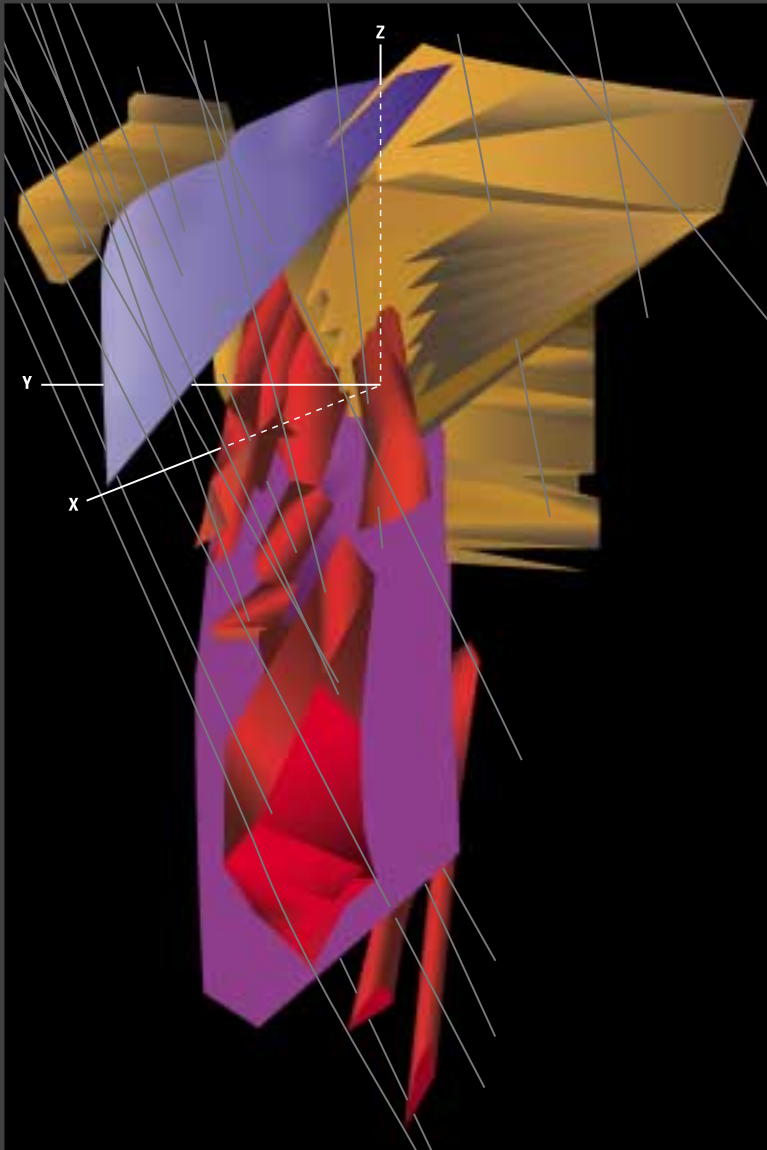


BUILDING A GOLD MINE



LAKE SHORE GOLD CORP.

FIRST QUARTER REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2004



TO OUR SHAREHOLDERS

Lake Shore Gold Corp. advanced several projects during the quarter. The 2003 Timmins Gold resource expansion program resulted in 27 new intersections that meet the minimum criteria of 6 grams per tonne gold over 1.2 metres for inclusion in the indicated resource as calculated by Watts, Griffis and McOuat Limited in 2002. Drill intersections in the Footwall (“FW Zone”) and Ultramafic (“UM Zones”) zones on sections 4650E and 4710E have an average grade (cut to 50 grams per tonne gold) of 10 grams per tonne gold over an average width of 9.3 metres. New intersections on sections 4875E to 4925E average 9.4 grams per tonne gold over 7.8 metres. Resource expansion drilling is ongoing with three drills on sections 4650E, 4750E and 4875E. Drilling is focused on the FW and UM zones, both of which have shown persistent strength of grade and width with depth. The Hanging Wall, Vein and southern UM zones remain open. A new resource figure for the Timmins Gold Property is expected in the third quarter of 2004.

Timmins Gold Project

Resource Expansion and Exploration Drilling

On the Timmins Gold Project, 23 holes (8,299 metres) were completed in the quarter. Of these, 20 holes (7,612 metres) targeted the FW and UM zones on sections 4850E, 4775-4750E, 4650E and 4600E, while three holes (687 metres) tested a large geochem anomaly coincident with the volcanic rock/sedimentary rock contact zones in the northern portion of the Property.

The resource expansion program is ongoing with drilling in progress on sections 4600E, 4650E and 4750E. Three drills are currently working on the Project with two drills on sections 4650E and 4750E and a third drill on resource expansion on section 4850E.

Pit Delineation Program

The Pit delineation drill program has confirmed the presence of wide zones of near surface mineralization ranging from 1.02 grams per tonne gold over 18.5 metres to 1.77 grams per tonne gold over 46 metres. This program was completed in the quarter and an independent review was commissioned to determine an inferred resource estimate for the open pit potential.

Preliminary Metallurgical Testing

SGS Lakefield Research Limited completed a preliminary metallurgical test program on four selected samples. One sample from each of the FW, Main, UM and Hanging Wall zones was submitted for gold/silver recovery using cyanidation and gravity separation/cyanidation methods. Extraction of gold was high for all samples (91.6% to 98.8%).

Thunder Creek Project

The Thunder Creek Property is under option from Band-Ore Resources Ltd. Lake Shore can earn a 60% interest in the Property by making cash payments totaling \$370,000 and completing exploration expenditures of \$1,705,000 over five years, and by issuing 100,000 shares of the Company over four years.

Thunder Creek (a 54 claim unit package) is located in Bristol Township adjacent to the Timmins Gold Property and was acquired by Lake Shore to test for gold mineralization in an ultramafic intrusive body similar to the main UM Zone in the Timmins Gold Project.

Between November 2003 and January 2004 seven holes were completed (1,945 metres) on the Property. Drilling indicates a strong zone of alteration in the footwall of the ultramafic intrusive along the contact with the enclosing metasedimentary rocks. This zone is host to veining and concentrations of pyrite, and is highly anomalous in gold with results up to 9 grams per tonne gold over 0.8 metres.

Exploration activities resumed in the second quarter.

Bazooka Project

Lake Shore's 100% owned Bazooka Project is located in Beauchastel Township, seven kilometres southwest of Rouyn-Noranda, Québec. A first phase drill program was initiated in late October 2003 and 5,673 metres in 23 holes were drilled by the end of February 2004. This program increased the known strike length of the mineralized zone from 250 metres to 560 metres, and the zone remains open to the west. The current drill program has defined a new zone of strong alteration in excess of 30 metres thick that hosts quartz stockwork with some coarse visible gold and locally abundant sulphide. This style of mineralization is typical of gold deposits located on the Cadillac-Larder Lake Break, a major structural feature that hosts the Val d'Or, Cadillac, Kirkland Lake, Larder Lake and Matachewan gold camps.

Seven holes were drilled in the quarter (1,847 metres) tracing the gold mineralization in the green carbonated zone between sections 1740 E and 1920 E. Results from the recently completed program will be integrated with historic drilling data and airborne magnetic and electromagnetic surveys, in order to select further exploration drill targets designed to better establish the strike extent and geometry of the mineralized zone.

A second drill campaign is being initiated in the second quarter.

Highway Project

The Highway Project lies within southeastern Beatty Township, approximately 11 kilometres east of Matheson, Ontario. Lake Shore can earn a 50% interest in the Property from Canadian Royalties Inc. by making a \$20,000 cash payment, issuing 100,000 shares plus additional shares worth \$50,000 and spending \$1.5 million over a three year period.

Known mineralized zones – the Flipper Zone and the Stewart-Abate showing – and a number of promising geophysical targets lie within the Property. A first phase drill program (12 holes totaling 3,072 metres) was carried out from November 2003 to the end of January 2004, and focused on the gold potential of the Flipper Zone and previously untested IP chargeability anomalies within the southeastern portion of the Property.

Four holes were drilled in the first quarter (Hwy03-09, Hwy03-10, Hwy03-11, Hwy03-12) for a total of 869 metres. All holes were testing discrete IP anomalies associated with the sedimentary rock and tuff contact. The information is currently being processed, and additional work will be contingent upon results.



DANIEL G INNES

President and Chief Executive Officer

May 17, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2004 and 2003

Description of Business

Lake Shore Gold Corp. (the "Company" or "Lake Shore") 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 Québec. Lake Shore is a reporting issuer in British Columbia, Alberta and Québec, and trades on the TSX Venture Exchange under the symbol LSG.

Overview

This Management's Discussion and Analysis, dated as at May 17, 2004, should be read in conjunction with the Management's Discussion and Analysis, audited annual financial statements and notes thereto for the fiscal year ended December 31, 2003.

In March 2004, the Company appointed Murray A. Gordon to its Board of Directors. Mr. Gordon has also been appointed Chair of the Audit Committee.

Since its inception in December 2002, Lake Shore has been successful in acquiring a large portfolio of properties. The following is a brief discussion of the Company's main properties.

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. In June 2003, Lake Shore received regulatory approval from the TSX Venture Exchange regarding an agreement with Holmer Gold Mines Limited granting Lake Shore the right 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.

The resource expansion program initiated in 2003 has resulted in 27 new intersections that meet the minimum criteria of 6 grams per tonne gold over 1.2 metres for inclusion in the indicated resource as calculated by Watts, Griffis and McQuat Limited in 2002. Resource expansion drilling continued in the first quarter of 2004 with three drills focused on the Footwall and Ultramafic zones, both of which have shown persistent strength of grade and width with depth. The Hanging Wall, Vein and southern Ultramafic zones remain open.

As at March 31, 2004, Lake Shore had met its expenditure requirements pursuant to the agreement. During the quarter a total of \$798,000 was spent of which \$627,000 related to drilling. The new resource calculation is underway and is expected to continue into the third quarter.

Bazooka Gold Property

The Bazooka Gold Property is located in Beauchastel Township, a few kilometres southwest of Rouyn-Noranda, Québec. In September 2003, Lake Shore acquired the Property from Fieldx Exploration Inc. for \$125,000. The Property is subject to a 2% net smelter return royalty and Lake Shore has the option to purchase 1% of the royalty for \$1 million.

Previous drilling reported high-grade gold intersections and the mineralization remains open and untested in all directions. Prior to Lake Shore's acquisition, there had been no drilling work conducted on the Property since 1982.

Lake Shore initiated a drill program in October 2003, with the objective of better defining the main mineralized horizon delineated by previous drilling. Over 5,600 metres of drilling was completed by the end of February 2004. This program increased the known strike length of the mineralized zone from 250 metres to 560 metres, and the zone remains open to the west.

Results from the recently completed program will be integrated with historic drilling data and airborne magnetic and electromagnetic surveys, in order to select further exploration drill targets designed to better establish the strike extent and geometry of the mineralized zone.

Highway Property

The Highway Property lies within southeastern Beatty Township, Ontario. Lake Shore is earning a 50% interest in the Property from Canadian Royalties Inc. by making a cash payment of \$20,000, issuing 100,000 shares of the Company as well as additional shares equivalent to \$50,000, and spending \$1.5 million in exploration expenditures over three years.

A first phase drill program (12 holes totaling 3,072 metres) was initiated in November 2003 and completed in January 2004. This program was focused on determining the gold potential of the Flipper Zone and previously untested IP chargeability anomalies within the southeastern portion of the Property. The information is currently being processed and the next phase of exploration will be determined based on analysis of the results to date.

Other Properties

The Company's Noranda North Property in the Rouyn-Noranda area of Québec was acquired for its VMS (Volcanogenic Massive Sulphide) potential, and reconnaissance field work, together with airborne magnetic and electromagnetic surveys, have identified a number of targets that need to be drill tested. The Company plans to joint venture this Property to share the risk of early stage exploration.

The Company also has use of the Abitibi database, covering an area of 164,000 square kilometres in the Abitibi Greenstone Belt of Québec and Ontario, acquired by Aurora Platinum Corp. ("Aurora") pursuant to an agreement between Aurora and Inco Limited. In addition, the Company has a number of 100% owned gold properties located in northwestern Ontario and is currently offering these properties to potential joint venture partners.

General and Administrative

The Company recorded a net loss of \$149,657 during the three month period ended March 31, 2004, which was an increase of \$63,113 from the same period ended March 31, 2003. The increase is mainly a reflection of stock-based compensation expense amounting to \$40,500 and general exploration of \$21,720 which were not incurred during the same period in 2003.

During the period ended March 31, 2004, consulting and management fees were comprised of \$12,000 and \$6,000 in management fees paid to Southwestern Resources Corp. (“Southwestern”) and Aurora Platinum Corp. (“Aurora”), respectively, pursuant to separate administrative services agreements, and \$32,314 in fees on account of consulting and management services provided by directors, officers and other consultants. Consulting and management fees amounted to \$43,385 during the period ended March 31, 2003.

General exploration of \$21,720 is comprised of expenditures of a general reconnaissance nature.

Investor relations, travel and other office expenses were not significantly different over the same periods.

Legal and accounting costs were higher during the comparative three month period due to expenses incurred relating to the business reorganization during the period ended March 31, 2003.

The Company recorded \$40,500 in stock-based compensation expense as a result of 50,000 stock options granted to a director during the period ended March 31, 2004. Effective January 1, 2004 the Company is required to disclose stock-based compensation expense for all stock option grants during the period using a fair value based method. The fair value computed using the Black-Scholes model is only an estimate of the potential value of the individual options and does not affect the Company’s equity nor is the Company required to make any payments for such transactions. (See MD&A section “Critical Accounting Policies and Estimates.”)

Financial Condition, Liquidity and Capital Resources

The Company’s working capital position at March 31, 2004 was \$4,349,988 compared with \$1,567,192 as at December 31, 2003.

The increase of approximately \$2.8 million in working capital reflects proceeds from share issuances of \$4.1 million partially offset by \$1.2 million (\$1.8 million on a cash basis) in resource property expenditures and \$50,000 in operating expenditures.

Resource properties increased by approximately \$1.2 million during the three months ended March 31, 2004 of which approximately \$800,000 relates to the Timmins Property, \$200,000 to the Bazooka Property, and \$200,000 to the Highway Property and Thunder Creek properties.

On March 16, 2004, the Company sold, by way of a private placement, 3.2 million units at \$1.25 per unit for gross proceeds of \$4 million. The private placement was comprised of 2 million flow through units and 1.2 million non-flow through units. Each flow through unit consisted of one flow through common share and one-half of a non-flow through common share purchase warrant. Each non-flow through unit consisted of one non-flow through common share and one-half of a non-flow through common share purchase warrant. One whole share purchase

warrant entitles the holder to buy a common share for \$1.75 per share until March 15, 2005. In addition, the agent received 314,700 broker warrants entitling the holder to buy one common share for \$1.25 until March 15, 2005.

During the period ended March 31, 2004, the Company also received proceeds of \$454,808 from the exercise of warrants and \$20,400 from the exercise of stock options.

As at March 31, 2004, there were 3,812,500 stock options and 4,880,881 warrants outstanding as detailed in note 4(b) and (d) of the notes to the financial statements.

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 and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties.

Quarterly Financial Information

Fiscal Quarter ended	Mar 31, 2004	Dec 31, 2003	Sept 30, 2003	June 30, 2003	Mar 31, 2003	Dec 31, 2002	Sept 30, 2002	June 30, 2002
Interest and other income	10,843	20,652	14,085	11,928	10,797	3,679	–	152
Net loss	(149,657)	(111,873)	(247,667)	(140,335)	(86,544)	(201,356)	(37,913)	(119,471)
Loss per share*	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.04)	(0.01)	(0.05)

* Loss per share is calculated based on the weighted-average number of shares outstanding.

Contractual Obligations

The Company has earn-in/option agreements with third parties pursuant to which the Company has the option to earn a 50% interest in the Timmins, Thunder Creek and Highway properties. In order to continue earning its interest in these properties, the Company is required to make certain cash payments and spend amounts on exploration as follows:

	2004	2005	2006	2007	2008
Cash payments	\$ 100,000	\$ 100,000	\$ 150,000	\$ 50,000	\$ 100,000
Expenditures	465,000	220,000	2,030,000	440,000	550,000
	\$ 565,000	\$ 320,000	\$ 2,180,000	\$ 490,000	\$ 650,000

Critical Accounting Policies and Estimates

i) Acquisition costs of resource properties together with direct exploration and development expenditures are capitalized. When production is attained, these costs will be amortized. When capitalized expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made.

ii) The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes are recorded for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities.

iii) Effective January 1, 2004, the Company changed its accounting policy, retroactive to January 1, 2002, in accordance with the recommendation of CICA 3870, “Stock-based Compensation and Other Stock-based Payments,” and has applied this change retroactively with restatement for new awards granted on or after January 1, 2002. The Company has adopted the fair value based method of accounting for stock-based compensation awards using the Black-Scholes option pricing model. Previously, the Company used the intrinsic value method for valuing stock-based compensation awards granted to employees and directors where compensation expense was recognized for the excess, if any, of the quoted market price of the Company’s common shares over the common share exercise price on the day the options were granted. The total amount credited to contributed surplus, on awards granted prior to the Company’s adoption of CICA 3870 in respect of stock-based compensation, is \$745,550 as at December 31, 2003. The deficit at January 1, 2004 also increased by \$745,550. This was previously disclosed in the notes to the financial statements as the pro forma impact on net loss and net loss per share.

iv) With respect to Asset Retirement Obligations, application of the new standard has no impact on the Company’s financial disclosure.

Related Party Transactions

The Company paid a total of \$15,688 (March 31, 2003 – \$18,350) in consulting and management fees to companies controlled by Daniel Innes, Lake Shore’s President and CEO, and Thomas Beattie, a director. Amounts paid to Aurora under the terms of an administrative services agreement totaled \$6,000 (March 31, 2003 – \$6,000). As at March 31, 2004, there was an amount of \$20,368 due to Aurora for exploration expenditures incurred by Aurora on the Company’s behalf. In addition, there were fees of \$12,000 (March 31, 2003 – \$12,000) paid to Southwestern under the terms of a separate administrative services agreement. The basis for the fees is either a monthly or per diem rate.

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 fulfills 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.

Additional Information

Additional information is provided in the Company’s audited financial statements for the periods ended December 31, 2003 and 2002 and the Company’s Information Circular. These documents are available on SEDAR at www.sedar.com.

Directors and Officers

Anthony R Harvey – Chairman and Director
Daniel G Innes – President, CEO and Director
Thomas W Beattie – Director
Murray A Gordon – Director
John G Paterson – Director
Michael D Winn – Director
Parkash K Athwal – CFO
Susy H Horna – Secretary
Michael J Byron – Vice President, Exploration

BALANCE SHEETS

Unaudited	March 31, 2004	December 31, 2003
ASSETS		(note 1b)
Current		
Cash and cash equivalents	\$ 4,467,822	\$ 2,184,313
Exploration advances and other receivables	163,263	207,540
	4,631,085	2,391,853
Investment (note 2)	300,000	300,000
Resource properties (note 3)	6,371,744	5,149,411
	\$ 11,302,829	\$ 7,841,264
LIABILITIES		
Current		
Accounts payable and accrued charges	\$ 260,729	\$ 801,752
Due to affiliated company (note 5)	20,368	22,909
	281,097	824,661
Long term		
Future income tax	405,000	405,000
	686,097	1,229,661
SHAREHOLDERS' EQUITY		
Share capital (note 4)	13,802,306	9,688,020
Contributed surplus	1,292,715	1,252,215
Deficit	(4,478,289)	(4,328,632)
	10,616,732	6,611,603
	\$ 11,302,829	\$ 7,841,264

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 March 31

EXPENSES

Consulting and management fees
General exploration
Investor relations
Legal and accounting
Office expense
Travel

Loss before undernoted items

Interest
Stock-based compensation (note 4c)

Net loss for the period

Deficit at beginning of period

Deficit at end of period

Loss per share

Weighted-average number of shares outstanding

See accompanying notes to financial statements

	2004	2003
	\$ 50,314	\$ 43,385
	21,720	–
	24,482	28,338
	7,563	17,095
	11,293	6,003
	4,628	2,520
	(120,000)	(97,341)
	10,843	10,797
	(40,500)	–
	(149,657)	(86,544)
	(4,328,632)	(2,854,563)
	\$ (4,478,289)	\$ (2,941,107)
	\$ (0.00)	\$ (0.00)
	31,658,060	22,034,266

STATEMENTS OF CASH FLOWS

Unaudited Three months ended March 31	2004	2003
OPERATING ACTIVITIES		
Net loss for the period	\$ (149,657)	\$ (86,544)
Items not involving cash:		
Stock-based compensation	40,500	–
	(109,157)	(86,544)
Change in non-cash operating working capital items		
Decrease (increase) in exploration advances and other receivables	45,319	(26,614)
Increase (decrease) in accounts payable and accrued charges	13,210	(81,783)
	(50,628)	(194,941)
INVESTING ACTIVITY		
Resource property expenditures	(1,780,149)	(249,341)
FINANCING ACTIVITY		
Shares issued	4,114,286	1,104,760
Increase in cash and cash equivalents during the period	2,283,509	660,478
Cash and cash equivalents at beginning of period	2,184,313	1,126,096
Cash and cash equivalents at end of period	\$ 4,467,822	\$ 1,786,574
Cash and cash equivalents consist of:		
Cash	\$ (123,996)	\$ (106,756)
Short-term investments	4,591,818	1,893,330
Cash and cash equivalents at end of period	\$ 4,467,822	\$ 1,786,574

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

Unaudited

Three months ended March 31, 2004 and 2003

1. Significant Accounting Policies

a) These financial statements include all information and footnote disclosures required under Canadian generally accepted accounting principles for interim financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for fair presentation have been included.

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and follow the same accounting policies and methods of application as the most recent annual financial statements dated December 31, 2003, except as described in Note 1b. These financial statements should be read in conjunction with the annual financial statements and notes thereto for the fiscal year ended December 31, 2003.

b) As of January 1, 2004, the Company changed its accounting policy, retroactive to January 1, 2002, in accordance with the recommendation of CICA 3870, "Stock-based Compensation and Other Stock-based Payments," and has applied this change retroactively with restatement for new awards granted on or after January 1, 2002. The Company has adopted the fair value based method of accounting for stock-based compensation awards using the Black-Scholes option pricing model. Previously, the Company used the intrinsic value method for valuing stock-based compensation awards granted to employees and directors where compensation expense was recognized for the excess, if any, of the quoted market price of the Company's common shares over the common share exercise price on the day that options were granted. The total amount credited to contributed surplus, on awards granted prior to the Company's adoption of CICA 3870 in respect of stock-based compensation, is \$745,550 as at December 31, 2003. The deficit at January 1, 2004 also increased by \$745,550. No stock options were issued for the period ending March 31, 2003 and therefore no stock-based compensation was recorded.

2. Investment

As at March 31, 2004, the Company owned one million shares of Holmer Gold Mines Limited. The market value of these shares at March 31, 2004 was \$390,000 (December 31, 2003 – \$410,000).

3. Resource Properties

For the three month period ended March 31, 2004:

	AEM Ontario	Highway	Timmins	Abitibi	Bazooka	Other*	Total
Balance, beginning of period	\$ 739,843	\$ 358,633	\$ 2,092,134	\$ 406,487	\$ 618,101	\$ 934,213	\$ 5,149,411
Property acquisition, assessment and maintenance	–	–	–	–	–	15,545	15,545
Analytical	–	22,861	58,045	–	35,761	7,470	124,137
Geophysics	–	24,000	–	–	500	2,445	26,945
Geology	–	39,117	107,995	32,536	36,525	14,305	230,478
Drilling	–	36,729	627,153	–	145,727	6,912	816,521
Project administration	–	750	5,241	–	2,716	–	8,707
Balance, end of period	\$ 739,843	\$ 482,090	\$ 2,890,568	\$ 439,023	\$ 839,330	\$ 980,890	\$ 6,371,744

* Includes: Rowlandson/Canopener (\$441,080); Thunder Creek (\$225,154); Noranda North (\$182,850); Miscellaneous (\$131,806).

For the year ended December 31, 2003:

	AEM Ontario	Rowlandson/ Canopener	Timmins	Abitibi	Bazooka	Other*	Total
Balance, beginning of year	\$ 722,718	\$ 40,764	\$ –	\$ –	\$ –	\$ –	\$ 763,482
Property acquisition, assessment and maintenance	–	–	85,562	–	125,180	222,802	433,544
Analytical	–	12,306	300,392	19,043	11,214	47,598	390,553
Geophysics	2,778	22,563	64,914	26,121	12,683	89,616	218,675
Geology	12,862	266,088	363,434	331,144	106,712	239,691	1,319,931
Drilling	–	91,630	1,240,052	–	352,733	244,877	1,929,292
Project administration	1,485	7,729	37,780	30,179	9,579	7,182	93,934
Balance, end of year	\$ 739,843	\$ 441,080	\$ 2,092,134	\$ 406,487	\$ 618,101	\$ 851,766	\$ 5,149,411

* Includes: Highway (\$358,633); Thunder Creek (\$193,873); Miscellaneous (\$299,260).

4. Share Capital

a) Issued Capital

During the three months ended March 31, 2004 and year ended December 31, 2003, changes in issued share capital were as follows:

	March 31, 2004		December 31, 2003	
	Shares	Amount	Shares	Amount
Issued and outstanding				
Balance, beginning of period	30,793,354	\$ 9,688,020	21,231,857	\$ 4,096,249
Private placement – net of share issue costs of \$360,922 (2003 – \$381,220)	3,200,000	3,639,078	5,547,003	3,840,470
Exercise of warrants	389,110	454,808	3,619,494	1,481,951
Exercise of options	85,000	20,400	270,000	89,100
Issued in exchange for resource properties	–	–	125,000	180,250
Balance, end of period	34,467,464	\$13,802,306	30,793,354	\$9,688,020

On March 16, 2004, the Company sold, by way of a private placement, 3.2 million units at \$1.25 per unit for gross proceeds of \$4 million. The private placement was comprised of 2 million flow through units and 1.2 million non-flow through units. Each flow through unit consists of one

flow through common share and one-half of a non-flow through common share purchase warrant. Each non-flow through unit consists of one non-flow through common share and one-half of a non-flow through common share purchase warrant. One whole share purchase warrant entitles the holder to buy a common share for \$1.75 per share until March 15, 2005. As well, 314,700 broker warrants were issued which entitle the holder to buy one common share for \$1.25 until March 15, 2005.

b) Stock Options

As at March 31, 2004, the Company had 3,812,500 stock options outstanding of which 2,593,125 options were exercisable.

	For the three month period ended March 31, 2004		For the year ended December 31, 2003	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at beginning of period	3,847,500	\$ 0.46	3,090,000	\$ 0.24
Granted	50,000	\$ 1.15	1,045,000	\$ 1.07
Exercised /cancelled	(85,000)	\$ 0.24	(287,500)	\$ 0.32
Outstanding at end of period	3,812,500	\$ 0.47	3,847,500	\$ 0.46
Exercisable at end of period	2,593,125	\$ 0.41	2,631,875	\$ 0.40

The following table summarizes information regarding stock options outstanding and exercisable at March 31, 2004.

Number of options outstanding	Number of options exercisable	Exercise price	Weighted-average remaining years of contractual life
2,747,500	2,060,625	\$ 0.24	3.8
175,000	87,500	\$ 0.73	4.1
760,000	380,000	\$ 1.05	4.4
5,000	2,500	\$ 1.89	4.6
75,000	37,500	\$ 2.00	4.6
50,000	25,000	\$ 1.15	5.0
3,812,500	2,593,125		4.0

c) Stock-Based Compensation

As a result of 50,000 stock options granted during the three month period ended March 31, 2004, the Company recognized \$40,500 (March 31, 2003 – nil) as stock-based compensation expense and included this amount in contributed surplus. This value was determined using the Black-Scholes options pricing model. A grant-date fair value of \$0.81 for each option grant was estimated using the following assumptions: no dividends are to be paid; volatility of 86%; risk free interest rate of 5%; and expected life of five years.

The fair value computed using the Black-Scholes model is only an estimate of the potential value of the individual options and the Company is not required to make payments for such transactions.

d) Warrants

As at March 31, 2004, there were 4,880,881 warrants issued and outstanding.

Date issued	Number	Exercise price	Expiry date
December 17, 2002	550,000	\$0.24	December 13, 2004
July 31, 2003	265,152	\$0.85 / \$1.20	July 31, 2004 / 2005
August 21, 2003	1,769,349	\$0.85 / \$1.20	August 20, 2004 / 2005
August 21, 2003	381,680	\$0.84	August 20, 2004
March 15, 2004	1,600,000	\$1.75	March 15, 2005
March 15, 2004	314,700	\$1.25	March 15, 2005

No carrying values have been assigned to the warrants.

5. Related Party Transactions

For the three month period ended March 31, 2004 fees amounting to \$15,688 (March 31, 2003 – \$18,350) were paid on account of consulting and management services provided by directors and officers. Amounts paid to Aurora Platinum Corp. (“Aurora”) under the terms of an administrative services agreement totaled \$6,000 (March 31, 2003 – \$6,000). As at March 31, 2004, there was an amount of \$20,368 due to Aurora. As well, there were fees of \$12,000 (March 31, 2003 – \$12,000) paid to Southwestern Resources Corp. under the terms of a separate administrative services agreement.



LAKE SHORE GOLD CORP.

PO Box 10102
Suite 1650, 701 West Georgia Street
Vancouver, British Columbia
Canada V7Y 1C6

Telephone 604 669 3533
Fax 604 688 5175
www.lsgold.com
info@lsgold.com