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PRESENTATION

Operator

Good afternoon. My name is Rob, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Kirkland Lake Gold 2017 and Fourth Quarter 2017 Conference Call and Webcast. (Operator Instructions) Thank you.

Mr. Mark Utting, Vice President of Investor Relations, you may begin your conference.

Mark E. F. Utting - *Kirkland Lake Gold Ltd. - VP of IR*

Thanks very much, operator, and good afternoon, everyone. Welcome to our Year-End and Fourth Quarter 2017 Conference Call and Webcast.

With me today are, actually, most of the members of Kirkland Lake Gold's senior management team, specifically Tony Makuch, President and Chief Executive Officer; Philip Yee, our EVP and Chief Financial Officer. Both for our Canadian and Australian Operations, we have our Vice Presidents for Canada. We have Pierre Rocque, Vice President, Canadian Operations. And we have Doug Cater, our Vice President, Exploration. Here from Australia, we have Ian Holland, our Vice President of Australian Operations; and John Landmark, our VP of Exploration.

As I mentioned, there are many other members of our management team in the room as well. Today, we'll be providing comments on our results for the full year and fourth quarter 2017 and providing outlook comments relating to 2018 and beyond. After our prepared remarks, we will then open the call to a Q&A session. The slide deck that we will be referencing during the call is available on our website at www.klgold.com under the Investor -- in the webcast that's provided on the homepage and the Investor Relations and Events pages.

Before we get started, I'd like to direct everyone to the forward-looking statements slide on Slide 2 of that deck. Our remarks and answers to your questions today may contain forward-looking information about future events on the company's performance. Please refer to the detailed cautionary note in Slide 2 of the presentation and the forward-looking information and advisories that are available both on our website and in our management discussion and analysis for the period ended December 31, 2017.

Also during the call, we will be making references to non-IFRS performance measures. A reconciliation of these measures is provided in the MD&A as well.

Finally, during the call, we'll be comparing our full year and Q4 results to prior periods. Listeners are advised that prior periods before November 30, 2016 -- excuse me, prior periods do not include our Australian Operations as that was the date that we completed the Newmarket transaction. In addition, for year-to-date comparisons results in 2016 include assets of the St Andrew Goldfields, business principally results from Holt and Taylor Mine from January 26, 2016.

All figures discussed today will be in U.S. dollars, unless otherwise stated.

With that, I'll turn the call over to Tony Makuch.

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Okay. Thanks, Mark, and good afternoon, everyone. Before I start really, I know it's always nice to be able to get here and talk in front of you and present some really good results. And really, that's the -- we just get the benefit of talking about that really, and that is all about the 2,000 employees and the suppliers and all of our contractors that do all the hard work and really give us these results that we can talk about.

So with that, and maybe I'll just move onto thanking them and then turning -- turn over to talk about the presentation, which is on -- I'll start on Slide 4.

Turning to our performance. Kirkland Lake Gold had a record year in 2017 and also turned in record quarterly production in Q4 to finish off the year.

Looking at 2017. We beat our improved guidance for production, which we had -- sorry, we beat our guidance for production, which we have improved 3x during the year. Our unit costs were very low, which helped us to generate a substantial amount of earnings and free cash flow. We ended the year with a strong cash position and no debt, having repaid or converted our 2 series of debentures in the year. Also, during the year, we repurchased stock through our NCIB, introduced a dividend, doubled it in the second half of the year and made a number of strategic investments.

One of the most important achievements for the year was announced late yesterday. Based on the exploration work in 2017, we were able to significantly grow both mineral reserves and mineral resources at a number of our sites. And I'll get into the details of the reserve and resource update in a few minutes.

I'll turn to Slide #5 now. Production in 2017 totaled 596,000 ounces. Again, we just beat our guidance of 580,000 to 595,000. Production in 2017 was 90% higher than in 2016. Fosterville was a key driver to our strong operating and production performance. We started the year targeting 140,000 to 160,000 ounces. Ultimately, we produced 264,000 ounces, which beat our improved guidance of 250,000 to 260,000. It became clear as 2017 progressed that Fosterville was a very different mine than the one we acquired in late 2016. It is a high-grade, low-cost mine that generates substantial free cash flow and has a lot of growth ahead of it.

As announced yesterday, the reserves now total 1.7 million ounces at a grade of 23 grams per tonne. We also have a very large resource base at Fosterville, which bodes well to giving you a sense how we can replace and grow reserves even into 2018.

Another important benefit of the growth we have achieved is that we've seen lower depreciation costs going forward, not just at Fosterville but even at our mines in Canada.

Turning to Canada. We had growth from all 3 of our operating mines. Macassa had a strong year with production of 194,000 ounces, in line with its improved guidance of 190,000 to 195,000 ounces and 11% better than in 2016. Both tonnage and grades improved at Macassa. We achieved a very large increase in mineral resources for the year, because and through exploration success. And again, this will support for future reserve growth.

Turning to Slide 6. Talking about full year costs in 2017. We achieved our improved guidance for both operating cash costs and all-in sustaining costs. Our cash cost of $481 per ounce were in line -- in the low end of our improved guidance of $475 to $500 per ounce and were significantly better than our initial guidance for the year of $625 to $675 an ounce.

Our cash costs for the year were 16% better than the previous year and largely reflected the full year contribution of Fosterville, where cash costs averaged $264 per ounce for the year, and that's without any byproduct credits.

All-in sustaining cost for 2017 average $812 per ounce, which achieved our improved guidance of $800 to $825 and was much better than our initial target of $950 to $1,000 per ounce.

Going to Slide 7. With record production and a strong cost performance, we succeeded in generating solid financial results for the year. Phil Yee, our Chief Financial Officer, will get into more of the details later, but I want to briefly focus on earnings and free cash flow.

In terms of earnings from continuing operations, we achieved earnings of $0.76 per share for the full year and $0.32 in the fourth quarter. We had a loss on discontinued operations related to the sale of the Stawell mine, which was sold at the end of the year and this loss was about $0.12 per share.

Going to Slide 8 now. In terms of free cash flow, in 2017, this totaled $178 million, which is about 56% higher than 2016. The ability of our company to generate cash is a key competitive advantage of Kirkland Lake Gold as an investment. It allows us to invest also to achieve one of our key pillars of value creation, which is organic growth using the existing cash and not having to dilute shareholders.

Now going to Slide 9 and looking at our balance sheet. We ended the year with $232 million of cash. During the year, we made about $78 million in strategic investments. We also used $44 million of cash to eliminate our 2 series of convertible debentures. Most of the cash was used to repay our 6% debentures on June 30 in the year. Over 99% of our 7.5% debentures were converted into 4.5 million common shares in December.

We also used about $60 million to repurchase 5.4 million common shares through our normal course issuer bid. The program remains in place till the end of May, and we will look for additional opportunities to repurchase stock up till then. And we'll also consider reestablishing the NCIB for 2018, 2019.

Finally, we used about $3.3 million to pay 2 quarterly dividends during 2017 and have now raised the dividend to $0.02 per share.

On Slide 10 now, turning to the fourth quarter. It was a very solid quarter with strong production, low unit costs, solid earnings and free cash flow. Our total production of 166,000 ounces was 56% higher than Q4 2016 and a 20% increase from the previous quarter. Fosterville produced over 79,000 ounces, driven by an average grade of 21.5 grams per tonne. In Canada, all 3 of our mines achieved solid quarter-over-quarter growth in production, largely driven by increased tonnes processed.

Going to Slide 11, Q4 2017 costs. In terms of costs, our unit cost performance was very strong. Operating cash costs averaged $412 per ounce. That's 23% better than in Q4 2016 and a 15% improvement from the previous quarter. All-in sustaining costs improved from the prior periods, even though we had our heaviest quarter of the year in terms of sustaining capital expenditures.

Turning to Slide 12. Supported by stronger sales and lower unit costs, we achieved strong earnings and cash flow in Q4 2017. Earnings from continuing operations were $66 million or $0.32 per share, as I said previously. Free cash flow totaled $65 million, which was 42% better than Q4 2016 and more than double the previous quarter. It is fair to say that Q4 2017 was a quarter when we, as a company, were firing on all cylinders.

Just before I turn the call over to Phil, I want to briefly review our 2018 guidance, which we released on January 17. So turning to slide 13. At a very high level, 2018 is expected to be a year when we achieve year-over-year production growth, improve the unit cost and continue strong financial performance. 2018 will be a year when we increase our levels of investment and ramp up our exploration activities, particularly in Australia. The increased spending is a direct result of the success we achieved in 2017 in terms of demonstrating the growth potential of our high-grade deposits.

Going to Slide 14 now. There are 3 things I want to focus on. First is production. Our consolidated guidance for the year is over 620,000 ounces. If you look at the ranges in the different mines taken into high and low, you can see the range of 600,000 to 670,000. Basically, there is a lot of upside in our range should we continue to grow -- sorry, should we continue to grow our production at each of these mines. And we don't expect it to go down to below 620,000, but we definitely expect that we can beat it without having to continually change guidance throughout the year.

Slide 15. The second area to touch on involves planned capital expenditures. Our sustaining capital will be higher than the $148 million of sustaining capital we spent in 2016. Most of the increase is at Fosterville as we prepare to bring both Swan and Harrier zones into production. Many of the expenditures are for development, equipment purchases and infrastructure that will sustain production for many years. I should point out that even with higher sustaining capital, we're targeting improved all-in sustaining costs of between $750 and $800 per ounce.

Turning to our growth capital. Our target for 2018 is between $85 million and $95 million. We are planning to invest about $35 million of growth capital at Fosterville, which is the bulk of the growth capital we will require to achieve our annual production target of 400,000 ounces by 2020 year. Most of the remaining growth capital will be invested at Macassa, with the vast majority relating to the initial work on a new shaft at the Macassa Mine, which will support the growth to production to over 400,000 ounces at Macassa within 5 to 7 years.

Turning to Slide 17. As mentioned in our January 17 press release of this year, we're syncing a new shaft at Macassa that will allow us to both double production and get to the mine -- sorry, double production to over 400,000 ounces over the next 5 to 7 years. And in fact, this shaft will provide many benefits, including derisking the mine, improving ventilation and other working conditions and supporting future underground exploration.

Earlier, I mentioned a significant growth in resources at Macassa. We will discuss that more in a few minutes. What I will say now is that we expect to be mining in the South Mine Complex at Macassa and mining back again along '04 Main Break for a very long time. And the shaft is a very important part of our long-term strategy here.

For those who may not have been -- have seen the announcement, the capital for the project is estimated at $320 million. The project will be done in 2 phases. Phase 1 will involve sinking the shaft and installing a loading pocket around the 5,450 level, establishing 5,300 as the production level. This will cost about $240 million. And the completion is targeted for early 2022.

Phase 2, if we decide to proceed with it, will take the shaft to 7,000 feet and will cost us another $80 million. It would be done by the end of 2023, and that's considering it [holds] concurrently with -- after Phase 1. We will commence production from the shaft at the completion of Phase 1 though, with the 5,300 as the production level.

Turning to Slide 18. Third area in our guidance I want to focus on is exploration. We were significantly increasing exploration in 2018 with guidance of $75 million to $90 million. Of that amount, $65 million to $75 million will be spent in Australia. Fosterville, we will continue to aggressively target growth of the Swan Zone as well as looking at another key areas and looking for new Swans. We're also going to spend about $10 million conducting exploration on a number of district targets within our large land position. We also plan extensive drilling and development to further investigate the Lantern Deposit at the Cosmo Mine as well as to begin exploration at -- over at Union Reefs. We had some very good exploration results out of Lantern in late -- in 2017, and we're making good progress working on establishing a 5-year mine plan involving higher production levels and grades for Northern Territory.

We fully expect 2018 to be another very successful year for KL Gold, and it will also be a very important year of investment as we work towards achieving our objective of consistent year-over-year growth in production and reaching 1 million ounces of annual -- 1 million ounces of production from the existing mines over the next 5 to 7 years.

I'll now turn the call over to Phil Yee, our Executive Vice President and Chief Financial Officer, to review the financials in more detail.

Philip Chow Yee - *Kirkland Lake Gold Ltd. - Executive VP & CFO*

Thank you, Tony. Before I get started, I just wanted to provide a second reminder that all figures referenced are in U.S. dollars unless otherwise stated.

Also, I'd like to point out that the results for the year 2016 and the fourth quarter of 2016 have been restated to exclude discontinued operations, discontinued operations related to the Stawell mine which was sold on December 21, 2017.

Starting on Slide 20. Tony has already mentioned many of the components of our 2017 and Q4 2017 performance. I will focus more specifically on the key elements of our financial statements.

We had a very profitable year in 2017. Net earnings for the year totaled $132.4 million or $0.64 per share. That is more than double the 2006 (sic) [2016] net earnings of $42.1 million or $0.35 per share. The increase in 2017 largely resulted from increased sales as well as improved unit costs, reflecting the full year impact of our Fosterville operations in 2017. We also benefited from a lower effective tax rate in 2017 versus 2016. Partially offsetting these factors were higher production costs, higher depreciation and depletion expenses and significantly higher exploration expenditures in 2017.

Net earnings for the year included earnings from continuing operations of $157.3 million or $0.76 per share and a loss from discontinued operations of $24.9 million or $0.12 per share. As mentioned earlier, the loss from discontinued operations pertains to the 2017 care and maintenance expenses and sale of the Stawell mine in Australia on December 21, 2017. Adjusted net earnings from continuing operations for the year totaled $149.1 million or $0.72 per share, more than double the $67.9 million or $0.56 per share in adjusted net earnings from continuing operations in 2016. The exclusion of the loss from discontinued operations amounted to $0.12 per share and was the most significant difference between the net earnings and the adjusted net earnings from continuing operations for the year. In addition, there was also a $10 million net deferred tax recovery adjustment, which had an impact of $0.05 per share.

In 2016, net earnings included $17.7 million of transaction costs and $9.8 million of fair value adjustments on acquired metal inventory that were both excluded from adjusted net earnings from continuing operations. Both of these items were related to the new market acquisition on November 30, 2016.

Turning to Slide 21. Revenue in 2017 totaled $747.5 million, an 85% increase from 2016. The significant growth in revenue in 2017 was due mainly to an 80% increase in gold sales to approximately 593,000 ounces. The addition of our Australian operations at the end of November of 2016 had a very significant impact on the increase in revenue in 2017.

Gold sales from Fosterville totaled just over 258,000 ounces in 2017 versus approximately 19,000 in the last month of 2016. Gold sales from our Canadian operations were 3% higher in 2017 at approximately 312,000 ounces. However, if we exclude the impact of the Holloway mine, which was put on care and maintenance in December of 2016, gold sales in Canada increased 13%, largely reflecting increased production at the Macassa Mine in 2017.

Gold prices were not that significant of a factor in terms of revenue growth. The average realized price was $1,261 per ounce in 2017 compared to $1,234 per ounce in 2016.

EBIDTA from continuing operations was very strong for the year at $356.9 million for the year ended December 31, 2017. That's 137% higher than $150.4 million reported for EBIDTA from continuing operations in 2016.

On Slide 22, we turn our focus to costs. Total production costs in 2017 amounted to $288.3 million, which compared to $192.8 million in 2016. This increase is attributable to higher production volumes in 2017, due mainly to the inclusion of the company's Australian operations for the full year.

Moving to Slide 23. Far more significant in terms of profitability is the unit cost performance, which as you've heard from Tony, was very strong in 2017. Operating cash costs were $481 per ounce sold, a 16% improvement from $571 per ounce sold in 2016. All-in sustaining costs of $812 per ounce sold were a 13% improvement over the $930 per ounce sold reported for 2016.

A major contributor to the improved unit cost performance in 2017 is the contribution from Fosterville, which reported operating cash costs of $264 per ounce sold and all-in sustaining costs of $491 per ounce sold for the full year of 2017.

On Slide 24, we look at some of the other expenses in more detail. Depletion and depreciation expense increased to $148.7 million in 2017 from $59 million in 2016. The increase in 2017 is a reflection of the impact of the Newmarket acquisition and the purchase price allocation exercise of assigning fair values to mining interest and property and plant and equipment acquired as part of the business combination.

On the subject of depletion and depreciation, most of you have seen our mineral reserves and mineral resources news release that was issued late yesterday. It included a significant increase in mineral reserves and mineral resources at Fosterville in addition to supporting higher production and longer mine life at Fosterville. An additional benefit of the growth in reserves and resources is that the remaining values related to the Fosterville mining interests and plant and equipment will now be depreciated over a much larger number of ounces. We're still working through our models, but we definitely should see a meaningful reduction in depletion and depreciation expense for Fosterville beginning in 2018.

Looking at other expenses. The growth in the size of our business portfolio was a primary factor in leading to an increase in corporate general and administrative expenses to $21.7 million in 2017, an increase from $10.7 million in 2016. These numbers exclude noncash share-based payment expense.

Care and maintenance costs totaled $11.9 million in 2017, mainly related to the placement of the Cosmo Mine and the Union Reefs Mill on care and maintenance as of June 30, 2017.

Exploration expenditures increased significantly in 2017 totaling $48.4 million, which more than tripled the $15.8 million spent on exploration in 2016. The increase partially reflected our growing asset base. It also illustrates the commitment we have to achieving production growth from our existing mines and the success that we've had with drill programs at our existing operations, including Fosterville, Macassa, the Northern Territory and Taylor.

Exploration is a success-driven business. Based on the results from our 2017 drill programs, we are increasing our exploration budget to between $75 million and $90 million in 2018.

Slide 25 focuses on the fourth quarter of 2017. Net earnings were $41 million or $0.20 per share, which compared to $3.1 million or $0.02 per share in Q4 of 2016. And $43.8 million or $0.21 per share in the third quarter of 2017. The main reason for the significant change from last year's fourth quarter net earnings related to having a full quarter of results in 2017 from Fosterville versus just 1 month in 2016 after completion of the Newmarket acquisition on November 30, 2016.

As a result, I'll focus my review mainly on performance to the prior quarter. Included in net earnings for Q4 of 2017 were earnings from continuing operations of $65.9 million or $0.32 per share and a loss from discontinued operations of $24.9 million or $0.12 per share that related to the sale of the Stawell mine in December of 2017. All of the net earnings from Q3 of 2017 were from continuing operations.

The change in net earnings from Q3 2017 was significantly influenced by the impact of fair value and our common share purchase warrants in Novo. In Q4 2017, we reported a pretax $17.6 million mark-to-market loss on fair value on the Novo share warrants. In Q3 of 2017, we reported the opposite, a $19.2 million mark-to-market gain on fair value on Novo warrants. These amounts are reported in other income.

EBIDTA from continuing operations for Q4 2017 totaled $103.9 million, a 6% increase from the previous quarter of $98.1 million.

On Slide 26, adjusted net earnings from continuing operations for Q4 of 2017 totaled $71.2 million or $0.34 per share, which excludes the impact of $17.6 million loss on Novo warrants, which amounts to $0.08 per share; as well as a $24.9 million loss in discontinued operations, which amounts to $0.12 per share and the impact of the $10 million net deferred tax recovery, which amounts to $0.05 per share.

The Q4 2017 amounts more than doubled the $27.4 million of adjusted net earnings from continuing operations or $0.14 per share in Q3 of 2017. A 20% increase in revenue in Q4 of 2017 to $212.4 million contributed significantly to the increase in adjusted net earnings from continuing operations compared to the previous quarter.

Gold sales increased 20% from Q3 2017 to approximately 166,000 ounces, which was a major driver of revenue growth quarter-over-quarter. We also achieved improvement in both operating and all-in sustaining unit costs in Q4 of 2017. Operating cash cost improved to $412 per ounce sold from $482 per ounce sold in Q3 and all-in sustaining costs improved to $816 per ounce sold from $845 per ounce sold in the previous quarter.

Finally, on Slide 27, Tony mentioned earlier about our strong financial position. We ended the year with $231.6 million in cash. We no longer have any convertible debentures outstanding. And we are a company that generates a significant amount of cash flow, as evidenced by the $178 million of free cash flow generated in 2017. Our strong balance sheet and our ability to generate cash is a key competitive advantage, which is very important as we look to grow our production to over 1 million ounces per year on the next 5 to 7 years.

With that, I'll turn the call back over to Mark.

Mark E. F. Utting - *Kirkland Lake Gold Ltd. - VP of IR*

Thanks very much, Phil. And now, what we'd like to do is look at an announcement that we made yesterday a little bit -- in a little bit more detail.

I'm sure many of you have seen the announcement. We released our December 31, 2017, reserve and resource update. There was obviously a lot of work done in 2017 to both grow mineral reserves and mineral resources, and we very much like the result that we came up. Just at a very high level (inaudible), I'll cover off a few very high-level points, and then I'm going to turn it over to both our heads of operation and exploration for Australia and Canada to give you some more of the details.

Basically, at a very high-level, we achieved a 36%

(technical difficulty)

We now have 4.4 million ounces at just over 11 grams per tonne, which compares to about 3.4 million or 9 grams per tonne at the end of the previous year. The growth in reserves, to a large extent, came at our Fosterville mine. And as many of you will know, we had a mid-year update last year based on the success we had leading up to the last summer here. Basically, what we achieved was, if we look at the full year, 247% increase in reserves. Fosterville mineral reserves now is 1.7 million ounces at about 23 grams per tonne, a very significant increase in the grade. A big part of that is the Swan Zone, and you'll be hearing more about that in the next few minutes. But we're very excited about what we see there, and we think we're going to see a lot more.

Macassa -- at Macassa, we replaced our reserves after depletion. But what we were really focused on was growth in mineral resources based on the -- some of the drilling success we had and we had very good increases in both M&I and Inferred Resources. And based on that and the growing resource base we have across the country, generally -- company generally, I would say that we were very optimistic in terms of what the future looks like with the prospect of increasing mineral reserves down the road.

So what I'd like to do now is start with Ian Holland, our Vice President of Australian Operations, to talk to you a little bit more about Fosterville performance as well as the Fosterville reserve.

Ian Holland - *Kirkland Lake Gold Ltd. - VP of Australian Operations*

Thanks, Mark. So stepping on to Slide 30, we can see that 2017 really was a transformational year for Fosterville, and we were able to increase guidance multiple times during the year, and ultimately, produce a record 264,000 ounces for the year on the back of the significant increase in grade.

Very pleasantly, we finished the year strongly with a record 79,000 ounces in Q4, driven by mill grade of 21.5 grams per tonne. Driven by the increased grade profile, we also saw a significant reduction in unit costs for 2017 with cash costs of $264 an ounce and all-in sustaining costs of $491 an ounce.

We expect to maintain this momentum going forward with production guidance for 2018 of 260,000 to 300,000 ounces and an anticipated annual production profile of 400,000 ounces within 3 years.

Very importantly, we've also seen a substantial increase in our reserves, which I'll cover on the next slide; and also in our resources, which John Landmark will discuss in more detail.

Stepping to Slide 31, first point to highlight on this slide is the exceptional growth in reserve ounces year-on-year with a 247% increase to 1.7 million ounces at 23.1 grams per tonne. In addition to the grade increase, there was also a significant tonnage increase, which augers well for mine life.

We published our mid-year reserve update. As Mark mentioned, in 2017 and the second table highlights this, with a 65% increase in ounces as a result of the successful drilling program over the course of H2. The key driver of the success has been the growth of the Swan orebody, which is outlined in the third table. First reported in the June 2017 update at a little over 0.5 million ounces at a grade of 58 grams. This has more than doubled over the course of H2 to 1.16 million ounces at a grade of just over 61 grams per tonne.

With that, I'll pass over to John Landmark to discuss resources.

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

Thanks, Ian. Good afternoon, everybody. And just looking at Slide 32, there's 3 tables there.

Starting with the first table. It's the Fosterville resources inclusive. And what you can see is that we've got a total now of Measured and Indicated and Inferred. The full resource is over 6 million ounces. If you go back a year, that was probably about 3.4 million ounces. So there's 2.5 million ounce growth in resources in 2017.

Looking at that slightly differently. As an exclusive table, in the middle table, you can see there's still a significant increase in the last 6 months of the year. And finally, the bottom table, which shows the Swan resources exclusive, you'll notice there is some 840,000 ounces in our resource Measured and Indicated and Inferred. Most of that is actually contained in the Inferred category. And I should just point out that the grade of 116 grams per tonne is not a typo. The Swan is quite a remarkable bird and a great orebody that we've got. But we would expect the 840,000 ounces, a significant proportion of that during the course of 2018, to be converted into reserves towards -- during the course of the year.

If we turn to Slide 33, it talks just briefly about our strategy, particularly at Fosterville, where we've got 2 approaches. The one is an intense exploration program within the mine lease, predominantly focused on extending the down-plunge extensions to the Swan, but also to Harrier and the rest of the Phoenix orebody. And then the other approach is, of course, looking at our mining -- our exploration lease, which is in the little inset on the left-hand side. It's the blue outline.

To get you a sense of scale there, that's nearly 60 kilometers of strike length, that's 500 square kilometers of exploration lease. And we're spending some $10 million on our LODE program across the lease there.

Tony earlier referred to significant exploration as well in the Northern Territory, and that's on the back of the success we've had, particularly at the Lantern project in this last year.

And with that, let me hand over to Pierre Rocque to comment on the Canadian Operations.

Pierre Rocque - *Kirkland Lake Gold Ltd. - VP of Canadian Operations*

Thanks, John. 2017 was a very good year for the Canadian Operations. At Macassa, we met the top end of our guidance and set the production record slightly over 194,000 ounces. This is an increase of 11% from last year. We're planning a similar production increase in 2018, with resulting cash cost below $500 an ounce. This will pave the way to achieve a yearly target of 400,000 ounces once our #4 shaft is commissioned.

The increase in production is also supported by the size of our deposit, which showed a significant improvement in mineral resources in all 3 categories and the continual growth in mineral reserves.

On the next slide, at the end of 2017, we added to the mineral reserves after depletion from mining activities. Macassa stands at 3 million tonnes, brining 21 gram per tonne for 2 million ounces.

I will now turn it over to Doug to talk about resources.

Douglas F. Cater - *Kirkland Lake Gold Ltd. - VP of Exploration for Canadian*

Thanks, Pierre. At Macassa, year-end 2017 mineral resources resulted in a 58% increase in the Measured and Indicated resources, now totaling 2 million ounces at an average grade of 17.1 gram per tonne gold and a 48% increase in Inferred resource ounces totaling 1.37 million ounces at an average grade of 22.2 gram per tonne gold.

These increases were attributed to successful underground infill and exploration drill programs, which effectively extended the South Mine Complex mineralization, a total of 259 meters to the east and to depth.

Drilling also focused on the lower SMC block, which is situated on the west side of the South Mine Complex. A total of 7 underground drills were used to drill over 45,000 meters of infill drilling and 58,000 meters of exploration drilling, the majority of which took place on the SMC. This strong mineral resource space lends itself to potential reserve growth conversion in the future.

I'll now hand back over to Tony for his concluding remarks.

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Okay. Well, thanks, everyone. And I appreciate the opportunity to call, and maybe I kind of bumbled up at the beginning here when I was trying to thank everybody for their hard work. So maybe I'll end by saying again to thank our 2,000 employees and all of our contractors and suppliers for their hard work and the dedication and the results we achieved in 2017. As you can see, we had a lot of success and a lot of good things to talk about in terms of what was -- what happened in Kirkland Lake Gold in 2017. And I will say it bodes very well with what we can do in 2018 with the people that we have both in Canada and Australia in the company.

In this slide, we talk about the 3 pillars of value creation for Kirkland Lake. One is our operational excellence. And again, we had strong performance against guidance and -- both for production and cost in 2017. And we give guidance in 2018, we expect to meet or beat that guidance as well in 2018.

From the growth point of view, we have discipline organic growth. John mentioned about the discovery of ounces in Australia in -- over 3 million ounces in Australia in 2017. If you (inaudible) that out at less than $10 an ounce in discovery cost. And actually not just discovery, but discovery and taking them to resource. And we had similar numbers in Canada, especially at Macassa, with over 1 million ounces added.

And that gives you the sense that both -- not only we have the opportunity to grow reserves in 2018, the exploration expenditures were -- and the development that we're doing in 2018 is going to lead to further new discoveries, further growth in resources in 2018, which really supports our target to grow production to over 1 million ounces per year from our existing mines.

And again, with a strong balance sheet and strong cash flow generation, we can fund this strictly from inside the company while still being able to focus on providing return to our shareholders, both through repurchasing of shares through our normal course issuer bid, because we really do feel our shares are undervalued and by paying dividends and potentially increasing dividends as we go forward.

So with that, I thank everybody for listening to the call. I know it was a little bit of a long call. And hopefully, we didn't bore anybody too much. And we'd be happy to take your questions. Thanks.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from the line of Cosmos Chiu from CIBC.

Cosmos Chiu - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst*

Maybe my first question is on the Fosterville here. Certainly, what's driving the share price higher today is your reserve update last night. And clearly, Swan has added a number of ounces, high-grade ounces to it. On that front, could you remind me once again, when are you expecting, in 2018, to get to the Swan Zone? And what kind of throughput ultimately are you expecting from Swan?

Ian Holland - *Kirkland Lake Gold Ltd. - VP of Australian Operations*

Yes. Thanks, Cosmos. I'll cover that. It's Ian Holland. So as to the growth that we're seeing in Swan with the reserve update is really a down-plunge extension of the ore body. So in terms of first production, it remains in line with what we've guided to previously. And that we will see some stoping in the second half of 2018. But then it really starts to become a more important player from 2019 onwards. It sits currently at 25%, roughly, of the reserve base by tonnes. Now that will vary over time, but to those sort of proportions that it all -- that ore will be at.

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

And just to frame a few things in perspective as well. When we first acquired Newmarket and we went and looked at Fosterville, there was 240,000 ounces at about 7 grams per tonne. And yes, we did discover and add this 1 million ounces-plus at Swan Zone that you see now in our updated reserve statement at very high grade. But if you look at the other ounces that are in our reserves, over 500,000 ounces with grades over 11 grams per tonne. So there have been significant success in exploration at Harrier and other parts of Lower Phoenix and Eagle at Fosterville, and that bodes well to some future growth there as well.

Cosmos Chiu - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst*

So I guess, given that it's a down-plunger, could ultimately -- well, I guess what I'm trying to get to, could we ultimately see more ounces or more tonnage coming out of Swan, depending upon how big it's going to get? On a tonne per day basis, sort of.

Ian Holland - *Kirkland Lake Gold Ltd. - VP of Australian Operations*

Yes. From our perspective, Cosmos, we're still really working these reserves through our life-of-mine models. So I don't think we'd be prepared to comment on that, other than what we've spoken about with the 400,000 ounces...

Cosmos Chiu - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst*

I got you. Okay. And then clearly, as we talked about, reserves increased quite a bit at Fosterville. And that's -- in 2018, the exploration budgets are actually quite sizable as well, as you mentioned $60 million to about $75 million in Australia. From that perspective, could we potentially see the same type of -- or same magnitude of increase that we saw in 2017 in 2018 for reserves and resources if all things go well? And from that perspective, how much of that drilling in 2018 is infill versus step-out?

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

I suppose -- Cosmos, John here. I'd like to say we'd love to repeat what we (inaudible). We can't make any promises. But a significant proportion of what you're seeing there is directed also towards the Northern Territory. We've actually currently have got 6 rigs drilling. We are trying to expand the size of the Lantern deposit and the discovery that we made 15 months ago and also going to be doing more drilling at Union Reefs on the Prospect ore zone. But our exploration budget is split reasonably, sort of evenly between Fosterville and the NT. A lot of what we're going to do in this next year will be infill on the Swan resources. And so that will be -- we have to see quite a significant conversion.

Cosmos Chiu - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst*

Great. Maybe switching gears a little bit now and coming back to Canada. In terms of the shaft-sinking project at Macassa, Tony, could you give us a bit more granularity in terms of, since you've made the announcement in late January 2018, how have you progressed? What kind of progress have you made? And a bit more granularity in terms of the timing in-between.

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Sure, Cosmos. I mean, Darren Tschanz, our VP Project Development in here, and -- is here. And maybe I'll let him give you a little bit of update in terms of the progress with the shaft. If that's okay, Darren?

Darren Tschanz

Darren Tschanz, VP, Projects. Currently, we're drilling the pilot hole down to the final depth of 7,000 feet. Also, we're starting a pre-grouting program on the site. The site has been pre-grubbed, and we're proceeding to look at starting the clearing and construction.

Cosmos Chiu - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst*

So when would you start, say, collaring the shaft?

Darren Tschanz

We're looking at, hopefully, in the second quarter of putting down the collar. Majority this year is construction of the headworks.

Cosmos Chiu - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst*

Okay. And I guess on that front, Tony, when you made the announcement in late January, that was not accompanied with a technical NI 43-101 technical report. Is your plan here to publish something of a technical nature according to NI 43-101?

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Not really. We intend to sink the shaft and get underground at Macassa and really turn this into a very productive mine. We've done the -- some engineering estimates. We feel what we're doing is correct in terms of building production at the mine, and we're going to progress like that. We're going to continue to do a reserve and resource update year-over-year. And with that, any material change or material updates in our 43-101 will -- that get published will now include a shaft and the discussion of the shaft and the impact of what the shaft does for us. But we won't have a specific [43-101] or pre-feasibility study that -- presented or published for the shaft.

Cosmos Chiu - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst*

Okay. And then maybe one last question on the shaft here. My understanding is that you're not raise-boring, you're going to do conventional sinking with a galloway. Could you maybe talk a bit more about that? And in that case, there's not going to be any kind of impact on your production coming from the #3 shaft. Is that correct?

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Yes. That's right. I mean, the #3 shaft itself, we want to focus on our mining at Macassa and using #3 shaft to support the existing operations and production year-over-year that helps to pay the bills for sinking the new shaft. Any kind of work through a raise borer or any kind of work that would be done from underground would require that rock to be removed using the #3 shaft and would displace potentially waste ore development that we're currently doing in our 5-year plan. So no, we're going to sink it full-face conventionally. We expect to see equal or better rates of -- I'm sorry, equal rates of development of the shaft by setting it up this way.

Cosmos Chiu - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Equity Research Analyst*

And maybe one last question from here -- me here. I don't know if you can answer this, Tony. But as you mentioned in 2017, you improved your guidance 3 times. How many times are you planning to improve your guidance in 2018?

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

As many times as materially, we find things are improving. So we have a culture of people that are working hard and working towards success. And when we see things are getting better, then we'll be happy to tell shareholders we're getting better, so.

Operator

Your next question comes from the line of Mike Parkin from National Bank.

Michael Parkin - *National Bank Financial, Inc., Research Division - Mining Analyst*

A couple of questions. I think I heard in there that you're expecting your depreciation per ounce at Fosterville to come down year-over-year. Could you give us a sense of what to model there? And if that's off ounces produced, not sold?

Philip Chow Yee - *Kirkland Lake Gold Ltd. - Executive VP & CFO*

Mark -- Mike, its Phil. In terms of the depreciation impact, I think overall on a combined basis, we're probably looking -- probably 15% to 20% reduction overall in 2018 from 2017.

Michael Parkin - *National Bank Financial, Inc., Research Division - Mining Analyst*

Okay. That's for Macassa as well? Or just for Fosterville?

Philip Chow Yee - *Kirkland Lake Gold Ltd. - Executive VP & CFO*

That's total. That's for combined Australian and Canada. Australia, you're probably looking around 25% to 30%.

Michael Parkin - *National Bank Financial, Inc., Research Division - Mining Analyst*

Okay. And then also, on care and maintenance costs, for what you're keeping on care and maintenance for 2018, could I get a sense of what you'd expect to be expensing or incurring in terms with total cost per quarter or year for 2018?

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

We don't really have any care and maintenance costs in 2018. The work at Cosmo is being done now to support the underground exploration program. So it's really not care and maintenance, it's classified as exploration. We had some minor care and maintenance that was being spent as to keep Holloway pumped out and open, and that's maybe $100,000 a month. And we're not going to continue long on that, but that's about it in terms of any care and maintenance. We don't intend to keep mines in care and maintenance for very long. We restart them or we close them completely.

Michael Parkin - *National Bank Financial, Inc., Research Division - Mining Analyst*

Okay. So for the Cosmo cost, the exploration budget is actually carrying that cost?

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Yes. Because the people that are there to maintain pumps and fans and maintain the infrastructure are there now to support the underground diamond drilling. And there's an underground development program plan now to develop into the Lantern and provide a more closer drill platform into the Lantern deposit so we can explore it more effectively.

Michael Parkin - *National Bank Financial, Inc., Research Division - Mining Analyst*

Okay. Sounds good. And just to get a sense of, like, to be able to understand when you might be active with an NCIB, you mentioned that you view your shares to be undervalued. What do you guys look at in terms of a valuation metric? Like, are you looking at price to cash flow, price to NAV?

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

We look at price to NAV. We look at what we think our NAV is and what we think the price is. We look at what's happened to the price over time and where we think things are going. But we think we're trading -- the market might think we're trading above NAV, we think we're trading below

NAV. We know when we're trading below NAV. Our challenge is to make sure that the market understands that we're below NAV and get our share price up there. If it doesn't, then we'll do what we can to get, to support our shares.

Operator

Your next question comes from the line of Ovais Habib from Scotiabank.

Ovais Habib - *Scotiabank Global Banking and Markets, Research Division - Research Analyst, Mining*

Just starting off with Fosterville. Obviously, that was a pretty solid update from you guys last night based on the reserves at Swan. Just wanted to get my head wrapped around in terms of how much drilling was done and what kind of spacing was drilled at specifically at Swan?

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

Right. So it's about 50 meters by 50 meters. And we would look to close that down to then be able to bring that into reserve.

Ovais Habib - *Scotiabank Global Banking and Markets, Research Division - Research Analyst, Mining*

Okay. And in terms of the drilling done in 2017?

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

In terms of how many meters?

Ovais Habib - *Scotiabank Global Banking and Markets, Research Division - Research Analyst, Mining*

How many meters. Yes, correct.

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

Yes. Well, across Australia, we did 150,000. You could say at least 80,000 of that was in Fosterville alone.

Ovais Habib - *Scotiabank Global Banking and Markets, Research Division - Research Analyst, Mining*

Got it. And just going, moving into 2018 then, where will you be focusing most of your drilling in 2018, based on the results that you have seen at Swan? I mean, are you looking for extensions of Swan? Are you looking at the Harrier Zone? Or can you give us a little bit sense on that?

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

Yes. Right, if you go -- if you can refer back to the slide pack on Slide 33, you'll see, there's a diagram on the right which shows in pink the proposed holes for 2018. It is mostly the extensions of the Swan Zone and Harrier Zones to the south, but we also have drilling at Robbin's Hill and the Phoenix North area as well, Low Phoenix North.

Ovais Habib - *Scotiabank Global Banking and Markets, Research Division - Research Analyst, Mining*

Got it. And just, I mean, we really haven't touched upon Harrier as to how the development is going on and what plan of action is at that point. Can you give a little update on Harrier as well?

Ian Holland - *Kirkland Lake Gold Ltd. - VP of Australian Operations*

Yes. This is -- it's Ian Holland. Just from a development perspective, we've been advancing the production decline. So it will become a part of the production profile in 2018 and more significantly in 2019. As a part of that development program, we're also putting in place an underground drill platform to the south, and that will be the platform for the drilling programs that you see on that diagram on Slide 33.

Ovais Habib - *Scotiabank Global Banking and Markets, Research Division - Research Analyst, Mining*

And then, when we're looking at 2019 then, I mean, with Harrier coming online specifically in 2018 and more so, I guess, in 2019, I mean, is there a plan to increase the throughput that we were talking about when we were back at site in July, I guess?

Ian Holland - *Kirkland Lake Gold Ltd. - VP of Australian Operations*

Yes, that's certainly our aim. So if we consider that 2017, you have 550,000 tonnes or thereabouts. At today's grade and ore characteristics, we've got a more than 30% spare capacity in the processing plant. But our aim is certainly to take advantage of that. And the way that we can take advantage of it is to open up some additional production fronts, and that's the real aim with Harrier South, and then ultimately looking at others as well.

Ovais Habib - *Scotiabank Global Banking and Markets, Research Division - Research Analyst, Mining*

Perfect. And then just in terms of moving into 2019. Obviously, your guys are looking to open up some stopes at Swan and then have most of the bulk of the production coming in 2018 from Swan. How many stopes are you guys targeting in 2018 and going into 2019 to sustain some sort of a production level at Swan?

Ian Holland - *Kirkland Lake Gold Ltd. - VP of Australian Operations*

Yes. So in terms of specific detail, that's probably a level of detail that we're not in the position to provide. What we can absolutely say, though, is that the proportion of Swan would increase in 2019. And that the grade profile in Swan is -- it becomes higher grade as you move deeper in it. So we would expect the grade of that to increase. So at this stage, it's fair to say that we continue to look for growth and momentum in our production profile, and we think it'll come from both a combination of, potentially, some higher grade with more Swan coming online, but also potentially comes with Harrier South coming online.

Operator

The next question is from Steven Butler from GMP Securities.

Steven Howard Butler - *GMP Securities L.P., Research Division - MD of Equity Research & Gold Analyst*

John Landmark, a question for you with respect to the November update we had on the Fosterville with respect to the Swan drilling, where we looked at that long section, as I'm looking at it right now, where you had the 6,200-meter north line where you sort of had projected or had the last intersection down-plunge. In this resource update and reserve update, resource update and particularly the Inferred category, did you drill further down-plunge with success beyond the November update that we have in the market?

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

Yes, Steve. We have drilled further down-plunge. In fact, I think we drilled as far south now, is probably about 5,500. We haven't released any results yet at this stage. We're seeing a number of sections at about 5,600, 5,500 and 5,400.

Steven Howard Butler - *GMP Securities L.P., Research Division - MD of Equity Research & Gold Analyst*

Okay. And you're still intercepting mineralization at that...

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

We're certainly identifying the structure, but we haven't put out any results at this stage.

Steven Howard Butler - *GMP Securities L.P., Research Division - MD of Equity Research & Gold Analyst*

Okay. Guys, in the sort of Q4 results you released with the grade of over 23 grams, I'm assuming that some mill feed would have been [VG-bearing], and therefore, your metallurgy seems to be doing tickety-boo. I mean, your recoveries are still not suffering any issues. So is there any -- I mean, are you comfortable with the metallurgy, that mix that you have? And with the Swan being maybe 25% at feed, plus or minus, is that -- do you still think there won't be any issues on recoveries?

Ian Holland - *Kirkland Lake Gold Ltd. - VP of Australian Operations*

Yes. We're not seeing any issues on that front. What we are doing is putting some investment into increasing the gravity circuit at Fosterville so it's better able to cope with an additional component of gravity-recoverable gold. So there is some investment, relatively modest, going in to accommodate that. But we're not seeing any concerns with our ability to treat the ore mix.

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Actually, the -- with the gravity recovery, if planned, it go up almost 50% this year from the previous levels of 25%,- 20% to 25%. And the other thing that we're investing in, we have to invest in because of all the gold coming, we have to increase the size at our refinery so that we can deal with more gold as well.

Steven Howard Butler - *GMP Securities L.P., Research Division - MD of Equity Research & Gold Analyst*

Is that a pleasant problem to have, Tony?

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Yes. And that's why I wanted to make sure I said that.

Steven Howard Butler - *GMP Securities L.P., Research Division - MD of Equity Research & Gold Analyst*

The -- and sorry, John, just clarify it for me again. You said the resources reached down, plunged to what line? 55?

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

Yes. So we've got to [60, 50] south. That's in the resource charts. But the drilling that we'll be doing is probably another 500 meters further to the south. But we haven't included those in the resources yet.

Steven Howard Butler - *GMP Securities L.P., Research Division - MD of Equity Research & Gold Analyst*

Okay. Resources to [60, 50].

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

Yes. That's correct.

Steven Howard Butler - *GMP Securities L.P., Research Division - MD of Equity Research & Gold Analyst*

Okay. Great. And then last one, on the Northern Territory plan and the potential around a 5-year mine plan, what do you need to do this year? Do you need to convert some of the M&I up into, well, c-grade or category reserves ultimately? But what needs to be done there this year to get comfortable with the restart plan?

Ian Holland - *Kirkland Lake Gold Ltd. - VP of Australian Operations*

Yes, I'll cover that one initially. So in terms of -- there's a couple of fronts to cover here. Because what we're looking to do is to restart the Northern Territory, not on one production center alone. So a key part of the strategy that we see, we've got a large land holding, we've got a significant existing resource base, more than 3 million ounces. We see the potential to have a larger-scale operation than was the case in the past. So at Cosmo specifically, we plan to develop across to the Lantern ore body, expose it. But from a testing and exploration perspective, but also on a variety of drill platform, that will be a really important step for us. But in addition to that, we're planning significant works at Union Reefs, it's much closer to the mill, where we have reserves and we expect some significant growth. And we expect those to be, in a broad sense, the 2 production plants to take the project forward in the (inaudible).

Steven Howard Butler - *GMP Securities L.P., Research Division - MD of Equity Research & Gold Analyst*

Okay. Sounds good. Do you know what, off the top your head, what the Lantern resource stands at today?

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

I don't have the numbers right front of me, Steve, but I think it's about 350,000 ounces in resource at a grade of about 3.4 grams.

Operator

The next question is from Dan Rollins with RBC Capital Markets.

Dan Rollins - *RBC Capital Markets, LLC, Research Division - Head of Global Mining Research and Analyst*

Tony, just moving on beyond Swan and Macassa, it was interesting to note in the reserve update that you noted that you're not really doing much drilling at Holt right now, just given the royalties. Have you had any initial conversations with the royalty holders about restructuring the royalties out of Holt, Holloway and Hislop to potentially open those mines and fill that mill?

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Well, we've actually haven't had any detailed discussion with them. We have approached them and expressed to them some -- that we need to do that. And they've expressed that they're willing to talk. We just haven't been able to provide them with a plan. But we are planning with an actual strategy and to demonstrate what we're going to do there. So I think this, going forward, we'll be a little bit more proactive in terms of what is going on there. There's a lot of potential growth at Holt and Holloway. We see we can have 2 stages. One, we can just mine out the current reserves that we have at Holt and call it a day. But we also see if we can make some significant investments in capital and development. We can grow that to well over 150,000 ounce a year producer, Holt and Holloway by themselves, again. And there's a large potential resource there.

Dan Rollins - *RBC Capital Markets, LLC, Research Division - Head of Global Mining Research and Analyst*

Yes, that's very good color. And then just on to the dividend. Just given how much free cash flow you are currently generating, given that you have no debt and you're building cash and you haven't even touched the Swan yet, have you started to think about what level of dividend yield you'd like to start paying out on an ongoing basis?

Anthony Paul Makuch - *Kirkland Lake Gold Ltd. - President, CEO & Director*

Well, I mean -- get the -- we even got that asked by the board in terms of where we're going with dividend. So we need to get -- we have some growth here and some capital that we're putting together this year. We're trying to -- or we're going to be updating our 5-year plan. So we can understand use of capital, and ourselves, what we're going to do from a cash flow generation. Then, we'll be able to come up with a dividend strategy that -- I can see there's potential for at least -- current -- to definitely grow the current dividend and potentially even to double over its current form over the next while, but we need to make sure that we understand that, understand the long-term outlook on the company.

Operator

The next question is from Glen Telfer with Mackie Research.

Glen Telfer

May I direct this at Ian Holland. Ian, down -- extreme downslope at the Swan, is -- would you make a generalization as to width and grade? Is it that you've had a look there down, extreme downslope? Does grade and width continue to increase?

Ian Holland - *Kirkland Lake Gold Ltd. - VP of Australian Operations*

Yes, thanks for that. In terms of the reserves that we've defined, the widths are relatively consistent, 3 to 5 meters on average, so completely suitable to our current mining method. The grade profile of the reserves does increase with depth. So the top part of the -- the upper part of the Swan reserve is lower grade than the lower part of the Swan reserve. In terms of the inferred resource, it's a little early to say. There is some high grade immediately adjacent to the reserves. And John touched on that before in terms of there's high grade immediately adjacent to it. But the overall grade of the inferred resource part of Swan is 36 or 37 grams per tonne, as we've outlined. Thickness remains relatively consistent as well. It's a pretty consistent relatively plain ore body.

Glen Telfer

One last one. Would you comment on the prospectivity of the targets apart from Swan, where you intend to spend $10 million this year? Is -- are there look-alikes to the Fosterville? You have a vast acreage there. And can you comment on the prospectivity as a generalization?

John Landmark - *Kirkland Lake Gold Ltd. - VP of Exploration for Australia*

Glen, yes. John here. Look, I suppose the best way to describe is if you look at the Google Earth image of the property, you'll see that there's a number of open pits that are effectively aligned along at least 5 load horizons, of which, the Phoenix and the Harrier system are just one. We've got about 7 of those load lines. In fact, it's some 60 kilometers of total strike across the property. So we certainly rank the prospectivity as high. And we're certainly looking quite aggressively of the mining lease to the exploration property.

Operator

And there are no further questions at this time. I will turn the call back to over to Mark Utting for closing remarks.

Mark E. F. Utting - *Kirkland Lake Gold Ltd. - VP of IR*

Well, thanks very much, everyone, for taking the time to join us this afternoon. We're always happy when we can all be in the same place and have an opportunity to talk to the market. And we're even happier when we can put out some of the results that we've done over the last 24 hours.

So our first quarter call will be right at the beginning of May, and we look forward to talking to you again. Thanks a lot. Have a good day.

Operator

This concludes today's conference call. You may now disconnect.