled $10.7 million compared to $6.0 million in Q4 2016 and $16.9 million the previous quarter. Key drill results released during the quarter included a 120 metre down-plunge extension of the Swan Zone at the Fosterville mine, a significant expansion of the Lantern Deposit at the Cosmo mine in the Northern Territory of Australia and the intersection of a new gold zone 350 metres below the West Porphyry Deposit at the Taylor mine.
- **Share repurchases:** A total of 1,553,500 common shares were repurchased for $20.7 million (C$26.3) million through the NCIB.
- **Dividend payment:** The Company's second quarterly dividend of $1.7 million or C$0.01 per share was made on October 16, 2017.

(1) *See "Non-IFRS Measures" set out later in this press release and starting on page 37 of the Company's MD&A for the twelve and three months ended December 31, 2017 and 2016.*

2017 Mineral Reserve and Mineral Resource Update

On February 20, 2018 the Company released Mineral Reserve and Mineral Resource estimates for December 31, 2017 (see news release dated February 20, 2018). Included in the results, were an increase in Mineral Reserves at Fosterville to 1,700,000 ounces at an average grade of 23.1 grams per tonne, with the Mineral Reserve estimate for the Swan Zone more than doubling from the June 30, 2017 mid-year estimate to 1,160,000 ounces at an average grade of 61.2 grams per tonne. In addition to Mineral Reserves, Mineral Resources at Fosterville at December 31, 2017 included Measured and Indicated Mineral Resources of 2,150,000 ounces at an average grade of 4.8 grams per tonne (exclusive of Mineral Reserves) and Inferred Mineral Resources of 1,900,000 ounces at an average grade of 7.1 grams per tonne. Based on the significant growth in depreciable Mineral Reserves and Mineral Resources at Fosterville, the Company expects a reduction in depreciation and depletion expenses related to the Fosterville mine in 2018.

At Macassa, after identifying a significant eastern extension of the South Mine Complex ("SMC") in mid-2017, the Company focused drilling activities on establishing Mineral Resources in this new area. Significant success was achieved growing Mineral Resources in 2017, with Measured and Indicated Mineral Resources increasing 58%, to 2,090,000 ounces at an average grade of 17.1 grams per tonne, and Inferred Mineral Resources increasing 48%, to 1,370,000 ounces at an average grade of 22.2 grams per tonne. The increase in Mineral Resources highlights the potential that exists for future growth in Mineral Reserves at the Macassa mine. Total Mineral Reserves at Macassa at December 31, 2017, totaled 2,030,000 ounces at an average grade of 21.0 grams per tonne.

Tony Makuch, President and Chief Executive Officer of Kirkland Lake Gold, commented: "In 2017, Kirkland Lake Gold performed extremely well against our three key pillars of value creation: operational excellence, disciplined organic growth and a focus on shareholder returns. Operationally, we improved our guidance multiple times and still beat our target range for production and were well within the improved guidance for operating cash cost and AISC per ounce sold. We also clearly demonstrated an ability to generate cash flow, with free cash flow for the year totaling $178.0 million. In terms of organic growth, we increased production by 90% in 2017, 10% on a pro forma basis, even after placing three mines on care and maintenance. We also set the stage for continued year-over-year production growth, with our longer-term goal being to reach a million ounces of annual production from existing mines within five to seven years. In terms of shareholder returns, we were the top performing stock on the S&P/TSX Composite Index on a full-year basis in 2017. We also took steps to support increased shareholder value, including buying back 5.4 million shares, introducing a quarterly dividend and making strategic investments with future value potential.

"Looking at Q4 2017, we achieved record production and generated strong earnings and free cash flow. Leading the way was Fosterville, where Q4 2017 production totaled 79,157 ounces, operating cash costs were $226 per ounce sold, and AISC averaged $471 per ounce sold. We also achieved strong results from our Canadian operations, with both Taylor and Holt achieving record quarterly production and Macassa recording its second-best quarter ever. Free cash flow for the quarter was $64.5 million, more than double the level of the previous quarter.

"Turning to exploration, we finished the year with very encouraging exploration results during Q4 2017, including announcing major extensions of the Swan Zone at Fosterville and Lantern Deposit at the Cosmo mine, as well as intersecting a new zone of gold mineralization 350 metres below the Taylor mine . The exploration success we achieved in 2017 was a testament to the growth potential of our existing operations, and is the key reason that we have been able to announce a 36% increase in consolidated Mineral Reserves from December 31, 2016, including a 247% increase at Fosterville, where the Mineral Reserve now totals 1.7 million ounces at an average grade of 23.1. g/t. Equally encouraging, our base of Mineral Resources has also shown strong growth, with Macassa's Measured and Indicated Mineral Resources increasing 58% and the mine's Inferred Mineral Resources growing 48%, something that bode well for future growth in Mineral Reserves."

Review of Financial and Operating Performance

The following discussion provides key summarized consolidated financial and operating information for the three months and year ended December 31, 2017. For the three months and year ended December 31, 2017, the information includes the consolidated financial and operating information for the Company's Canadian and Australian operations. The financial and operating information for the three months and year ended December 31, 2016 includes the Australian operations from November 30, 2016, following the completion of the Newmarket Arrangement on November 30, 2016. In addition, information for the year ended December 31, 2016 includes the St Andrew assets from January 26, 2016, the date the St Andrew Arrangement was completed. In addition, results for 2016 and Q4 2016 presented below have been restated to exclude discontinued operations, related to the sale of Stawell Mine.

(in thousands of dollars, except per share amounts)	**Three Months Ended December 31, 2017**	Three Months Ended December 31, 2016 *(Restated)*	**Year Ended December 31, 2017**	Year Ended December 31, 2016 *(Restated)*
Revenue	**$212,364**	$130,901	**$747,495**	$403,340
Production costs	**68,283**	60,625	**288,315**	192,842
Earnings before income taxes	**54,799**	17,698	**196,079**	79,767
Loss from discontinued operations	**(24,904)**	(4,627)	**(24,904)**	(4,627)
Net earnings	**$40,980**	$3,076	**$132,426**	$42,107
Basic earnings per share from continuing operations	**$0.32**	$0.05	**$0.76**	$0.39
Basic earnings per share	**$0.20**	$0.02	**$0.64**	$0.35
Diluted earnings per share	**$0.20**	$0.02	**$0.63**	$0.34
Cash flow from operating activities of continuing operations	**103,351**	68,456	**309,812**	186,981
Cash investment on mine development and PPE	**38,832**	23,111	**131,840**	73,051

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016 *(Restated)*	**Year Ended December 31, 2017**	Year Ended December 31, 2016 *(Restated)*
Tonnes milled	**454,897**	437,601	**1,974,093**	1,271,670
Grade (g/t Au)	**11.8**	7.5	**9.8**	7.9
Recovery (%)	**96.3%**	93.6%	**95.7%**	95.1%
Gold produced (oz)	**166,579**	105,757	**596,405**	313,653
Gold Sold (oz)	**165,715**	111,690	**592,674**	326,687
Averaged realized price ($/oz sold) (1)	**1,282**	1,202	**1,261**	1,234
Operating cash costs per ounce ($/oz sold) (1)	**412**	533	**481**	571
AISC ($/oz sold) (1)	**816**	900	**812**	930
Adjusted net earnings from continuing operations (1)	**71,153**	22,806	**149,133**	67,851
Adjusted net earning per share from continuing operations (1)	**$0.34**	$0.16	**$0.72**	$0.56

(1) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included on page 32 of the Company's MD&A.*

Production, Sales and Revenue

The Company produced 596,405 ounces in 2017, an increase of 90% from 2016 when consolidated production included the Australian operations from November 30, 2016, and the St Andrew assets from January 26, 2016. The increase in production compared to 2016 largely reflected the full-year contribution of the Company's Australian operations, which included production of 284,440 ounces in 2017 compared to 18,657 ounces in the final month of 2016. Production from the Company's Canadian operations totaled 311,965 ounces, which compared to production of 295,838 ounces in 2016. Excluding the impact of the Holloway mine, which was placed on care and maintenance on December 31, 2016 and produced 27,129 ounces in 2016 versus 287 ounces in 2017, production from the Company's Canadian operations increased 16% from the previous year. Production at Macassa of 194,237 ounces in 2017 increased 19,070 ounces or 11% from the previous year, reflecting both a higher average grade and increased run-of-mine tonnes processed compared to 2016. Production from Holt increased 25% to 66,677 ounces year over year, reflecting a 11% increase in tonnes processed. Production at Taylor totaled 50,764 ounces, an increase of 25% from 2016, reflecting significantly higher tonnes processed during the year.

Gold sales in 2017 totaled 592,674 ounces, an 80% increase from 329,489 ounces in 2016. Higher gold sales were the primarily factor leading to an 85% increase in revenue for the year, to $747.5 million from $403.3 million in 2016. The main contributor to the increase in both gold sales and revenue was increased production related to the full-year contribution from the Company's Australian operations in 2017. The realized gold price in 2017 averaged $1,261 per ounce, 3% higher than the average price of $1,224 per ounce the previous year.

For Q4 2017, consolidated production totaled 166,579 ounces, a 56% increase from Q4 2016. The increase from the prior year mainly reflected a full quarter of results from the Company's Australian operations, which compared to results from November 30, 2016 to the end of the year in Q4 2016 following completion of the Newmarket Arrangement. For Q4 2017, the Fosterville mine, being the only operating mine in Australia during the quarter, contributed 79,157 ounces, which compared to total production from the Company's Australian operations of 18,657 ounces in Q4 2016, including 13,196 ounces from Fosterville, 4,609 ounces from the Cosmo Mine and 852 ounces from the Stawell mine. Production from Canadian operations in Q4 2017 totaled 87,426 ounces, which compared to production of 87,952 ounces in Q4 2016. Excluding production from the Holloway mine, which produced 9,825 ounces in Q4 2016, but was placed on care and maintenance effective December 31, 2016, production from the Canadian operations increased 12% compared to Q4 2016.

Q4 2017 production increased 27,490 ounces or 20% from 139,091 ounces the previous quarter. Each of the Company's operating mines increased production in Q4 2017 compared to Q3 2017. The largest increase was at Fosterville, where production rose 17,622 ounces or 29% quarter over quarter, reflecting a significant increase in the average grade, to 21.5 grams per tonne. Production from the Canadian operations increased 11,160 ounces or 15% from the previous quarter, reflecting both higher tonnes processed and average grades at the Holt and Taylor mines, and increased run-of-mine tonnes processed at Macassa.

Q4 2017 gold sales totaled 165,715 ounces, 48% and 20% higher than in Q4 2016 and Q3 2017, respectively. The realized gold price for the quarter averaged $1,282 per ounce, an increase of 7% from $1,202 per ounce in Q4 2016 and $1 increase from the previous quarter. Revenue for Q4 2017 totaled $212.4 million, a $82.3 million or 63% increase from Q4 2016 and $35.7 million or 20% higher than in Q3 2017.

Earnings from Mine Operations

Earnings from mine operations in 2017 totaled $289.1 million, more than double the $136.0 million from 2016. The increase in earnings from mine operations in 2017 reflected the significant revenue growth achieved on a year-over-year basis. Partially offsetting the impact of higher revenue were increased levels of production costs, depletion and depreciation expense and royalty expense, with all three increases mainly related to growth in production, gold sales and revenue stemming from the addition of the Company's Australian operation on November 30, 2016. Production costs in 2017 totaled $288.3 million, which compared to $192.8 million in 2016. Depletion and depreciation expense rose to $148.7 million from $59.0 million in 2016. The increase in depletion and depreciation expense in 2017 was a result of the purchase price allocation exercise of assigning fair values to mining interest and plant and equipment acquired in the Newmarket Arrangement on November 30, 2016, which are being amortized over the life of mine and over the life of the underlying assets. Royalty expense in 2017 totaled $21.4 million compared to $15.6 million in 2016. The increase resulted from the addition of the Company's Australian operations, which include a 2% NSR on all gold production at the Fosterville mine.

Earnings from mine operations in Q4 2017 totaled $92.3 million, more than double the level of $41.6 million achieved in Q4 2016 and 26% higher than $73.4 million the previous quarter. The increase from both prior periods resulted from the solid growth in revenue, both on a year-over-year and quarter-over-quarter basis. Total production costs in Q4 2017 were $68.3 million versus $60.6 million in Q4 2016 and $66.5 million in Q3 2017. Depletion and depreciation expense in Q4 2017 totaled $45.6 million compared to $24.5 million in Q4 2016 and $31.7 million the previous quarter. Royalty expense totaled $6.2 million in Q4 2017 versus $4.2 million for the same period in 2016 and $5.1 million in Q3 2017. The higher expenditure levels in Q4 2017 reflected increased production and sales volumes during the quarter, with the inclusion of the Company's Australian operations for the full quarter in Q4 2017 versus only one month in Q4 2016 mainly accounting for the increase compared to a year ago, and improved results at all four of the Company's operating mines in Q4 2017 accounting for the increases quarter over quarter.

Additional Expenses

Exploration and evaluation expenditures in 2017 rose substantially from the previous year, increasing 206% to $48.4 million from $15.8 million in 2016. The increase reflected the Company's growing asset base, significant commitment to production growth at existing mines, as well as exploration success achieved as the year progressed (see Growth and Exploration section starting on page 23). Exploration and evaluation expenditures in Q4 2017 totaled $10.7 million, which compared to $6.0 million in Q4 2016 and $16.9 million the previous quarter. Growth from Q4 2016 mainly reflected the inclusion of the Company's Australian operation for the full quarter in Q4 2017, as well as the significant exploration activities ongoing at and around both the Fosterville and Cosmo Mines during Q4 2017. The reduction from the previous quarter reflected the timing for completing exploration activities and incurring the related expenditures during 2017.

General and administrative expense (excluding share-based payments expense and transaction costs) totaled $21.7 million in 2017 and $6.1 million in Q4 2017. General and administrative expense for these periods compared to $10.8 million and $2.6 million, respectively in 2016 and Q4 2016. High levels of general and administrative expense both on a full-year and fourth quarter basis compared to 2016, reflected growth in the Company's business portfolio and the full-year contribution to revenue and costs of the Australian operations in 2017 compared to one month in 2016. General and administrative expense in Q4 2017 was similar to the previous quarter's level of $5.9 million.

Share-based payment expense for 2017 of $3.9 million compared to $1.2 million in 2016. The increase was reflective of the granting of restricted-share units ("RSUs") and performance-share units ("PSUs") starting in Q3 2016 and going forward. Share- based payment expense in Q4 2017 totaled $0.7 million, which compared to $0.1 million in Q4 2016 and $1.0 million the previous quarter.

Transaction costs totaled $0.4 million in 2017 and nil in Q4 2017. In 2016, transaction costs totaled $17.7 million for the full year and $14.4 million for the fourth quarter. Most of the transaction costs in 2016 and Q4 2016 related to the completion of the Newmarket Arrangement on November 30, 2016.

Care and maintenance expense related to the suspension of operations and placement on care and maintenance of the Stawell mine (as of December 13, 2016), the Holloway mine (as of December 31, 2016) and the Cosmo mine and Union Reefs mill (as of June 30, 2017). Care and maintenance expense in 2017 totaled $11.9 million versus $0.1 million in 2016, with the increase largely related to the Cosmo mine and Union Reefs mill, where care and maintenance expense in 2017 totaled $9.6 million. In Q4 2017, the Company recorded a recovery on care and maintenance expense of $2.2 million, which compared to care and maintenance expense of $0.1 million in Q4 2016 and $4.9 million in Q3 2017. The recovery in Q4 2017 reflected the reclassification to discontinued operations of year-to-date and 2016 expenses for the Stawell mine following the sale of the mine on December 21, 2017.

On December 21, 2017, the Company completed a transaction to sell to an affiliate of Arete Capital Partners Ltd. ("Arete") all the issued and outstanding common shares of its indirectly held wholly owned subsidiary, Stawell Gold Mines Pty Ltd., which held the Stawell mine. Pursuant to the terms of the transaction, the Company received $6.25 million in cash consideration upon closing and retains a 2.5% net smelter return royalty on the Stawell mine. The components of revenue and expense were separated from continuing operations following completion of the sale and are reported as discontinued operations, with a loss from discontinued operations of $24.9 million being included in the Company's 2017 and Q4 2017 financial results and a loss from discontinued operations of $4.6 million being included in the results for both 2016 and Q4 2016.

Finance costs in 2017 totaled $12.2 million versus $11.7 million in 2016. Q4 2017 finance costs totaled $3.5 million compared to $3.1 million in Q4 2016 and $2.4 million the previous quarter. Finance costs for each period relate to the various financial instruments held by the Company. The increase from the previous quarter mainly related to the timing for incurring finance fees and bank charges. Convertible debenture interest for 2017 totaled $8.2 million, compared to $10.2 million for 2016. Finance income relates primarily to interest earned on excess cash held on account. The increase in finance income in 2017 to $2.1 million from $0.8 million in 2016 resulted from the significant increase in cash during 2017 compared to the previous year. Finance income in Q4 2017 totaled $0.5 million, which compared to $0.3 million in Q4 2016 and $0.4 million in Q3 2017.

The Company's current income tax expense totaled $44.2 million for 2017 along with deferred income tax recovery of $5.5 million, for an effective tax rate of 19.8%, which compared to current and deferred income tax expense of $2.8 million and $30.2 million, respectively, in 2016 for an effective tax rate of 42.5%. The deferred tax recovery was was primarily due to the recognition of $40.5 million of previously unrecognized deferred tax assets in the period that were acquired in a previous business combination. These deferred tax assets are recognized as a result of a change in expected future profits to be realized after a reorganization of the acquired corporate structure. In addition, the Company recognized a deferred tax asset recovery of $12.1 million related to the offset of current year income taxes.

For Q4 2017, the current income tax expense totaled $13.8 million, while the Company recorded deferred tax recovery of $24.9 million, mainly related to the previously unrecognized deferred tax assets in the period that were acquired in a previous business combination. In Q4 2016, the Company had current income tax recovery of $0.3 million and deferred income tax expense of $10.3 million, while Q3 2017 reported current and deferred income tax expense totaling $12.0 million and $8.3 million, respectively.

Other income in 2017 totaled $3.4 million compared to $0.2 million in 2016, with the increase due to a higher amount of premiums recognized on the flow through shares. For Q4 2017, the Company recorded other loss of $18.9 million, mainly reflecting a $17.6 million pre-tax, mark-to-market loss in the quarter on fair valuing the Company’s 14.0 million common share purchase warrants of Novo, which were acquired on September 6, 2017. The other loss in Q4 2017 compared to other income of $2.2 million in Q4 2016 and other income of $21.3 million the previous quarter. The $21.3 million of other income in Q3 2017 was the result of a $19.2 million pre-tax mark-to-market gain on fair valuing the Company’s 14.0 million Novo common share purchase warrants.

Unit Cost Performance

Operating cash costs per ounce sold for 2017 averaged $481, a 16% improvement from $571 in 2016 mainly reflecting a higher average mill grade in 2017 compared to the previous year (9.8 grams per tonne versus 7.9 grams per tonne in 2016). Contributing to the improved average grade in 2017 was a the full-year contribution from the Fosterville mine in Australia, where the average mill grade in 2017 was 15.8 grams per tonne, as well as improved grades at the Macassa, with an average mill grade of 15.2 grams per tonne in 2017 compared to 14.1 grams per tonne in 2016. Operating cash costs per ounce sold from the Company’s Australian operations averaged $376 per ounce sold in 2017, compared to $714 per ounce from November 30, 2016 to the end of the year. Operating cash costs per ounce sold from Canadian operation averaged $576, which compared to $558 in 2016. The year-over-year increase for the Canadian operations reflected lower operating cash cost per ounce sold at both Taylor and Holt in 2016.

AISC per ounce sold averaged $812 in 2017, a 13% improvement from $930 in 2016 reflecting improved operating cash cost per ounce sold as well as lower levels of sustaining capital expenditures per ounce sold compared to the same period a year earlier. Sustaining capital expenditures in 2017 totaled $147.7 million ($249 per ounce sold), which compared to $86.6 million ($263 per ounce sold) in 2016. The full-year contribution of the Company’s Fosterville mine, where AISC per ounce sold averaged $491 in 2017, was the primary factor accounting for the year-over-year improvement. AISC per ounce sold for Canadian operations averaged $911 versus $900 in 2016.

For Q4 2017, operating cash costs per ounce sold averaged $412, a 23% improvement from $533 in Q4 2016 and 15% better than $482 the previous quarter. Higher production, largely due to a significant increase in the average grade at Fosterville, to 21.5 grams per tonne, was a key factor contributing to the improvement from both prior periods. AISC per ounce sold for Q4 2017 averaged $816, a 9% improvement from $900 in Q4 2016 and 3% better than $845 for Q3 2017. The improvement from both prior periods resulted from lower operating cash cost per ounce sold, which more than offset an increase in sustaining capital expenditures per ounce sold. Sustaining capital expenditures in Q4 2017 totaled $51.6 million ($312 per ounce sold) compared to $32.5 million ($291 per ounces) in Q4 2016 and $38.3 million ($278 per ounces sold) in Q3 2017. The increase in sustaining capital related to the Company's Canadian operations and was largely due to the timing of sustaining capital expenditures at Macassa and Taylor to late in the year.

Net Earnings of $157.3 million or $0.64 per share in 2017

Net earnings for 2017 totaled $132.3 million ($0.64 per basic share), an increase of $90.3 million or 214% from $42.1 million ($0.35 per basic share) in 2016. Contributing to net earnings in 2017 were earnings from continuing operations of $157.3 million and a loss on from discontinued operations of $24.9 million related to the Stawell mine. In 2016, earnings from continuing operations totaled $46.7 million, while loss from discontinued operations totaled $4.6 million.

The increase in earnings from continuing operations in 2017 was largely the result of significantly higher revenue due mainly to the full-year contribution from the Company's Fosterville mine in 2017 versus one month in 2016. Also contributing to the year-over-year increase was a lower effective tax rate in 2017, due largely to the recognition of deferred tax assets, as well as transaction costs totaling $17.7 million in 2016 related mainly to completion of the Newmarket Arrangement on November 30, 2016. Offsetting these favourable factors were higher production and depletion and depreciation costs, as well as increased exploration and general and administrative expenses. The increase in basic earnings per share in 2017 was not as significant as growth in net earnings due to a higher number of average shares outstanding, resulting mainly from the two acquisitions completed in 2016.

Adjusted net earnings from continuing operations in 2017 totaled $149.1 million ($0.72 adjusted net earnings per share from continuing operations), representing growth of $81.2 million or 120% from $67.9 million in 2016. The exclusion from adjusted net earnings from continuing operations in 2017 of the $24.9 million after-tax loss from discontinued operations ($0.12 per share) and net deferred tax recovery of $10.0 million ($0.05 per share) were the most significant differences between net earnings and adjusted net earnings from continuing operations for the year. In 2016, adjusted net earnings from continuing operations were higher than net earnings due to the exclusion of transaction costs, mainly related to the completion of the Newmarket Arrangement, the impact of purchase price allocation adjustments on acquired metal inventory, and a loss from discontinued operations.

Net earnings in Q4 2017 totaled $41.0 million ($0.20 per basic share), which compared to net earnings of $3.1 million ($0.02 per basic share) in Q4 2016. Included in net earnings in Q4 2017 were earnings from continuing operations totaling $65.9 million and a loss from discontinued operations of $24.9 million related to the sale of the Stawell mine.

The increase in earnings from continuing operations in Q4 2017 compared to Q4 2016 reflected increased revenue and improved unit costs, mainly related to the full-quarter contribution from the Fosterville mine in Q4 2017 versus one month in Q4 2016. Also contributing to the increase from Q4 2016 was a $24.9 million deferred tax recovery in Q4 2017, mainly related to previously unrecognized deferred tax assets, as well as $14.4 million of transaction costs in Q4 2016 related to completion of the Newmarket Arrangement. Partially offsetting these favourable factors were higher production costs and depletion and depreciation expenses in Q4 2017 versus Q4 2016, as well as increased exploration and general and administrative expenditures. In addition, Q4 2017 earnings from continuing operations included the $17.6 million pre-tax marked-to-market loss on fair valuing the Company's 14.0 million common share purchase warrants of Novo.

Adjusted net earnings from continuing operations in Q4 2017 totaled $71.2 million ($0.34 adjusted net earnings per share from continuing operations) versus $22.8 million in Q4 2016 and $27.4 million in Q3 2017. The difference between net earnings and adjusted net earnings from continuing operations in Q4 2017 mainly related to the exclusion in adjusted net earnings from continuing operations of the $24.9 million after-tax loss on discontinued operations ($0.12 per share), a $17.6 million pre-tax mark-to-market loss on the fair valuing the Company's 14.0 million common share purchase warrants in Novo ($0.08 per share) and net deferred tax recovery of $10.0 million ($0.05 per share). In Q4 2016, a number of pre-tax expenses were excluded from adjusted net earnings from continuing operations, including: transaction costs of $14.4 million and $6.5 million of purchase price allocations adjustments on acquired metal inventory. In addition, adjusted net earnings from continuing operations in Q4 2016 also excluded an after-tax $4.6 million loss from discontinued operations. In Q3 2017, the Company recorded a $19.2 million pre-tax mark-to-market gain related to the fair value of Novo warrants, which was excluded from adjusted net earnings from continuing operations.

The $41.0 million of net earnings in Q4 2017 compared to net earnings of $43.8 million in Q3 2017. The Company's net earnings in Q3 2017 were entirely related to continuing operations. Higher sales and improved unit costs contributed to the $22.4 million or 51% increase earnings from continuing operations quarter over quarter. Also having a significant impact on earnings from continuing operations for both quarters was the fair valuing of the Company's Novo warrants, with the Q4 2017 earnings from continuing operations including the $17.6 pre-tax mark-to-market loss, while earnings from continuing operations in Q3 2017 benefited from a $19.2 million pre-tax mark-to-market gain on the fair valuing of the warrants. In addition, the $24.9 million deferred tax recovery in Q4 2017 also contributed to the increase in earnings from continuing operation compared to the previous quarter.

The adjusted net earnings in Q4 2017 of $71.2 million increased 160% from $27.4 million in Q3 2017. The difference between net earnings and adjusted net earnings from continuing operations in Q3 2017 mainly related to exclusion in adjusted net earnings from continuing operations of the $24.9 million after-tax loss on discontinued operations and the $19.2 million pre-tax marked-to-market gain on the fair valuing of the Novo warrants.

2017 Cash flow from operating activities of $309.8 million, free cash flow totals $178.0 million

Cash at December 31, 2017 totaled $231.6 million, which compared to cash of $234.9 million at December 31, 2016 and cash of $210.5 million at September 30, 2017. Cash flow from operating activities and free cash flow in 2017 totaled $309.8 million and $178.0 million, respectively, which compared to $187.0 million and $114.0 million, respectively, in 2016. The significant free cash flow generated by the Company in 2017 was offset by the use of cash in a number of areas focused on value creation for the Company's shareholders, including strategic investments, debt repayment and elimination and share repurchases.

During 2017, the Company made strategic investments in a number of junior exploration companies. In August and September 2017, the Company invested an aggregate of $61.0 (C$74.9) million for the purchase of 25.8 million common shares and 14.0 million common share purchase warrants of Novo. In June 2017, the Company invested $6.9 (C$8.9) million to acquire 17.9 million common shares of Bonterra Resources Inc., a TSX Venture Exchange-listed company with exploration projects in Quebec and Ontario. Through two transactions (in April and December 2017), the Company invested $6.7 (C$8.6) million to acquire 12.3 million common shares and 975,500 common share purchase warrants of Metanor Resources Inc., a TSX Venture Exchange-listed company with assets in the Urban-Barry district of Northern Quebec. In November 2017, the Company invested $3.8 (C$4.9) million to acquire 33.3 common shares and 33.3 options to acquire common shares of De Grey Mining Ltd., an ASX-listed company with assets based in Western Australia.

A total of $44.0 (C$57.2) million of cash was used to redeem and eliminate the Company's two series of convertible debentures during 2017. On June 30, 2017, the Company paid $43.8 (C$56.8) million to redeem the 6% Debentures (with an additional $1.3 (C$1.7) million paid for interest accrued at the maturity date of June 30, 2017). In December 2017, over 99% of the $62.0 million 7.5% Debentures, which matured on December 31, 2017, were converted into common shares at a conversion price of C$13.70 per share, being a conversion rate of 72.9927 common shares for each $1,000 in principal held. As a result, an aggregate of 4,505,393 common shares were issued to the debenture holders. The Company paid an aggregate amount of $0.2 (C$0.3) million in cash with respect to the outstanding 7.5% Debentures not converted at their maturity. In addition, $2.2 (C$2.8) million of cash was paid to all holders of the 7.5% Debentures with respect to interest accrued at the maturity date of December 31, 2017.

During 2017, the Company repurchased 5,443,400 common shares for cancellation under the NCIB program introduced in May 2017. The common shares were repurchased at an average price of $11.05 (C$14.06) per common share for total cash payment of $60.1 (C$76.5) million. Under the NCIB, a maximum of 15,186,571 Kirkland Lake Gold common shares can be purchased for cancellation. Accordingly, the Company may purchase an additional 9,743,171 common shares for cancellation through the NCIB until the program's expiry in May 2018.

Performance Against 2017 Guidance

Kirkland Lake Gold achieved all of the Company's consolidated production and unit cost guidance for full-year 2017. A number of revisions were made to the Company's guidance during the year. Guidance for consolidated production and AISC per ounce sold were improved three times. Consolidated production guidance began the year at 500,000 - 525,000 ounces and was ultimately improved to 580,000 - 595,000 ounces on November 2, 2017. AISC per ounce sold guidance commenced 2017 at $950 - $1,000 with the final improvement resulting in a target range of $800 - $825. Other revisions to consolidated guidance during 2017 included: two improvements to operating cash cost per ounce sold guidance, which began the year at $625 - $675 and was ultimately established at $475 - $500 on November 2, 2017; a revision to sustaining and growth capital expenditure guidance from $180 - $200 million to $160 - $180 million on August 2, 2017, and an increase in the guidance for corporate G&A expense from $17 million to $20 million on November 2, 2017. (For more information on the revisions to guidance announced on November

2, 2017, August 2, 2017 and May 4, 2017 see the MD&As for the periods ended September 30, 2017, June 30, 2017 and March 31, 2017.)

2017 Guidance (1) (as at November 2, 2017)

($ millions unless otherwise stated)	Canadian Mines Macassa	Taylor	Holt	Australian Mines Fosterville	Northern Territory (3)	Consolidated
Gold production (kozs)	190 - 195	50 - 55	50 - 55	250 - 260	20	**580 - 595**
Op. cash costs/ounce sold ($/oz) (2)(5)	$520 - $550	$575 - $625	$670 - $725	$260 - $280	$1,500 - $1,600	**$475 - $500**
AISC/ounce sold ($/oz) (2)(5)						**$800 - $825**
Operating cash costs (2)						**$270 - $280**
Royalty costs						**$20 - $25**
Sustaining and growth capital (5)						**$160 - $180**
Exploration and evaluation						**$45 - $55**
Corporate G&A expense (4)						**$20**

(1) *Represents the Company's guidance for which the three-month period ended December 31, 2017 was measured against.*

(2) *Operating cash costs, operating cash cost/ounce sold and AISC/ounce sold reflect an average US$ to C$ exchange rate of 1.2983 and a US$ to A$ exchange rate of 1.3047. See "Non-IFRS Measures" set out starting on page 37of the Company's MD&A for further details. The most comparable IFRS Measure for operating cash costs, operating cash costs per ounce sold and AISC per ounce sold is production costs as presented in the Consolidated Statements of Operations and Comprehensive Income*

(3) *Northern Territory includes Cosmo mine and Union Reefs mill. The Cosmo mine was placed on care and maintenance effective June 30, 2017 (see News Release dated May 4, 2017).*

(4) *Includes general and administrative costs and severance payments. Excludes non-cash share-based payment expense.*

(5) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included starting on page 37 of the Company's MD&A for the twelve and three months ended December 31,2017.*

2017 Performance

($ millions unless otherwise stated)	Canadian Mines Macassa	Taylor	Holt	Australian Mines Fosterville	Northern Territory (3)	Consolidated (2)
Gold production (ozs)	194,237	50,764	66,677	263,845	20,595	**596,405**
Op. cash cost/ounce sold ($/oz) (1)(4)	$523	$610	$685	$264	$1,661	**$481**
AISC/ounce sold ($/oz) (1)(4)						**$812**
Operating cash costs (1)						**$285.3**
Royalty costs						**$21.4**
Sustaining and growth capital (4)						**$164.5**
Exploration and evaluation						**$48.4**
Corporate G&A expense (5)						**$21.7**

(1) *Operating cash costs, operating cash costs/ounce and AISC/ounce sold reflect an average US$ to C$ exchange rate of 1.2965 and a US$ to A$ exchange rate of 1.3041.*

(2) *Consolidated 2017 production includes 287 ounces processed from the Holloway Mine.*

(3) *Northern Territory includes Cosmo Mine and Union Reefs Mill. The Cosmo Mine was placed on care and maintenance effective June 30, 2017 (see News Release dated May 4, 2017).*

(4) *Non-IFRS - the definition and reconciliation of these Non-IFRS measures are included starting on page 37 of the Company's MD&A for the twelve and three months ended December 31, 2017.*

(5) *Includes general and administrative costs and severance payments. Excludes non-cash share-based payment expense.*

Key Highlights of 2017 Performance Compared to Guidance

- **Consolidated gold production** for 2017 of 596,405 ounces exceeded the Company's improved guidance for the year of 580,000 - 595,000 ounces. All of the Company's operating mines achieved or exceeded their respective production guidance. The primary factor driving the strong consolidated production performance and multiple increases in guidance was the performance at Fosterville, where grades outperformed expected levels for much of the year, including during Q4 2017 when the mine achieved its highest ever quarterly average grade of 21.5 grams per tonne. Fosterville's production guidance was increased twice during 2017 from 140,000 - 160,000 ounces initially to a final target of 250,000 - 260,000 ounces. Fosterville's total production of 263,845 ounces exceeded the improved guidance. Macassa's production of 194,237 ounces achieved the top end of the improved guidance range of 190,000 - 195,000 ounces. Production guidance for Macassa was increased on May 4, 2017 from 180,000 - 185,000 ounces on the anticipation higher run-of-mine tonnage over the balance of the year. Both run-of-mine tonnes processed and average grades at Macassa increased from comparable 2016 levels. Guidance for the Holt mine of 65,000 - 70,000 ounces remained unchanged throughout 2017, with the mine's production of 66,677 ounces achieving the target range. Production at the Taylor mine of 50,764 ounces achieved the revised target range of 50,000 - 55,000 ounces, which had been revised from 55,000 - 60,000 ounces on August 2, 2017.
- **Production costs** for the year totaled $288.3 million. Operating cash costs of $285.3 million in 2017 exceeded the guidance range of $270 - $280 million due mainly to the higher than expected production volumes during the year.
- **Operating cash costs per ounce sold** for 2017 averaged $481, in the low end of the improved guidance range of $475 - $500. Operating cash costs at Fosterville averaged $264 per ounce sold, achieving guidance of $260 - $280, which had been improved on August 2, 2017 from $310 - $300. Higher than expected grades were the main factor contributing to Fosterville's low unit operating cash costs during the year. Macassa's operating cash costs of $523 per ounce sold were in the low end of the improved target range of $520 -$550, which had been revised from $552 - $568 per ounce sold on May 4, 2018 in anticipation of higher production volumes over the balance of the year. Holt's operating cash cost per ounce sold of $685 was near the low end of the guidance established at the beginning of 2017, while average operating cash costs at Taylor of $610 per ounce sold achieved the mine's guidance of $575 - $625. Operating cash cost guidance for Taylor had been revised higher from $450 - $525 on November 2, 2017, reflecting the impact of lower than expected production volumes during the year.
- **AISC per ounce sold** averaged $812 for 2017, in line with the improved guidance of $800 - $825. In addition to a solid operating cash cost performance, discussed above, the Company's strong AISC performance also reflected lower than anticipated levels of sustaining capital expenditures on a per ounce sold basis.
- **Royalty costs** totaled $21.4 million for 2017, which was in the low end of the Company's full-year 2017 guidance of $20 - $25 million.
- **Sustaining and growth capital** (1) expenditures for 2017 totaled $164.5 million, which was in line compared to the Company's revised guidance of $160 - $180 million. Sustaining capital expenditures for the year totaled $147.7 million, with growth capital expenditures totaling $16.8 million. The revision of the Company's guidance on August 2, 2018 from $180 - $200 million largely reflected lower than expected levels of capital development, primarily at Macassa and Holt, due to revisions to mine sequencing plans and, in some cases, the deferral of development work.
- **Exploration expenditures** totaled $48.4 million, consistent with the Company's full-year 2017 guidance of $45 - $55 million.
- **Corporate G&A expense** for 2017 totaled $21.7 million, which compared to revised guidance of $20.0 million. The higher than expected corporate G&A expense was mainly due to additional consulting and legal fees related to initiatives undertaken during the year.

(1) *See "Non-IFRS Measures" set out later in this press release and starting on page 37 of the Company's MD&A for the twelve and three months ended December 31, 2017 and 2016*

2017 and Q4 2017 Financial Results and Conference Call Details

A conference call to discuss the results will be held by senior management on Wednesday, February 21, 2018, at 2:00 pm ET. The call will be webcast and accessible on the Company's website at www.klgold.com .

KIRKLAND LAKE GOLD

Date:	**wednesday, February 21, 2018**
Conference Id:	8274437
Time:	2:00 pm ET
Toll-free number:	1 (866) 393-4306
International callers:	1 (734) 385-2616
Webcast URL:	https://event.on24.com/wcc/r/1553559/4CDA4998DC01D4D4BD697C8EC56F8CB9

Qualified Persons

Pierre Rocque, P.Eng., Vice President, Canadian Operations and Ian Holland, FAusIMM, Vice President Australian Operations are "qualified persons" as defined in National Instrument 43-101 and have reviewed and approved disclosure of the technical information and data in this news release.

About Kirkland Lake Gold Ltd.

Kirkland Lake Gold Ltd. is a mid-tier gold producer that in 2018 is targeting over 620,000 ounces of gold production from mines in Canada and Australia. The production profile of the company is anchored from two high-grade, low-cost operations, including the Macassa Mine located in Northeastern Ontario and the Fosterville Mine located in the state of Victoria, Australia. Kirkland Lake Gold's solid base of quality assets is complemented by district scale exploration potential, supported by a strong financial position with extensive management and operational expertise.

For further information on Kirkland Lake Gold and to receive news releases by email, visit the website www.klgold.com .

Non-IFRS Measures

The Company has included certain non-IFRS measures in this document, as discussed below. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. For a reconciliation of the Non-IFRS Measures described below, please see the Non-IFRS Measures section of the MD&A for the twelve and three months ended December 31, 2017 beginning on page 32.

Free Cash Flow

In the gold mining industry, free cash flow is a common performance measure with no standardized meaning. Free cash flow is calculated by deducting capital cash spending (capital expenditures for the period, net of expenditures paid through finance leases) from cash flows from operations.

The Company discloses free cash flow as it believes the measures provide valuable assistance to investors and analysts in evaluating the Company's ability to generate cash flow. The most directly comparable measure prepared in accordance with IFRS is cash flows generated from operations.

Operating Cash Costs and Operating Cash Costs per Tonne and Ounce Sold

Operating cash costs and operating cash cost per tonne and per ounce sold are non-IFRS measures. In the gold mining industry, these metrics are common performance measures but do not have any standardized meaning under IFRS. Operating cash costs include mine site operating costs such as mining, processing and administration, but exclude royalty expenses, depreciation and depletion and share based payment expenses and reclamation costs. Operating cash costs per tonne of ore produced is calculated by dividing operating cash costs to tonnes milled; operating cash cost per ounce sold is based on ounces sold and is calculated by dividing operating cash costs by volume of gold ounces sold.

The Company discloses operating cash costs and operating cash cost per tonne and per ounce sold as it believes the measures provide valuable assistance to investors and analysts in evaluating the Company's operational performance and ability to generate cash flow. The most directly comparable measure prepared in accordance with IFRS is total production expenses. Operating cash costs and operating cash cost per ore tonne produced and per ounce of gold sold should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Sustaining and Growth Capital

Sustaining capital and growth capital are Non-IFRS measures. Sustaining capital is defined as capital required to maintain current operations at existing levels. Growth capital is defined as capital expenditures for major growth projects or enhancement capital for significant infrastructure improvements at existing operations.

AISC and AISC per Ounce Sold

AISC and AISC per ounce sold are Non-IFRS measures. These measures are intended to assist readers in evaluating the total costs of producing gold from current operations. While there is no standardized meaning across the industry for this measure, the Company's definition conforms to the definition of AISC as set out by the World Gold Council in its guidance note dated June 27, 2013.

The Company defines AISC as the sum of operating costs (as defined and calculated above), royalty expenses, sustaining capital (capital required to maintain current operations at existing levels), corporate expenses, underground exploration expenses and reclamation cost accretion related to current operations. Corporate expenses include general and administrative expenses, net of transaction related costs, severance expenses for management changes and interest income. AISC excludes growth capital, reclamation cost accretion not related to current operations, interest expense, debt repayment and taxes.

Average Realized Price per Ounce Sold

In the gold mining industry, average realized price per ounce sold is a common performance measure that does not have any standardized meaning. The most directly comparable measure prepared in accordance with IFRS is revenue from gold sales. Average realized price per ounces sold should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The measure is intended to assist readers in evaluating the total revenues realized in a period from current operations.

Adjusted Net Earnings and Adjusted Net Earnings per Share

Adjusted net earnings and adjusted net earnings per share are used by management and investors to measure the underlying operating performance of the Company.

Adjusted net earnings is defined as net earnings adjusted to exclude the after-tax impact of specific items that are significant, but not reflective of the underlying operations of the Company, including transaction costs and executive severance payments, purchase price adjustments reflected in inventory, and other non-recurring items. Adjusted basic net earnings per share is calculated using the weighted average number of shares outstanding under the basic method of loss per share as determined under IFRS.

Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA")

EBITDA represents net earnings before interest, taxes, depreciation and amortization. EBITDA is an indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures.

Working Capital

Working capital is a Non-IFRS measure. In the gold mining industry, working capital is a common performance measure but does not have any standardized meaning under IFRS.

The most directly comparable measure prepared in accordance with IFRS is current assets and current liabilities. Working capital is calculated by deducting current liabilities from current assets. Working capital should not be considered in isolation or as a substitute from measures prepared in accordance with IFRS. The measure is intended to assist readers in evaluating the Company's liquidity.

Risks and Uncertainties

The exploration, development and mining of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Kirkland Lake Gold is subject to several financial and operational risks that could have a significant impact on its cash flows and profitability. The most significant risks and uncertainties faced by the Company include: the price of gold; the uncertainty of production estimates, including the ability to extract anticipated tonnes and successfully realizing estimated grades; changes to operating and capital cost assumptions; the inherent risk associated with project development and permitting processes; the uncertainty of the mineral resources and their development into mineral reserves; the replacement of depleted reserves; foreign exchange risks; regulatory; tax as well as health, safety, and environmental risks. For more extensive discussion on risks and uncertainties refer to the “Risks and Uncertainties” section in the December 31, 2016 Annual Information Form and the Company’s MD&A for the period ended December 31, 2017 filed on SEDAR.

Cautionary Note Regarding Forward-Looking Information

This press release contains statements which constitute "forward-looking information" within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs and current expectations of Kirkland Lake Gold with respect to future business activities and operating performance. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and include information regarding: (i) the amount of future production over any period; (ii) assumptions relating to revenues, operating cash flow and other revenue metrics set out in the Company's disclosure materials; and (iii) future exploration plans.

Investors are cautioned that forward-looking information is not based on historical facts but instead reflect Kirkland Lake Gold's management's expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although Kirkland Lake Gold believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the combined company. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: the ability of Kirkland Lake Gold to successfully integrate the operations and employees of its Canadian and Australian operations, and realize synergies and cost savings, and to the extent, anticipated; the potential impact on exploration activities; the potential impact on relationships, including with regulatory bodies, employees, suppliers, customers and competitors; the re-rating potential following the consummation of the merger; changes in general economic, business and political conditions, including changes in the financial markets; changes in applicable laws; and compliance with extensive government regulation. This forward-looking information may be affected by risks and uncertainties in the business of Kirkland Lake Gold and market conditions. This information is qualified in its entirety by cautionary statements and risk factor disclosure contained in filings made by Kirkland Lake Gold, including it’s annual information form and financial statements and related MD&A for the financial year ended December 31, 2017 and 2016 filed with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com *.*

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although Kirkland Lake Gold has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Kirkland Lake Gold does not intend, and do not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.

FOR FURTHER INFORMATION PLEASE CONTACT

Anthony Makuch, President, Chief Executive Officer & Director
Phone: +1 416-840-7884
E-mail: tmakuch@klgold.com

Mark Utting, Vice-President, Investor Relations
Phone: +1 416-840-7884
E-mail: mutting@klgold.com