Lake Shore Gold Corp.

Second Quarter Report

For the six months ended June 30, 2003

To Our Shareholders

Lake Shore Gold Corp. initiated a number of new projects during the second quarter and these projects will be the focus of ongoing exploration in 2003. Modelling and structural studies to prepare the Timmins high-grade gold deposit for expansion drilling were completed and a 5,000 metre drilling program was initiated in July 2003. Work on the Abitibi gold and base-metal projects progressed favourably with a number of properties being acquired and the initiation of field work.

Holmer Project
Timmins, Ontario

In late May the Company entered into an agreement with Holmer Gold Mines Limited to acquire an interest in the Timmins Gold Property, 18 kilometres west of the city of Timmins, Ontario. The Timmins Gold Property has a defined high-grade gold resource and is located along the main Porcupine-Destor Fault Zone ("PDFZ") on the west end of the Timmins Camp, the largest gold mining camp in North America. The Timmins Camp has produced more than 70 million ounces of gold since its discovery in the early 1900's.

In 2002 Watts, Griffis McOuat Limited ("WGM"), retained by Holmer Gold Mines Limited, calculated an indicated mineral resource (NI 43-101 compliant) of 422,000 tonnes at an uncut grade of 17.78 grams gold per tonne (422,000 tonnes grading 13.68 grams gold per tonne cut to 50 grams gold per tonne) and 890,000 tonnes grading 6.4 grams gold per tonne (cut grade). These resource tonnage calculations were prepared by WGM using a 6 gram gold per tonne cutoff.

Gold mineralization on the Timmins Property is typical of deposits in the Timmins Camp, where high-grade mineralized quartz veins and disseminated sulphide zones occur adjacent to the PDFZ as steeply dipping ore shoots. All of the known gold mineralization on the Timmins Property occurs within a 150 to 200 metre wide, highly altered deformation zone and includes: quartz-tourmaline veins and stockworks along a volcanic-sediment contact in the Main Zone and in the Hanging Wall Veins 1, 2 and 3; disseminated sulphides in altered mafic volcanics in the Footwall Zone; and disseminated sulphides/quartz veins in the Ultramafic Zone.

Drilling has confirmed the continuity and gold grade of the Main Zone, Hanging Wall Veins 1, 2 and 3 and in the Footwall Zone from surface to a depth of 350 metres. In the Hanging Wall Vein Zone, 25 metre spaced drilling within this near surface area has defined an indicated mineral resource of 183,000 tonnes grading 27.47 grams gold per tonne. High-grade gold mineralization (13.07 grams gold per tonne over 2.23 metres) was intersected in the Ultramafic Zone at a depth of 175 metres and appears to be the up-plunge extension of the Ultramafic Zone indicated by past drilling between 550 metres and 800 metres depth. The Ultramafic Zone remains underexplored between surface and 550 metres depth and unexplored below 800 metres depth.

The WGM Report concluded that there is a high potential for the discovery of additional mineralization on the Timmins Property and the Company plans to focus its exploration program on increasing the existing mineral resource in the shallow Ultramafic Zone and by extending all zones to depth. Past exploration has been directed exclusively to the known mineralization while excellent targets for additional new gold mineralization exist on the rest of the Timmins Property. An initial 5,000 metre drill program was initiated in July 2003 to meet these objectives.

Under the terms of the Agreement, the Company can earn an undivided 50% interest in the Timmins Property by incurring exploration expenditures of $2.5 million, making cash payments of $250,000, issuing 150,000 Lake Shore Gold common shares over a three year period and confirming that the Timmins Property contains an indicated mineral resource of at least 500,000 ounces of gold.

Abitibi Project
Northeastern Ontario and Western Quebec

The Company has acquired from Inco Limited, through its affiliation and arrangements with Aurora Platinum Corp., proprietary airborne magnetic/electromagnetic, geological and drill hole data covering an area of 164,000 square kilometres in the Abitibi Greenstone Belt of northeastern Ontario and western Quebec. The Inco data for selected areas has been digitized and to date 36 anomaly compilation maps have been processed with the electromagnetic anomalies picked and entered into a GIS database.

During the latter part of the quarter, field work commenced on 13 properties acquired by the Company in Quebec. The work to date has consisted of preliminary grass roots exploration including prospecting and mapping as well as rock, till and soil sampling. Work is continuing and sample analytical results are pending.

AEM Project
Northwestern Ontario

During the first quarter the Company completed four reconnaissance drill holes on three target areas for a total of 1,004 metres on the Rowlandson-Canopener Property in northwestern Ontario as part of an ongoing evaluation of the Property. One hole in the northeastern part of the Property intersected a 40 metre section of altered and mineralized clastic sediments and iron formation that returned gold values up to 0.47 grams gold per tonne across 1.2 metres. Anomalous values in copper and zinc were also present in the hole. A second hole testing a one kilometre long electromagnetic anomaly intersected sulphide mineralization associated with mafic tuffs, sediments and fault zones; however, gold and base metal values were at background to weakly anomalous levels. The third hole was drilled to test the 1400 vein gold-showing and associated structures, alteration and induced polarization anomalies. The enclosing mafic volcanic units are strongly deformed, altered and mineralized over 53 metres with the best intercept being 2.25 grams gold per tonne over 1.5 metres at a depth of 156.0 metres. The fourth hole was collared about 110 metres north of the third hole and tested the northern extent of the alteration zone associated with the surface showing. The mafic volcanics, gabbros and granites intersected in this hole are highly altered and deformed; however, no mineralization of economic interest was encountered.

Daniel G Innes
President

Management's Discussion and Analysis

of Financial Condition and Results of Operations

June 30, 2003 and 2002

Description of Business

Lake Shore Gold Corp. (the "Company" or "Lakeshore") is a development stage mineral exploration company engaged in the acquisition and exploration of mineral properties with prospects for hosting gold and base metal deposits. The Company is currently active in Canada and holds a number of mineral properties in Ontario and Quebec. Lake Shore is a reporting issuer in British Columbia, Alberta and Quebec and trades on the TSX Venture Exchange under the symbol LSG.

On December 16, 2002 the Company completed a business reorganization involving certain mineral claims and related rights ("Mineral Assets") held by Aurora Platinum Corp. ("Aurora") by issuing to Aurora an aggregate of 13 million common shares and 550,000 share purchase warrants. Subsequent to the transaction, the Company changed its fiscal year end date from June 30 to December 31.

Until completion of the business reorganization, the Company was not actively involved in any business activity. As a result, the comparisons to the period ended June 30, 2002 in the following discussion and analysis may not be meaningful.

Timmins Gold Property

The Timmins Gold Property is located along the main Porcupine-Destor Fault Zone on the west end of the Timmins Camp, 18 kilometres west of the city of Timmins. On June 2, 2003 Lake Shore received regulatory approval from the TSX Venture Exchange regarding an agreement with Holmer Gold Mines Limited to earn an undivided 50% interest in the Property by incurring exploration expenditures of $2.5 million, making cash payments of $250,000, issuing 150,000 common shares over a three year period, and confirming that the Property contains an indicated mineral resource of at least 500,000 ounces of gold.

In 2002 Watts, Griffis McOuat Limited calculated an indicated mineral resource of 422,000 tonnes at an uncut grade of 17.78 grams gold per tonne and 890,000 tonnes grading 6.4 grams gold per tonne (cut grade). All resource calculations were made using a cut off grade of 6 grams gold per tonne. Lake Shore will focus its exploration program on increasing the existing mineral resource in the shallow Ultramafic Zone and by extending all zones to depth. An initial 5,000 metre drill program commenced in July 2003 to meet these objectives.

To date, Lake Shore has paid $50,000 and issued 50,000 common shares pursuant to the agreement.

Abitibi Project

The Abitibi Project was generated as a result of an agreement between Aurora and Inco Limited ("Inco") whereby Aurora has acquired proprietary airborne and ground follow-up data owned by Inco covering certain areas of Ontario and Quebec. Aurora and Lake Shore have entered into an agreement whereby Lake Shore will contribute 45% of the costs of digitizing parts of the data and compiling the global information system database in order to have access to the database.

The initial phase of the Abitibi Project involves a comprehensive review of the entire area to help guide the selection of specific project areas and determine the exploration model for specific targets. A number of target properties have already been acquired by staking and a total of $204,679 has been spent on acquisition and exploration.

General and Administrative

Consulting and management fees includes $24,000 and $12,000 in management fees paid to Southwestern Resources Corp. ("Southwestern") and Aurora respectively during the six months ended June 30, 2003 pursuant to separate administrative services agreements, $45,248 in fees on account of consulting and management services provided by directors, officers and other consultants, and $36,000 in stock-based compensation expense resulting from stock options granted to non-employees during the period.

Investor relations expenses of $54,409, and $6,740 for the periods ended June 30, 2003 and 2002 respectively includes regulatory and transfer agent fees, the costs related to the printing and dissemination of shareholder information, and other investor relations activities.

General exploration represents $27,000 in stock-based compensation expense for stock options granted to non-employees involved in exploration work.

In 2002 the Company adopted the CICA recommendations regarding Stock-Based Compensation and Other Stock-Based Payments. As a result the Company recognized $63,000 as stock-based compensation expense pertaining to stock options granted to non-employees during the second quarter and included this amount in contributed surplus.

Other general and administrative expenses reflect an increased level of corporate activity.

In June 2003 the Company appointed Dr. Michael J. Byron as Vice President of Exploration.

Related Party Transactions

The Company paid $41,637 in consulting fees to companies controlled by a director and an officer of the Company during the six month period ended June 30, 2003.

The Company also paid $12,000 to Aurora and $24,000 to Southwestern under the terms of two separate administrative services agreements.

Financial Condition, Liquidity and Capital Resources

The Company's working capital position at June 30, 2003 was $1,281,879 compared to $998,119 as at December 31, 2002.

The increase of approximately $284,000 in working capital reflects proceeds from share issuances of $1,140,000 partially offset by $692,000 in resource property expenditures and $164,000 in operating expenditures.

On January 30, 2003 the Company completed a private placement of 250,000 flow through units and 950,000 non-flow through units at $1.00 per unit for gross proceeds of $1.2 million. The agent was paid a commission of 7% of gross proceeds and received 120,000 broker warrants.

In management's view the Company has sufficient working capital to fund planned exploration work and ongoing operating expenditures. However, the Company is dependent on raising funds through the issuance of shares or attracting joint venture partners in order to finance further property acquisitions, and undertake exploration and development of its mineral properties.

Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of the Company's properties has a known body of commercial ore. Other risks facing the Company include competition, aboriginal rights, environmental and insurance risks, statutory and regulatory requirements, fluctuations in mineral prices, share price volatility and uncertainty of additional financing.

Integrity of Disclosure

The Company's management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval.

Subsequent Events

On July 29, 2003 the Company announced a proposed brokered private placement to raise up to $2 million in flow through or non-flow through units at $0.70 per unit. The agent has the right to increase the amount of the offering from $2 million to $3 million by giving written notice to the Company prior to closing. Each unit will consist of one flow through or non-flow through common share and one-half of a common share purchase warrant. One whole share purchase warrant will entitle the holder to buy a common share for $0.85 during the first year and for $1.20 during the second year after closing.

On July 31, 2003 the Company issued by way of private placement 530,304 units at $0.66 per unit for gross proceeds of $350,000. Each unit consisted of one common share and one-half of a common share purchase warrant with each full share purchase warrant entitling the holder to buy one common share at $0.85 within one year of closing and at $1.20 within two years of closing.

Balance Sheets

Unaudited	*June 30, 2003*	*December 31, 2002*
Assets		
Current		
Cash and cash equivalents	$ 1,293,980	$ 1,126,096
Exploration advances and other receivables	68,003	12,098
	1,361,983	1,138,194
Resource properties *(note 2)*	1,491,422	763,482
	$ 2,853,405	$ 1,901,676
Liabilities		
Current		
Accounts payable and accrued charges	$ 49,943	$ 59,780
Due to parent company *(note 4)*	30,161	80,295
	80,104	140,075
Shareholders' Equity		
Share capital *(note 3)*	5,271,828	4,096,249
Contributed surplus	320,015	257,015
Deficit	(2,818,542)	(2,591,663)
	2,773,301	1,761,601
	$ 2,853,405	$ 1,901,676

See accompanying notes to financial statements

Approved by the Board

Daniel G Innes

Thomas W Beattie

Statements of Loss and Deficit

Unaudited	*Three months ended June 30, 2003*	*Three months ended June 30, 2002*	*Six months ended June 30, 2003*	*Six months ended June 30, 2002*
Expenses				
Consulting and management fees	$ 73,863	$ 2,250	$ 117,248	$ 5,500
General exploration	29,373	–	29,373	–
Investor relations	26,071	3,067	54,409	6,740
Legal and accounting	6,160	25,230	23,255	25,680
Office expense	13,614	2,127	19,617	2,211
Travel	3,182	–	5,702	–
Write-down of loan receivable	–	86,949	–	86,949
Loss before undernoted items	(152,263)	(119,623)	(249,604)	(127,080)
Interest	11,928	152	22,725	251
Gain on settlement of accounts payable	–	–	–	15,063
Net loss for the period	(140,335)	(119,471)	(226,879)	(111,766)
Deficit at beginning of period	(2,678,207)	(2,113,453)	(2,591,663)	(2,240,629)
Deficit at end of period	$ (2,818,542)	$ (2,232,924)	$ (2,818,542)	$ (2,352,395)
Loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.02)
Weighted-average number of shares outstanding	22,488,901	7,333,344	22,261,583	7,333,344

See accompanying notes to financial statements

Statements of Cash Flows

Unaudited	*Three months ended June 30, 2003*	*Three months ended June 30, 2002*	*Six months ended June 30, 2003*	*Six months ended June 30, 2002*
Operating Activities				
Net loss for the period	$ (140,335)	$ (119,471)	$ (226,879)	$ (111,766)
Stock-based compensation	63,000	–	63,000	–
Write-down of loan receivable	–	86,949	–	86,949
	(77,335)	(32,522)	(163,879)	(24,817)
Change in non-cash operating working capital items				
Decrease (increase) in exploration advances and other receivables	6,014	2,166	(20,600)	9,399
(Decrease) increase in accounts payable and accrued charges	(16,826)	11,676	(98,609)	(31,028)
	(88,147)	(18,680)	(283,088)	(46,446)
Investing Activity				
Resource property expenditures	(439,766)	–	(689,107)	–
Financing Activity				
Shares issued	35,319	110,000	1,140,079	110,000
(Decrease) increase in cash and cash equivalents during the period	(492,594)	91,320	167,884	63,554
Cash and cash equivalents at beginning of period	1,786,574	177,467	1,126,096	205,233
Cash and cash equivalents at end of period	$ 1,293,980	$ 268,787	$ 1,293,980	$ 268,787
Cash and cash equivalents consist of:				
Cash	(2,748)	268,787	(2,748)	268,787
Short-term investments	1,296,728	–	1,296,728	–
Cash and cash equivalents at end of period	$ 1,293,980	$ 268,787	$ 1,293,980	$ 268,787

See accompanying notes to financial statements

SUPPLEMENTAL CASH FLOW INFORMATION *(note 5)*

Notes to Financial Statements

Unaudited
For the six months ended June 30, 2003 and 2002

1. Significant Accounting Policies

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies followed in preparing these financial statements are those used by the Company as set out in the audited financial statements for the year ended December 31, 2002. Certain information and note disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. These interim financial statements should be read together with the Company's audited financial statements for the year ended December 31, 2002.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

2. Resource Properties

For the six month period ended June 30, 2003:

	AEM Ontario Project	*Rowlandson-Canopener Project*	*Abitibi Project*	*Timmins Property*	*Other Projects*	*Total*
Balance, beginning of period	$ 722,718	$ 40,764	$ –	$ –	$ –	$ 763,482
Property acquistion and maintenance	–	–	–	85,500	4,094	89,594
Analytical	–	12,182	615	–	282	13,079
Geophysics	2,778	22,563	11,154	–	–	36,495
Geology	12,862	223,641	172,433	30,722	21,471	461,129
Drilling	–	91,630	–	–	–	91,630
Research	491	560	–	–	–	1,051
Project administration	994	6,844	20,477	5,149	1,498	34,962
Balance, end of period	$ 739,843	$ 398,184	$ 204,679	$ 121,371	$ 27,345	$ 1,491,422

The AEM Ontario and Rowlandson-Canopener projects originated as a result of the mineral claims acquired from Aurora Platinum Corp. ("Aurora") in 2002 pursuant to the reverse takeover transaction.

The Abitibi Project has been generated as a result of an agreement between Aurora and Inco Limited ("Inco") whereby Aurora has acquired proprietary airborne and ground follow-up data owned by Inco covering certain areas of Ontario and Quebec. Aurora and/or its subsidiaries, affiliates and joint venture partners must spend a total of $5 million over six years on the selection and follow-up of geophysical targets within the area of interest. Aurora and Lake Shore have entered into an agreement whereby Lake Shore will contribute 45% of the costs of digitizing parts of the data and compiling the global information system database in order to have access to the database. Lake Shore's rights pursuant to this agreement are subject to Aurora's obligations as set out in the agreement with Inco.

The Timmins Gold Property is located along the main Porcupine-Destor Fault Zone on the west end of the Timmins Camp, 18 kilometres west of the city of Timmins. On June 2, 2003 Lake Shore received regulatory approval from the TSX Venture Exchange regarding an agreement with Holmer Gold Mines Limited to earn an undivided 50% interest in the Property by incurring exploration expenditures of $2.5 million, making cash payments of $250,000, issuing 150,000 common shares over a three year period, and confirming that the Property contains an indicated mineral resource of at least 500,000 ounces of gold.

3. Share Capital

a) The Company has authorized 100,000,000 common shares without par values.

During the six months ended June 30, 2003 and 2002 changes in issued share capital were as follows:

Issued and Outstanding	*June 30, 2003* *Shares*	*Amount*	*June 30, 2002* *Shares*	*Amount*
Balance, beginning of period	21,231,857	$ 4,096,249	7,333,334	$ 2,409,969
Private placement – net of share issue costs of $96,092	1,200,000	1,103,908	–	–
Issued in exchange for resource property option	50,000	35,500	–	–
Exercise of warrants	80,714	26,571	–	–
Exercise of options	40,000	9,600	–	–
Balance, end of period	22,602,571	$ 5,271,828	7,333,334	$ 2,409,969

On January 30, 2003 the Company completed a private placement of 250,000 flow through units and 950,000 non-flow through units at $1.00 per unit for gross proceeds of $1.2 million. Each flow through unit consisted of one flow through common share and one-half of a non-flow through share purchase warrant. Each non-flow through unit consisted of one common share and one-half of a common share purchase warrant. One whole share purchase warrant entitles the holder to buy one non-flow through common share for $1.30 until January 29, 2004. The agent was paid a commission of 7% of gross proceeds and received 120,000 broker warrants. Each broker warrant entitles the holder to purchase one non-flow through common share at a price of $1.20 until January 29, 2004.

b) Stock Options

As at June 30, 2003, the Company had 3,225,000 stock options outstanding.

	Number of Shares	Weighted- Average Exercise Price
Outstanding at beginning of period	3,090,000	$0.24
Granted	175,000	$0.73
Exercised	(40,000)	$0.24
Outstanding and exercisable at end of period	3,225,000	$0.27

The following table summarizes information regarding stock options outstanding and exercisable at June 30, 2003.

Number of Shares	Exercise Price Range	Weighted-Average Remaining Years of Contractual Life
3,050,000	$0.24	4.5
175,000	$0.73	4.8
3,225,000	$0.27	4.5

c) As a result of stock options granted to non-employees during the six month period ended June 30, 2003, the Company recognized $63,000 in stock-based compensation of which $36,000 is included in consulting and management fees and $27,000 is included in general exploration.

d) As at June 30, 2003, there were 4,522,619 warrants issued and outstanding.

Date Issued	Number	Exercise Price	Expiry Date
December 17, 2002	550,000	$0.24	December 13, 2004
December 17, 2002	2,717,778	$0.36	December 13, 2003
December 17, 2002	534,841	$0.24	December 13, 2003
January 30, 2003	600,000	$1.30	January 29, 2004
January 30, 2003	120,000	$1.20	January 29, 2004

No carrying values have been assigned to the warrants.

4. Related Party Transactions

For the six month period ended June 30, 2003, fees amounting to $41,637 were paid on account of consulting and management services provided by directors and officers. Amounts paid to Aurora under the terms of an administrative services agreement totaled $12,000. As at June 30, 2003, there was an amount of $30,161 due to Aurora. As well, there were fees of $24,000 paid to Southwestern Resources Corp. under the terms of a separate administrative services agreement.

For the six month period ended June 30, 2002, management fees totaling $7,250 and rent and telephone charges totaling $900 were paid to a company controlled by the former president of the Company. Management fees of $2,750 were also paid to two former directors of the Company.

5. Supplemental Cash Flow Information

The Company issued 50,000 common shares, valued at $35,500, pursuant to the option to acquire the Timmins Gold Property.

6. Subsequent Events

On July 29, 2003 the Company announced a proposed brokered private placement to raise up to $2 million in flow through or non-flow through units at $0.70 per unit. The agent has the right to increase the amount of the offering from $2 million to $3 million by giving written notice to the Company prior to closing. Each unit will consist of one flow through or non-flow through common share and one-half of a common share purchase warrant. One whole share purchase warrant will entitle the holder to buy a common share for $0.85 during the first year and for $1.20 during the second year after closing.

On July 31, 2003 the Company issued by way of private placement 530,304 units at $0.66 per unit for gross proceeds of $350,000. Each unit consisted of one common share and one-half of a common share purchase warrant with each full share purchase warrant entitling the holder to buy one common share at $0.85 within one year of closing and at $1.20 within two years of closing.

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