

LAKE SHORE GOLD CORP.

FIRST QUARTER REPORT
FOR THE THREE MONTHS ENDED MARCH 31, 2005



Teck-Hughes Central Shaft
Kirkland Lake Gold Central Shaft
Lake Shore Accommodations House

Lake Shore No. 1 Shaft

**NEW FRONTIERS
IN A MATURE GOLD CAMP**



MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2005 and 2004

GENERAL

The following management's discussion and analysis of Lake Shore Gold Corp. (the "Company" or "Lake Shore"), dated as at May 12, 2005, should be read in conjunction with the audited consolidated financial statements including the notes thereto for the year ended December 31, 2004.

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 resource properties, either directly or through option agreements, 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.

OVERALL PERFORMANCE

On December 31, 2004, Lake Shore and Holmer Gold Mines Limited ("Holmer") completed a plan of arrangement pursuant to which Lake Shore acquired all of the issued and outstanding shares of Holmer. Holders of Holmer shares received one Lake Shore share for every 1.5 Holmer shares. Holmer became a wholly-owned subsidiary of Lake Shore and changed its name to LSG Holdings Corp. As a result of the completion of this transaction, Lake Shore now owns 100% of the Timmins Gold Property which has an indicated mineral resource of 724,000 ounces of gold (grade uncut), which has been audited by Watts, Griffis and McQuat Limited. Lake Shore has commenced a pre-feasibility study as well as an aggressive drilling program on the Property.

During the first quarter of 2005, Lake Shore was very active in securing additional capital and expanding its asset base in the Timmins Gold Camp, Ontario. The Company also made very positive changes to its senior management and Board.

In February 2005, the Company signed an agreement with Explorers Alliance Corporation to earn up to a 70% interest in the DeSantis Gold Property located in the Timmins Gold Camp. The DeSantis Property consists of 22 patented and 2 leased claims covering approximately 665 hectares. Under the terms of the agreement, Lake Shore can earn a 51% interest in the Property by making cash payments totalling \$375,000, issuing 75,000 shares plus additional shares worth \$200,000, and incurring \$3 million in exploration expenditures over a three year period. Lake Shore has a further option to earn up to a 70% interest by spending an additional \$3,726,000 on the Property.

On March 7, 2005, the Company entered into an agreement with Black Hawk Mining Inc. ("Black Hawk") to acquire 100% of its Vogel Gold Property, also located in the Timmins Gold Camp. The Vogel Property, which is subject to a royalty, consists of one patented "Vet Lot" covering 64 hectares and lies between the Hoyle Pond and Bell Creek gold deposits. On April 4, 2005, under the terms of the

agreement, Lake Shore made an initial cash payment of \$3 million and issued 100,000 shares of the Company. A further cash payment of \$500,000 will be payable to Black Hawk once an NI 43-101 compliant indicated resource of 600,000 ounces of gold has been confirmed on the Property.

On March 31, 2005, the Company raised gross proceeds of \$8,006,500 pursuant to the issuance of a combination of flow through and non-flow through shares. The proceeds are being used to expand the Company's resource and asset base in the Timmins Gold Camp, to further its exploration programs on key properties as well as to generate new projects.

In February 2005, Lake Shore appointed Brian R. Booth as President, CEO and director of the Company. Mr. Booth has 22 years of experience exploring for nickel-copper, precious and base metal deposits throughout Canada, Europe and southeast Asia. His previous position was Manager of Exploration, North America and Europe with Inco Limited.

Daniel G. Innes resigned as President and CEO, a position he held since January 2003, and has been appointed to the position of Chair of the Board. The Company credits much of its success to his tremendous contribution. Anthony R. Harvey, former Chair, was appointed lead director.

The Board also welcomes two new directors, Dr. K. Sethu Raman and Edward Svoboda. Both were added to the Company's Board pursuant to the acquisition of Holmer. Thomas W. Beattie resigned as director and was appointed Vice President, Corporate Development.

Administrative expenses increased by approximately \$101,000 (excluding general exploration) during the quarter ended March 31, 2005 in comparison to the same period in 2004. An increase in overall corporate activity resulted in higher consulting fees, legal and regulatory costs, as well as travel costs.

Since its reorganization 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, Ontario

The Timmins Gold Property is located along the main Destor-Porcupine Fault Zone on the west end of the Timmins Camp in Bristol Township, 18 kilometres west of the city of Timmins.

On December 31, 2004, Lake Shore finalized its acquisition of all of the issued shares of Holmer, thus Lake Shore now owns 100% of the Timmins Gold Property.

As part of the ongoing resource expansion drill program, two pilot holes were completed (TG05-64 and -65a), and two wedge-holes were in progress (TG05-64b and -65b), for a total of 3,519 metres drilled during the quarter. One drill rig concentrated on completing section 4500E (TG05-64 series holes), and another was used to extend the resource on section 4350E (TG05-65 series holes). This drilling confirms that the mineralization extends in excess of 750 metres along strike and 1,400 metres downplunge from surface.

A third drill rig was deployed to follow-up on exploration targets outside the main deposit area. Four exploration holes were completed in the quarter, for a total of 1,058 metres (holes TG05-66 to -69). The holes were drilled in the northern portion of the Property, targeting the volcanic/sedimentary

rock contact zone and an associated structural zone that extends off the Property to the east. A weakly anomalous gold zone was intersected in TG05-69, collared within the northeast corner of the Property. The zone is associated with a felsic porphyry dyke at the volcanic and sedimentary rock contact.

Thunder Creek Property, Ontario

The Thunder Creek Property ties on to the Timmins Gold Property to the southwest and is currently under option from Band-Ore Resources Ltd. The 54 claim unit package was acquired in order to test for gold mineralization in an ultramafic intrusive body, similar to the main Ultramafic Zone in the Timmins Gold Property, that extends for over 1,800 metres southwest of the Timmins gold deposit.

A surface 1:2500 scale mapping program, MMI (geochemical survey) soil sampling program, and an outcrop stripping program were completed in the third quarter of 2004. Several MMI gold anomalies were located within the central portion of the Property related to gold bearing structures.

In late August, a second phase drill program was initiated to target the interpreted structures and associated gold anomalies. By December 2, 2004, seven holes were completed for a total of 2,495 metres of drilling in the fourth quarter.

The results of the second phase drill program were reviewed and new targets defined for a third phase program to be initiated early in the second quarter of 2005.

Price and Ogden Projects, Ontario

In September 2004, Lake Shore entered into two option agreements to acquire 100% of two properties located in Price, Ogden and Thornloe townships, east and south of the Timmins Gold Property. The Ogden Property consists of six units adjoining the past producing DeSantis Mine to the east, while the Price Property consists of 126 units located in Price, Ogden and Thornloe townships. Both properties cover favourable geology on and north of the Destor-Porcupine Break.

A first phase drill program was carried out on the Price Property in January in which two holes were completed for a total of 610 metres. The objective of this program was to test stratigraphy by targeting felsic porphyries that appear to cut mafic and ultramafic rocks on the Property. Several moderately altered and mineralized zones were intersected, but no significant assays were obtained. Data is currently being reviewed and additional work programs planned.

Drilling began on the Ogden Property in December 2004 and was completed in January. Drilling objectives were to test for the westerly extension of the DeSantis gold horizon and failed to produce significant results and the option was terminated.

Bazooka Project, Québec

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.

A detailed compilation and evaluation of all drilling completed to date (including historical drilling) was completed in the last quarter of 2004. The resulting targets were drilled in the first quarter of

2005. The focus of the drill program was to test at depth (below 300 metre vertical depth) a newly discovered zone, the "brown carbonate zone." Ten holes were drilled for a total of 4,551 metres. One of the holes (BA-05-30) intersected a new altered zone located north of the main Bazooka Zone along the mafic volcanic and sedimentary rock contact. The zone is strongly silicified and sericitized. All assays are pending.

Noranda North VMS Project, Québec

In April 2004, Lake Shore executed an agreement with Fieldex Exploration Inc. ("Fieldex") regarding Lake Shore's Noranda North volcanogenic massive sulphide (VMS) and gold project in western Québec. Under the terms of the agreement, Fieldex can earn a 50% interest in the Project by spending \$500,000 within two years, which must include 1,000 metres of drilling within the first year. Lake Shore is the operator of the Project, which covers 3,600 hectares. No field work was carried out on the Noranda North Project during this quarter.

Other Projects

The Company also has access to 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. All proposed digitizing of the Inco Limited magnetic survey data has been completed and is being merged with existing public domain data.

No work was completed on the AEM Project located in northwestern Ontario during the quarter other than to ensure that all properties including Canopener and Rowlandson Lake were maintained in respect of assessment requirements. The AEM Project will be reassessed in 2005.

RESULTS OF OPERATIONS

The net loss for the three months ended March 31, 2005 and 2004 was \$244,983 and \$149,657 respectively. The increase of \$95,326 is mainly due to an increase in overhead expenses such as consulting fees, shareholder information, legal and travel costs.

General and administrative expenditures increased by \$105,766 as a result of an increase in consulting fees relating to the hiring of a new President and CEO; an increase in shareholder information costs relating to additional regulatory and filing fees; and an increase in legal, accounting and travel costs relating to a greater level of corporate activity during the period.

The Company incurred \$25,727 (March 31, 2004 – \$21,720) in general reconnaissance expenditures relating to its field offices and to the generation of new projects.

As a result of 500,000 stock options granted during the period ended March 31, 2005, of which 250,000 vested immediately, the Company recorded \$112,500 (March 31, 2004 – \$40,500) in stock-based compensation expense and included this amount in contributed surplus. A grant-date fair value of \$0.45 (March 31, 2004 – \$0.81) for each option grant was estimated using the following assumptions: no dividends are to be paid; volatility of 77% (March 31, 2004 – 86%); risk free interest rate of 3.5% (March 31, 2004 – 5%); and expected life of 3.5 years (March 31, 2004 – five years).

As a result of the tax benefits of deductible expenses incurred during the three month period ended March 31, 2005, the Company recorded a recovery of \$75,000 (March 31, 2004 – nil).

QUARTERLY FINANCIAL INFORMATION

Fiscal Quarter ended	1st Quarter March 31, 2005	4th Quarter December 31, 2004	3rd Quarter September 30, 2004	2nd Quarter June 30, 2004
Interest and other income	18,283	10,971	12,361	17,918
Net loss	(244,983)	(42,817)	(642,885)	(134,442)
Loss per share*	(0.00)	(0.00)	(0.02)	(0.00)

Fiscal Quarter ended	1st Quarter March 31, 2004	4th Quarter December 31, 2003	3rd Quarter September 30, 2003	2nd Quarter June 30, 2003
Interest and other income	10,843	20,652	14,085	11,928
Net loss	(149,657)	(186,273)	(655,917)	(140,335)
Loss per share*	(0.00)	(0.00)	(0.03)	(0.01)

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

An analysis of the quarterly results over the last eight quarters does not reflect a significant degree of variation. The variation between the fourth quarter in 2004 and 2003 reflects the income tax recovery recorded in 2004. The variation between the first quarter in 2005 and 2004 results primarily from an increase in stock-based compensation expense and administrative overhead.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company is not in commercial production on any of its resource properties and, accordingly, it does not generate cash from operations. The Company finances its activities by raising capital through the equity markets. The Company is in good financial condition with working capital of \$10,366,817 as at March 31, 2005 compared with \$4,132,465 as at December 31, 2004.

The increase of approximately \$6.3 million in working capital reflects proceeds from share issuances of \$7.7 million offset by \$1.2 million (\$0.8 million on a cash basis) in resource property expenditures and approximately \$200,000 in operating expenditures.

On March 31, 2005, the Company issued 5,270,000 flow through shares at \$0.95 per share and 3,750,000 non-flow through shares at \$0.80 for gross proceeds totalling \$8,006,500. The underwriters received \$480,390 and 541,200 compensation options. Each compensation option entitles the holder to purchase one common share at a price of \$0.80 within two years after closing.

As a result of the cancellation of 666,667 common shares which were valued as part of the business combination with Holmer, the Company recorded a reduction of the future income tax liability of \$401,000 with a corresponding reduction to resource properties.

In addition, the Company cancelled 150,000 of its own common shares and charged \$37,500 of the resulting loss directly to deficit. These were shares of the Company that Holmer owned prior to the acquisition.

Resource property expenditures amounted to \$1.2 million during the three months ended March 31, 2005. However, the carrying value of resource properties increased only by approximately \$259,000 due to a reduction of \$1.1 million for the cancellation of the above-mentioned common shares. Of the

\$1.2 million, approximately \$700,000 was spent on the Timmins Property, \$300,000 on the Bazooka Property, \$85,000 on the DeSantis Property, and \$150,000 on other properties.

On April 4, 2005, the Company issued a cash payment of \$3 million pursuant to the Vogel Property acquisition agreement. This amount is not recorded in the Company's financial statements as at March 31, 2005 since certain conditions had to be fulfilled prior to the scheduled closing date of April 4, 2005.

As at March 31, 2004, there were 5,275,000 stock options and 6,765,126 warrants outstanding as detailed in note 3 of the notes to the consolidated 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.

CONTRACTUAL OBLIGATIONS

The Company has earn-in/option agreements with third parties pursuant to which the Company has the option to earn an interest in the Thunder Creek, Price and DeSantis 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:

	2005	2006	2007	2008
Cash payments	\$ 60,000	\$ 170,000	\$ 365,000	\$ 100,000
Expenditures	1,320,000	1,530,000	1,640,000	550,000
	\$ 1,380,000	\$ 1,700,000	\$ 2,005,000	\$ 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) CICA Handbook section 3870, "Stock-Based Compensation and Other Stock-Based Payments" establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Compensation expense is determined using the Black-Scholes option pricing model based on estimated fair values of all stock-based awards at the date of grant and is expensed to operations over each award's vesting period.

The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Discrepancies in these input assumptions can significantly affect the fair value estimate.

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 \$33,622 (March 31, 2004 – \$15,688) in consulting and management fees to companies controlled by Daniel Innes, Lake Shore's Chair, and Brian Booth, Lake Shore's President and CEO. Amounts paid to Aurora under the terms of an administrative services agreement totalled \$6,000 (March 31, 2004 – \$6,000). As at March 31, 2005, there was an amount of \$31,346 due to Aurora for exploration expenditures incurred by Aurora on the Company's behalf. In addition, there were fees of \$9,000 (March 31, 2004 – \$12,000) paid to Southwestern Resources Corp. 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 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. The audit committee, comprised of three independent directors, meets with management on a quarterly basis to review the financial statements including the MD&A, and to discuss other financial, operating and internal control matters.

Management is responsible for the preparation and integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

ADDITIONAL INFORMATION

Additional information is provided in the Company's unaudited consolidated interim financial statements for the period ended March 31, 2005, audited consolidated financial statements for the year ended December 31, 2004 and the Company's Information Circular. These documents are available on SEDAR at www.sedar.com.

DIRECTORS AND OFFICERS

Daniel G. Innes – Chair and Director

Brian R. Booth – President, CEO and Director

Anthony R. Harvey – Director

Murray A. Gordon – Director

John G. Paterson – Director

Michael D. Winn – Director

K. Sethu Raman – Director

Edward Svoboda – Director

Parkash K. Athwal – Chief Financial Officer

Thomas W. Beattie – Vice President, Corporate Development

Michael J. Byron – Vice President, Exploration

Susy H. Horna – Secretary

CONSOLIDATED BALANCE SHEETS

Unaudited	March 31, 2005	December 31, 2004
ASSETS		
Current		
Cash and cash equivalents	\$ 10,608,500	\$ 4,095,999
Exploration advances and other receivables	391,502	305,271
	11,000,002	4,401,270
Resource properties (note 2)	61,907,543	61,648,718
	\$ 72,907,545	\$ 66,049,988
LIABILITIES		
Current		
Accounts payable and accrued charges	\$ 601,839	\$ 241,339
Due to affiliated company (note 4)	31,346	27,466
	633,185	268,805
Long term		
Future income tax (note 5)	16,071,000	16,547,000
	16,704,185	16,815,805
SHAREHOLDERS' EQUITY		
Share capital (note 3)	58,697,362	51,558,202
Contributed surplus (note 3d)	3,086,914	2,974,414
Deficit	(5,580,916)	(5,298,433)
	56,203,360	49,234,183
	\$ 72,907,545	\$ 66,049,988

See accompanying notes to consolidated financial statements

Approved by the Board



Daniel G. Innes



Murray A. Gordon

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

Unaudited Three months ended March 31	2005	2004
EXPENSES		
Consulting and management fees	\$ 85,628	\$ 50,314
General exploration	25,727	21,720
Shareholder information	43,040	24,482
Legal and accounting	33,386	7,563
Office expense	10,329	11,293
Travel	27,656	4,628
Loss before undernoted items	(225,766)	(120,000)
Interest	18,283	10,843
Stock-based compensation (note 3d)	(112,500)	(40,500)
Loss before income taxes	(319,983)	(149,657)
Recovery of income tax (note 5)	75,000	-
Net loss for the period	(244,983)	(149,657)
Deficit at beginning of period	(5,298,433)	(4,328,632)
Loss on cancelled shares (note 3)	(37,500)	-
Deficit at end of period	\$ (5,580,916)	\$ (4,627,946)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.00)
Weighted-average number of shares outstanding	70,193,608	31,658,060

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited Three months ended March 31	2005	2004
OPERATING ACTIVITIES		
Net loss for the period	\$ (244,983)	\$ (149,657)
Items not involving cash:		
Recovery of income tax	(75,000)	-
Stock-based compensation	112,500	40,500
	(207,483)	(109,157)
Change in non-cash operating working capital items:		
(Increase) decrease in exploration advances and other receivables	(78,074)	45,319
(Decrease) increase in accounts payable and accrued charges	(140,042)	13,210
	(425,599)	(50,628)
INVESTING ACTIVITY		
Resource property expenditures	(808,143)	(1,780,149)
FINANCING ACTIVITY		
Shares issued	7,746,243	4,114,286
Increase in cash and cash equivalents during the period	6,512,501	2,283,509
Cash and cash equivalents at beginning of period	4,095,999	2,184,313
Cash and cash equivalents at end of period	\$ 10,608,500	\$ 4,467,822
Cash and cash equivalents consist of:		
Cash	\$ 7,914,130	\$ (123,996)
Short-term investments	2,694,370	4,591,818
Cash and cash equivalents at end of period	\$ 10,608,500	\$ 4,467,822

Supplemental Cash Flow Information (note 6)

See accompanying notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2005 and 2004

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 consolidated 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 consolidated financial statements dated December 31, 2004 and these financial statements should be read in conjunction with those annual financial statements and notes thereto.

b) On December 31, 2004, Lake Shore Gold Corp. (the "Company" or "Lake Shore") and Holmer Gold Mines Inc. ("Holmer") completed a Business Combination Agreement pursuant to which Lake Shore acquired all of the outstanding shares and other equity securities of Holmer based on a 1.5 to 1 ratio. Holmer became a wholly-owned subsidiary of Lake Shore and changed its name to LSG Holdings Corp. The Company consolidated the assets and liabilities as at December 31, 2004 and has consolidated the results of operations beginning January 1, 2005.

2. RESOURCE PROPERTIES

For the three month period ended March 31, 2005:

	AEM Ontario	DeSantis	Timmins	Thunder Creek	Bazooka	Other*	Total
Balance, beginning of period	\$ 748,399	\$ -	\$ 58,227,434	\$ 771,839	\$ 623,760	\$ 1,277,286	\$ 61,648,718
Property acquisition, assessment and maintenance	-	135,000	411	12,470	-	13,956	161,837
Analytical	-	-	27,743	1,589	7,559	8,990	45,881
Geophysics	-	-	-	-	-	4,640	4,640
Geology	-	20,476	91,309	3,498	31,918	56,610	203,811
Drilling	-	-	581,199	10,438	280,743	64,006	936,386
Project administration	-	4,622	9,362	-	309	6,310	20,603
Cancellation of shares valued as part of purchase of subsidiary	-	-	(1,114,333)	-	-	-	(1,114,333)
Balance, end of period	\$748,399	\$ 160,098	\$ 57,823,125	\$ 799,834	\$ 944,289	\$ 1,431,798	\$ 61,907,543

*Includes: Rowlandson/Canopener (\$441,811); Noranda North (\$142,610); Abitibi (\$509,060); Price (\$77,909); Miscellaneous (\$260,408).

For the year ended December 31, 2004:

	AEM Ontario	Highway	Timmins	Thunder Creek	Bazooka	Other*	Total
Balance, beginning of period	\$ 739,843	\$ 358,633	\$ 2,092,134	\$ 193,872	\$ 618,101	\$ 1,146,828	\$ 5,149,411
Property acquisition, assessment and maintenance	-	1,700	292,442	89,542	1,383	45,805	430,872
Analytical	-	25,396	229,848	54,711	35,761	39,350	385,066
Geophysics	-	24,000	-	-	500	31,988	56,488
Geology	8,556	54,972	396,046	141,126	59,990	334,382	995,072
Drilling	-	37,905	1,750,616	291,088	157,333	12,496	2,249,438
Project administration	-	2,401	22,710	1,500	6,678	8,423	41,712
Resource property costs written off	-	(505,007)	-	-	-	(105,692)	(610,699)
Purchase of Holmer	-	-	53,443,638	-	-	-	53,443,638
Québec refundable tax credits	-	-	-	-	(255,986)	(236,294)	(492,280)
Balance, end of period	\$ 748,399	\$ -	\$ 58,227,434	\$ 771,839	\$ 623,760	\$ 1,277,286	\$ 61,648,718

*Includes: Rowlandson/Canopener (\$441,811); Abitibi (\$481,414); Noranda North (\$129,177); Miscellaneous (\$224,884).

On March 7, 2005, the Company entered into a letter agreement with Black Hawk Mining Inc. ("Black Hawk") to acquire 100% of its Vogel Gold Property, located in the Timmins Gold Camp, Ontario. The Vogel Property consists of one patented "Vet Lot" covering 64 hectares and lies between the Hoyle Pond and Bell Creek gold deposits. Under the terms of the agreement, Lake Shore will make an initial cash payment of \$3 million and issue 100,000 shares of the Company. A further cash payment of \$500,000 will be payable to Black Hawk once an NI 43-101 compliant indicated resource of greater than 600,000 ounces of gold has been confirmed on the Property. Each party has until April 4, 2005 to fulfill certain conditions specified in the agreement.

In February 2005, the Company signed an agreement with Explorers Alliance Corporation to earn up to a 70% interest in the DeSantis Gold Property also located in the Timmins Gold Camp, Ontario. The DeSantis Property consists of 22 patented and 2 leased claims covering approximately 665 hectares. Under the terms of the agreement, Lake Shore can earn a 51% interest in the Property by making cash payments totalling \$375,000, issuing 75,000 shares plus additional shares worth \$200,000, and incurring \$3 million in exploration expenditures over a three year period. Lake Shore has a further option to earn up to a 70% interest by spending an additional \$3,726,000 on the Property.

3. SHARE CAPITAL

a) Authorized unlimited common shares without par value.

b) Issued Capital

During the three months ended March 31, 2005 and year ended December 31, 2004, changes in

issued share capital were as follows:

Issued and outstanding	March 31, 2005		December 31, 2004	
	Shares	Amount	Shares	Amount
Balance, beginning of period	70,295,022	\$ 51,708,202	30,793,354	\$ 9,688,020
Private placement - net of share issue costs of \$530,340 (2004 - \$233,787)	9,020,000	7,476,160	3,200,000	3,766,212
Exercise of warrants	-	-	939,110	586,808
Exercise of options	394,445	278,833	222,500	82,800
Issued in exchange for resource properties	75,000	60,000	125,000	118,250
Own shares cancelled (666,667 + 150,000)	(816,667)	(825,833)	-	-
Issued as a result of business combination with Holmer	-	-	35,015,058	37,466,112
Balance, shares issued	78,967,800	58,697,362	70,295,022	51,708,202
Own shares held	-	-	(150,000)	(150,000)
Balance, shares outstanding	78,967,800	\$ 58,697,362	70,145,022	\$ 51,558,202

On March 31, 2005, the Company issued 5,270,000 flow through shares at \$0.95 per share and 3,750,000 non-flow through shares at \$0.80 for gross proceeds totalling \$8,006,500. The underwriters received \$480,390 and 541,200 compensation options. Each compensation option entitles the holder to purchase one common share at a price of \$0.80 within two years after closing.

During the three months ended March 31, 2005, the Company cancelled 666,667 of its common shares which it had acquired pursuant to the business combination described in note 1b resulting in a reduction of share capital of \$713,333. These shares were originally the Company's investment in Holmer. As well, during the same period the Company cancelled 150,000 of its common shares resulting in a reduction of share capital of \$112,500 and charged \$37,500 (representing the difference between the charge to share capital and the carrying value) to deficit. These were common shares of the Company that Holmer owned before the acquisition.

c) Stock Options

As at March 31, 2005, the Company had 5,275,000 stock options outstanding of which 5,025,000 were exercisable.

	March 31, 2005		December 31, 2004	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at beginning of period	5,236,111	\$ 0.52	3,847,500	\$ 0.46
Granted to consultants and employees	500,000	\$ 0.80	65,000	\$ 1.09
Granted as a result of Holmer arrangement	-	\$ -	1,561,111	\$ 0.62
Exercised/cancelled	(461,111)	\$ 0.69	(237,500)	\$ 0.36
Outstanding at end of period	5,275,000	\$ 0.53	5,236,111	\$ 0.52
Exercisable at end of period	5,025,000	\$ 0.52	5,236,111	\$ 0.52

d) Stock-Based Compensation

As a result of 500,000 stock options granted during the three month period ended March 31, 2005, of which 250,000 vested immediately, the Company recognized \$112,500 (March 31, 2004 – \$40,500) 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 \$0.45 (March 31, 2004 – \$0.81) for each option grant was estimated using the following assumptions: no dividends are to be paid; volatility of 77% (March 31, 2004 – 86%); risk free interest rate of 3.5% (March 31, 2004 – 5%); and expected life of 3.5 years (March 31, 2004 – 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.

e) Warrants

As at March 31, 2005, there were 6,765,126 warrants issued and outstanding.

Date issued	Number	Exercise price	Expiry date
July 31, 2003	265,152	\$1.20	July 31, 2005
August 21, 2003	1,769,349	\$1.20	August 20, 2005
August 21, 2003	381,680	\$1.20	August 20, 2005
March 15, 2004	1,600,000	\$1.75	March 15, 2006
December 31, 2004	2,106,445	\$0.675	December 16, 2005
December 31, 2004	101,300	\$0.60	December 16, 2005
March 31, 2005	541,200	\$0.80	March 31, 2007

4. RELATED PARTY TRANSACTIONS

For the three month period ended March 31, 2005, fees amounting to \$33,622 (March 31, 2004 – \$15,688) 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 totalled \$6,000 (March 31, 2004 – \$6,000). As at March 31, 2005 there was an amount of \$31,346 due to Aurora. As well, there were fees of \$9,000 (March 31, 2004 – \$12,000) paid to Southwestern Resources Corp. under the terms of a separate administrative services agreement.

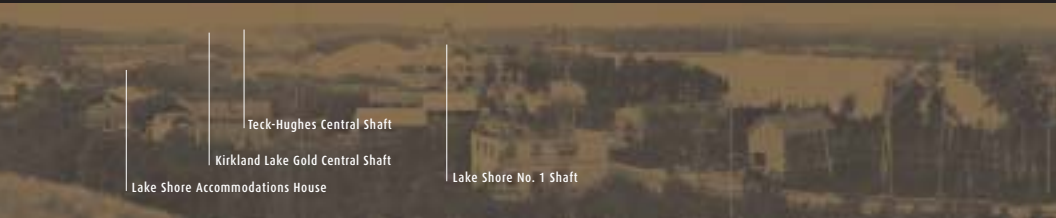
5. INCOME TAXES

As a result of the tax benefits of deductible expenses incurred during the three month period ended March 31, 2005, the Company recorded a recovery of \$75,000 (March 31, 2004 – nil).

As well, due to the cancellation of 666,667 common shares which were valued as part of the business combination with Holmer, the Company recorded a reduction of the future income tax liability of \$401,000 with a corresponding reduction to resource properties.

6. SUPPLEMENTAL CASH FLOW INFORMATION

The Company issued 75,000 common shares, valued at \$60,000 pursuant to the DeSantis Property agreement, during the three months ended March 31, 2005.



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