Kirkland Lake Gold Inc.: Fiscal 2014 Second Quarter Operational and Financial Results

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KIRKLAND LAKE, ONTARIO--(Marketwired - Dec 12, 2013) - **Kirkland Lake Gold Inc**. (the "Company") (TSX:KGI)(AIM:KGI), an operating and exploration gold mining company, announces operational and financial results for the second quarter of its fiscal year 2014 (August, September, October 2013).

Mr. Harry Dobson, Chairman commented, "Subsequent to quarter-end, executive management changes were announced. Chief Operating Officer Mark Tessier resigned and George Ogilvie was appointed Chief Executive Officer with Brian Hinchcliffe accepting a new position of Deputy Chairman. Following the changes, immediate action has been taken to trim discretionary spending and preserve cash. Going forward, management will attempt to raise the mining cut-off grades, stop mining of incremental tonnage, and there will be greater scrutiny of onsite productivity and capital requests. Results for the last two quarters of the fiscal year will reflect these new policies and procedures."

KEY HIGHLIGHTS OF THE QUARTER

- Net loss before income taxes for the quarter ended October 31, 2013 was $6.1 million, which compares to net loss before of $0.8 million for the previous quarter (Q1/14). Costs associated with increased waste being hoisted, training, interest and finance expenses related to the Company's recent financing activities and increased depreciation and depletion expenses contributed to the reported net loss.

- Net loss and comprehensive loss for the quarter was $3.9 million ($0.06 per share). This compares to a net and comprehensive loss of $1.8 million ($0.03 per share) for Q1/14. Movements in deferred tax resulting from changes in deferred tax attributes between reporting periods is the reason for the material differences between quarterly figures.

- Cash flows from operations were $0.7 million ($0.01 per share) compared to $14.7 million in the previous quarter. Year to date cash flows from operations were $15.4 million compared to $12.9 million in the previous fiscal year. The fluctuation in cash generated from operations quarter on quarter was primarily a result of changes in non-cash working capital items. Revenue for the quarter was $41.3 million.

- Cash operating costs for the quarter were $328 per ton of ore ($1,105 per ounce of gold) compared with $344 per ton ($1,113 per ounce of gold) in the previous quarter. Year to date, operating costs were $336 per ton of ore ($1,109 per ounce of gold). The Company's goal remains to lower operating costs to less than $250 per ton by completing the expansion project and increasing production.

- The overall Mine Expansion budget to complete infrastructure upgrades and expand production is $95.0 million, of which $92.8 million has been spent to date. The remainder is expected to be spent in the third quarter of fiscal year 2014.

- After meeting all operating costs, spending $22.5 million on infrastructure and $2.4 million on exploration, total cash resources (including short-term investments) as at October 31, 2013 were $76.6 million. As at December 11, 2013 this number had decreased to $62.9 million.

- Ten diamond drills were active on the property doing exploration and definition drilling, including two surface drills, as at October 31, 2013. As at December 12, 2013, eight diamond drills were active including one on surface. Exploration spending has been reduced this year by roughly $10.0 million in order to redirect available resources to production and Mine Expansion Project activities.

- The Company entered into a 2.5% net smelter return (NSR) royalty with Franco-Nevada Corp. (FNV) on October 31, 2013 for proceeds of US$50.0 million (CAD$51.2 million). Kirkland Lake has a 3 year option to buy back 1% of the NSR, for total consideration of US$36 million, less the royalty proceeds attributable to the buy back portion of the NSR that has been paid to Franco-Nevada prior to the date of the buy back.

- During the quarter, 105,670 tons of ore were produced at a head grade of 0.31 ounces of gold per ton (opt) and a gold recovery rate of 95.17% to produce 31,387 ounces of gold. Recovery was slightly lower than the 96.00% targeted due to the installation and bedding of new equipment in the processing plant. The tonnage increase was attributable to additional ore mining workplaces coming on line and a larger mining workforce. Scheduled and unscheduled project and operating related disruptions resulted in production delays equivalent to approximately two weeks of production.

- Gold sold for the quarter was 30,530 ounces, approximately 1% higher than the previous quarter (30,253 ounces). Gold sold in the fiscal year to date was 60,783 ounces, 44% higher than the previous year (42,309 ounces).

- During the quarter, total tons broken (ore and waste) were 162,725 tons for average daily tons broken of 1,768 tons per day.

- The number of ore mining workplaces that were active in the production cycle at the end of the quarter was 68, with 42 additional ore mining workplaces in the development stage. The activity level in some of the active ore mining workplaces increased due to additional manpower.

- Progress made on the processing plant during the quarter included the commissioning of two new leach tanks, an 8 ton strip vessel, an 8 ton acid wash vessel, carbon columns and loaded and barren eluate tanks. Items remaining to be commissioned in order to complete the processing plant upgrade include the tailings basin and tanks, a larger pump and pump line for the effluent treatment plant, the paste plant tailings pump and box and the new primary ball mill.

- The Company workforce totalled 1,215 employees at October 31, 2013, an increase of 79 people throughout the quarter. Following the appointment of a new Chief Executive Officer, a freeze on all new hires was implemented; however, the intensive focus on training approximately 100 staff to become miners or to become lead miners is ongoing. The Company has essentially met its workforce requirements.

SUBSEQUENT EVENTS

- On December 6, 2013, the Company signed an amended credit facility letter that revised the combined credit facility terms from $40.0 million to $47.5 million. The changes include a cash secured operating loan of up to $7.5 million, giving access to a total operating loan of $15.0 million. The amended agreement also lowers the lease component of the credit facility from $40.0 million to $32.5 million. The remainder of the terms and rates do not differ from the original credit facility letter dated May 13, 2013. As at October 31, 2013, the $7.5 million operating loan had been drawn down and $23.1 million of the lease facility had been utilised.

- On November 18, 2013 the Company announced that Mr. Mark Tessier had resigned as Chief Operating Officer and as a member of the Board of Directors. The Company also noted that Mr. Brian Hinchcliffe had accepted a new position as Deputy Chairman, and Mr. George Ogilvie, P. Eng., would be replacing him as the Chief Executive Officer. For further information on these executive management changes, please see the Press Release dated November 18, 2013.

OUTLOOK

- Subsequent to the quarter and the appointment of the new Chief Executive Officer, the Company implemented the following costs saving initiatives:
  - Reduction in the number of exploration drills: one surface and one underground exploration drill were shutdown leaving one surface drill and two underground exploration drills
  - Reduction of various consulting contracts
  - Termination of some staff employment contracts
  - A freeze on all new hires
  - Greater scrutiny of all capital requests
  - Greater scrutiny and monitoring of site productivity
  - Shutdown of lowest grade stopes to improve head grade

- The decision to shut down the lowest-grade stopes and redirect manpower accordingly should raise the mine head grade and, as a consequence, will result in a fall in the previously reported number of 40% of ore mined being outside reserve or resources going forward.

- Mine plans for the balance of fiscal 2014 and 2015 are now being re-worked and will be reviewed in early calendar 2014. Labour productivity remains a key area of focus, and ore grade may continue to fluctuate throughout the remainder of fiscal 2014. The average ore grade is expected to improve over fiscal 2014. Production for the current year is likely to be at the lower end of the previously announced 150,000-180,000 ounce guidance number and any revisions to this estimate, based on a reworked mine plan, will be available in March 2014. The Company's strategy remains to gradually increase gold production in future years whilst focussing on managing costs to achieve clearly identified targets.

About the Company

Kirkland Lake Gold's corporate goal is to create a self sustaining and long lived intermediate gold mining company based in the historic Kirkland Lake Gold Camp. The Company plans to do this by increasing production capacity to 2,200 tons of ore per day in several stages, and by decreasing production costs by realizing the economies of scale associated with that higher production capacity. At the same time, the Company is committed to maintaining a significant exploration program aimed at developing and maintaining a property wide reserve and resource base sufficient to sustain a mine life of more than ten years for as long as practicable.

Cautionary Note Regarding Forward-Looking Statements

This News Release contains statements which 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 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 United States dollar), 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, risks related to joint venture operations 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, 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 Company's annual Management's Discussion and Analysis and Annual Information Form for the year ended April 30, 2013 and the Company's Management's Discussion and Analysis for the interim period ended October 31, 2013 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.

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