

Annual Information Form

Lake Shore Gold Corp.

For the year ended December 31, 2008

Dated as of March 12, 2009

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GLOSSARY OF TERMS

The following technical terms may be used in this Annual Information Form, and may appear capitalized or in lower case, without any difference in meaning.

Aeromagnetic/Airborne Magnetic - Measurement of the earth's magnetic field from an aircraft for the purpose of recording the magnetic characteristics of rocks.

Assay - An analysis to determine the presence, absence or quantity of one or more chemical components.

Au - gold

Base Metal - A metal, such as copper, lead, nickel, zinc or cobalt.

Belt - A specific elongate area defined by unique geologic characteristics.

Breccia - Rock fragmented into angular components.

Carbonate - A rock composed principally of calcium carbonate (CaCO₃).

Claim/Concession (Mineral/Mining) – The area that confers mineral exploration/exploitation rights to the registered holder under the laws of the governing jurisdiction.

Copper – A ductile, malleable base metal with a myriad of uses in construction (piping, wire) and electronics due to its high electrical and thermal conductivity and good resistance to corrosion.

Diamond Drilling/Drill Hole - A method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.

Dip - The angle at which a stratum is inclined from the horizontal.

Dyke - A tabular body of igneous rock cross cutting the host strata at a high angle.

Epithermal - A hydrothermal deposit formed close to surface at low temperature and pressure.

Fault - A fracture in a rock along which there has been relative movement between the two sides either vertically or horizontally.

Felsic - Igneous rock composed principally of feldspars and quartz.

Formation - A body of rock identified by lithological characteristics and stratigraphic position.

Gabbro – A fine to coarse grained, dark coloured crystalline igneous intrusive rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine.

Geochemistry/Geochemical - Study of variation of chemical elements in rocks or soil.

Geology/Geological – Study of the Earth's history and life, mainly as recorded in rocks.

Geophysics/Geophysical - Study of the earth by quantitative physical methods, either by surveys conducted on the ground, in the air (by fixed wing aircraft or helicopter) or in a borehole or drillhole.

Gold – A heavy, soft, ductile, malleable precious metal used in jewelry, dentistry, electronics and as an investment.

Grams per tonne (g/t) – A unit of measurement commonly used to quantify the concentration of precious metals.

Hectare - A square of 100 metres on each side.

Igneous – A classification of rocks formed from the solidification from a molten state.

Intrusive/Intrusions - Said of an igneous rock that invades older rocks.

Mafic - An igneous rock composed chiefly of dark iron and manganese silicate minerals.

Magnetic Survey - A geophysical survey conducted on the earth's surface that measures variations in the earth's magnetic field caused by variations in rock type or geological structures.

Mapping – The art and science of recording geological observations on a map.

Metallurgical – The science and technology of extraction of metals from their ores and the refining of metals.

Metamorphism/Metamorphic - A process whereby the composition of rock is adjusted by heat and pressure/A class of rock affected by metamorphism.

Mineralization - The concentration of metals and their chemical compounds within a body of rock.

Ore - Rock containing mineral(s) or metals that can be economically extracted to produce a profit.

Orogen/Orogeny – A belt of deformed rocks through folding and faulting, in many places accompanied by metamorphic and intrusive rocks that form mountains/the process of mountain building.

Outcrop - An exposure of bedrock at the surface.

Porphyry - A rock consisting of larger crystals embedded in a more compact finer grained groundmass.

Prospecting – The art and science of searching for mineral deposits.

Proterozoic - The youngest part of the Precambrian from 2450 - 570 million years ago.

Pyroxene – A calcium/sodium ferromagnesium silicate. One of the major rock forming minerals.

Quartz - A mineral composed of silicon dioxide.

Sediment - Solid material that has settled down from a state of suspension in a liquid. More generally, solid fragmental material transported and deposited by wind, water or ice, chemically precipitated from solution, or secreted by organisms, and that forms in layers in loose unconsolidated form.

Sedimentary - Pertaining to or containing sediment or formed by its deposition.

Shear - A planar zone of deformed rock caused by the movement of the rock.

Sill - A tabular body of igneous rock conforming to the last strata.

Soil Sampling - Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.

Strike - Direction or trend of a geologic structure.

Structure/Structural - Pertaining to geological structure, ie folds, faults, etc.

Sulphide/Sulphidation - A group of minerals in which one or more metals are found in combination with sulfur/rock that has been sulphidized.

Ultramafic – A dark coloured igneous rock containing less than 45% silica and characterized by mafic minerals, such as olivine, amphibole and pyroxene.

Vein - A thin sheet-like intrusion into a fissure or crack, commonly bearing quartz /a small vein or cluster of veins.

Volcanic - Descriptive of rocks originating from volcanic activity.

All information in this Annual Information Form ("AIF") is as of March 12, 2008, unless otherwise indicated.

All information stated to be incorporated by reference in the AIF is filed on the SEDAR website (www.sedar.com).

FORWARD-LOOKING STATEMENTS

This AIF and the documents incorporated by reference herein contain "forward-looking information" within the meaning of securities legislation, including the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this AIF or, in the case of documents incorporated by reference herein, as of the date of such documents. Other than as specifically required by law, the Company does not intend, and does not assume any obligation, to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results or otherwise. These forward-looking statements represent management's best judgment based on facts and assumptions that management considers reasonable, including that demand for products develops as anticipated, that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts and supplies, labour disturbances, interruption in transportation or utilities, or adverse weather conditions, and that there are no material unanticipated variations in the cost of energy or supplies. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions.

Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and other metals, the estimation of mineral resources and reserves, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, timing of completion of pre-feasibility studies, success of exploration and development activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of exploration operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, completion of acquisitions and their potential impact on the Company and its operations, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: future prices of gold and other metals; possible variations in ore resources, grade or recovery rates; actual results of current exploration activities; actual results of current reclamation activities; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; risks related to joint venture operations; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this AIF. Although the Company has attempted to identify important factors (which it believes are reasonable) that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

CORPORATE STRUCTURE

Name, Address and Incorporation

Lake Shore Gold Corp. ("Lake Shore Gold" or the "Company") was formed through an amalgamation in the Province of British Columbia on July 7, 1987, under the name Iron Lady Resources Inc. The Company changed its name to Takepoint Ventures Ltd. on August 25, 1993. On June 25, 2002, the Company consolidated its share capital on the basis of one new share for every three old shares, changed its name to Consolidated Takepoint Ventures Ltd. and was continued under the Yukon *Business Corporations Act*. On December 16, 2002, the Company completed a business reorganization and changed its name to "Lake Shore Gold Corp." On June 4, 2004, Lake Shore Gold was continued under the British Columbia *Business Corporations Act* and on July 18, 2008 the Company was continued under the *Canada Business Corporations Act* (the "Act").

The Company's corporate head office and principal place of business is Suite 2000, 181 University Avenue, Toronto Ontario, M5H 3M7. The Company also has offices at 1515 Government Road, Timmins, Ontario, P4R 1N4. The Company is a reporting issuer in British Columbia, Alberta, Manitoba, Ontario and Québec.

Intercorporate Relationships

Lake Shore Gold has one wholly-owned subsidiary, LSG Holdings Corp. ("LSG Holdings"), governed under the British Columbia *Business Corporations Act*. LSG Holdings was incorporated in 2004 for the purpose of completing a business arrangement with Holmer Gold Mines Limited ("Holmer"). LSG Holdings and Holmer amalgamated on December 31, 2004.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

During the past three years, the Company has conducted its mineral exploration activities in Ontario and Québec, with the focus being its Timmins Mine project (the "Timmins Mine" or "Timmins project", formerly referred to as "Timmins West") in Ontario.

In November 2006 Lake Shore Gold and Inco signed an agreement whereby Lake Shore Gold purchased Inco's right to a net smelter return royalty (the "Abitibi Royalty") in respect of certain properties acquired by Lake Shore Gold (the "Abitibi Properties") utilizing Inco data, including Timmins Mine, Thunder Creek and Blakelock.

In January 2007 Lake Shore Gold signed a Letter Agreement with Goldcorp Canada Ltd., manager of the Porcupine Joint Venture (the "PJV"), a joint venture between Goldcorp Canada Ltd. and Kinross Gold Corporation, to acquire the PJV's Bell Creek Mine and associated infrastructure located in the Timmins Gold Camp, adjacent to Lake Shore Gold's Vogel-Schumacher property.

In April 2007 Lake Shore Gold received notice of acceptance of its certified closure plan for the Timmins Mine project from the Ontario Ministry of Northern Development and Mines, allowing Lake Shore Gold to initiate the advanced exploration program.

In July 2007 Lake Shore Gold signed the definitive agreement with the PJV for the acquisition of the Bell Creek assets, which included the Bell Creek Mine property, a hoist, headframe and

underground infrastructure, a 1,500 tonne per day mill with permitted tailings facilities, plus all surface infrastructure, including office buildings and road and hydro access.

In August 2007 Lake Shore Gold released the results of a prefeasibility study for the Timmins Mine project, supporting the economic viability of production.

In September 2007 Lake Shore Gold entered into an option joint venture agreement with Aurizon Mines Ltd. ("Aurizon") to acquire a 50% interest in the Casa Berardi Exploration Property surrounding Aurizon's Casa Berardi Mine, outside of Aurizon's existing mining leases.

In October 2007 Lake Shore Gold filed a Technical Report with respect to its Timmins Mine property, which included a mineral reserve estimate totaling 3.4 million tonnes at 7.59 grams per tonne containing 0.83 million ounces in the probable category, and a mineral resource estimate, which includes mineral reserves, totaling 0.9 million ounces in the indicated category and an additional 174,700 ounces in the inferred category.

In December 2007 Lake Shore Gold completed the requirements to vest a 60% interest in Thunder Creek from West Timmins Mining Inc. ("West Timmins"). The Thunder Creek property is now operated as a 60/40 pro-rata funded joint venture between Lake Shore Gold and West Timmins.

Also in December 2007 Lake Shore Gold completed its acquisition of the Bell Creek Mine and Mill from the PJV.

In February 2008 Lake Shore Gold entered into a strategic alliance with Hochschild Mining plc ("Hochschild"), resulting in Hochschild investing \$65 million in the Company, and becoming a significant shareholder of Lake Shore Gold and a strategic partner for future projects. Lake Shore Gold and Hochschild entered into an agreement governing the future relationship, including terms with respect to Hochschild's representation on Lake Shore Gold's board of directors and Hochschild's shareholding percentage. See "Material Contracts – Strategic Alliance Agreement".

In April 2008 Lake Shore Gold reached an agreement with Hochschild to complete a second financing transaction contemplated under the Strategic Alliance Agreement, which was completed in June 2008, with proceeds to Lake Shore Gold of \$79.6 million.

In July 2008 Lake Shore Gold signed an Exploration Agreement with the Flying Post First Nation ("FPFN") and Mattagami First Nation ("MFN") in order to promote a cooperative and mutually respectful relationship between the FPFN and MFN and the Company as it moves forward with exploration and advanced exploration work on the Timmins property. The agreement establishes a framework for ongoing dialogue and consultation between the parties, including providing business, employment and training opportunities for members of the two First Nations groups.

At the end of July 2008 the Company commenced shaft sinking work at the Timmins project as part of the advanced exploration program.

In September 2008 Lake Shore Gold commenced driving a ramp from surface to access ore above the 400 metre level at its Timmins Mine property.

In March 2009 Lake Shore Gold completed a bought deal financing of 30,615,871 common shares at \$1.55 per common share and 6,616,185 flow-through common shares at \$2.00 per flow-through common share for net proceeds of \$57.6 million.

Trends

Management is not aware of any trend, commitment, event or uncertainty outside the ordinary course of business that would be reasonably expected to have a material effect on Lake Shore Gold's business, financial condition or results of operations as at the date of this AIF.

DESCRIPTION OF BUSINESS

General

Lake Shore Gold is a mineral development and exploration company that is currently conducting advanced exploration work at its 100% owned Timmins Mine project ("Timmins Mine" or "Timmins project", formerly referred to as Timmins West). The Timmins Mine project is located 18 kilometres west of Timmins, one of the world's most productive mining camps having produced approximately 75 million ounces of gold over the last century. The Company expects to commence processing development ore from the advanced exploration program by the end of the first quarter of 2009. The surface ramp is being driven to access shallow ore above the 400 Level with deeper ore to be accessed via a shaft currently being sunk to the 710 metre level as part of the advanced exploration program. Ore from the Timmins Mine will be processed at the Company's Bell Creek Mill, located approximately 42 kilometres by road from the Mine. The Mill, which was acquired along with the Bell Creek Mine in December 2007, has been refurbished to a capacity of 800 tonnes per day. The Company plans to increase the Mill's capacity to 1,500 tonnes per day by the end of 2009 or early 2010 as additional feed becomes available. The Company also has an ongoing exploration program, involving a number of prospective properties, through which it has announced the discovery of a number of new gold zones over the last two years. The Company also took steps in 2008 to transition its management team and board to better reflect its planned emergence as a gold producer, and significantly strengthened its balance sheet to support its aggressive growth plans.

Properties

1. Timmins Gold Camp

The following Lake Shore Gold properties are part of an area known as the "Timmins Gold Camp". The Timmins Gold Camp has been a substantial producer of gold since its discovery in the early 1900s. The Timmins Mine property is a material property for Lake Shore Gold for the purposes of NI 43-101.

a. Timmins Mine

Lake Shore Gold acquired the Timmins Mine property in 2004 through a business combination with Holmer Gold Mines Limited. The Timmins Mine consists of a contiguous block of 23 claims (12 leased claims, which are grouped into two 21-year leases and 11 individual patented claims) covering approximately 395 hectares. One of the claims (which does not contain any portion of the current reserves or resources on the Timmins Mine property) is subject to a 1.5% net smelter returns royalty, which the Company can purchase for \$1.0 million. All 23 claims cover both mining and surface rights.

The Company is carrying out an advanced exploration program for delineation of bulk sampling of the Footwall, Ultramafic and Main Zones of the property, along with supporting an underground diamond drilling program to both expand the currently identified probable reserve and identify new resources. This work involves sinking a shaft and collaring the 200 metre, 400 metre, 525 metre and 650 metre Levels. The shaft sinking program commenced on July 31st and, by the date of this AIF, sinking had advanced to the 526 metre Level. The Company remains on track to complete the shaft to the 710 metre Level, complete an initial bulk sample, and conduct underground diamond drilling by the end of 2009.

Initial mill feed from the Timmins Mine will come from a surface ramp to access ore from above the 400 metre Level. Ramp development began in early September with the ramp having advanced approximately 650 metres as of the date of this AIF. Initial processing of development ore from the advanced exploration program at Timmins Mine is targeted to commence by the end of the first quarter of 2009.

b. Bell Creek Complex

The Bell Creek Complex includes the Bell Creek Mine and Mill as well as the contiguous Vogel and Schumacher properties. The Bell Creek mine is a former producer with attractive exploration potential. The mine's underground workings support Lake Shore Gold's efforts to pursue its development, as well as possibly the exploration and development of Schumacher and Vogel.

In January 2007 Lake Shore Gold entered into an agreement with the Porcupine Joint Venture to acquire the Bell Creek Mine and Mill, with the transaction closing in December of that year. The mine includes a shaft, hoist, headframe, ore bin, collar house, hoist building, mine dry, office complex, and underground mine workings.

The Vogel/Schumacher properties form part of Lake Shore Gold's Bell Creek Complex and cover approximately 1.6 kilometres between the high-grade Hoyle Pond and Bell Creek mines. Together with the Bell Creek mine and mill, they comprise the Bell Creek Complex covering four square kilometres of strike length, all open at depth.

The Vogel property consists of 64 hectares, held by the Company under a mining lease, which straddles an 800 metre section of the favourable gold-bearing stratigraphy between the Hoyle Pond mine and Bell Creek. Vogel is known to have high-grade gold veins near surface and the Company is evaluating the potential for accessing these veins via a surface ramp. Lake Shore Gold also holds a leasehold interest in the Schumacher property. While limited exploration drilling has been completed at Schumacher, the Company believes that mineralization on the Schumacher property, which remains open, represents the western continuation of the gold mineralization at the Vogel property.

The Bell Creek Complex has historic mineral inventory but the Company does not treat these as NI 43-101 defined mineral resources and, therefore, is not relying on these historical estimates.

Lake Shore Gold's strategy for the Bell Creek Complex includes assessing the most efficient and cost effective way to access the Bell Creek, Vogel and Schumacher underground mineralization. In addition, the Company is also planning to explore the Bell Creek and Vogel/Schumacher properties via surface diamond drilling, with a focus on deep targets defined from historic drilling data, particularly in light of the significant depth of resources at other properties in the area such as the Hoyle Pond mine. The Company is also planning an underground exploration program, as well as a surface ramp to the high-grade, shallow Vogel mineralization.

c. Thunder Creek

The Thunder Creek property is a 54-claim unit package adjacent to and southwest of the Timmins project. In December 2007 Lake Shore Gold completed the requirements to vest a 60% interest in Thunder Creek from West Timmins Mining Inc. ("WTM"). The Thunder Creek property will be operated by Lake Shore Gold as a 60/40 pro-rata funded joint venture between Lake Shore Gold and WTM. The Company acquired an interest in Thunder Creek in order to test for gold mineralization in association with an ultramafic intrusive body, similar to the Ultramafic Zone at the Timmins Mine project, which extends for over 1,800 metres southwest of the Timmins Mine gold deposit. Certain claims in the Thunder Creek land package are subject to a 2% or 3% NSR royalty.

2. Casa Berardi Break

The following properties occur along an area referred to as the Casa Berardi break. The Casa Berardi break is a major structural zone that is host to a number of gold and base metal deposits.

a. Casa Berardi

During the third quarter of 2007, the Company entered into a joint venture agreement with Aurizon Mines Ltd. (“Aurizon”) for the Casa Berardi property which covers a 30 kilometre strike length of the Casa Berardi deformation zone. The Casa Berardi property is located outside of Aurizon’s existing mining leases and outside of its 100%-owned Casa Berardi mine. The Casa Berardi property covers 227 claims in an east and west block surrounding the Casa Berardi mine and covers an area of 11,594 hectares along a 30 kilometre section of the Casa Berardi fault.

Under the terms of the agreement, Lake Shore Gold can earn an undivided 50% interest in the Casa Berardi property by incurring exploration expenditures of \$5 million over a five-year period. Lake Shore Gold will be the operator during the earn-in period. The work program started in the first quarter of 2008, with the minimum first-year expenditure commitment of \$600,000 having been met during 2008 and sufficient work having been done to fulfil the Company’s commitment for 2009. Initial work focused on the claim block located east of the Casa Berardi mines.

b. Blakelock – Little Abitibi

Lake Shore’s 100% owned Blakelock property is located 140 kilometres northeast of Timmins and covers an area of 35 kilometres along the western extension of the Casa Berardi gold belt. The Little Abitibi property covers an additional 20 kilometres of the projected Casa Berardi structure west of the Blakelock property

Specialized Skill and Knowledge

The skill and knowledge required to develop a producing mine includes experience in exploration, development, construction, mine operations, metallurgical processing and environmental compliance. Lake Shore Gold employs a number of technical personnel with relevant experience, education and professional designations, and constantly evaluates the need for additional employees with particular expertise. In addition, from time to time, as necessary, Lake Shore Gold engages professionals in the geological, metallurgical, engineering, environmental and other relevant disciplines as consultants. Lake Shore Gold endeavours to maintain attractive remuneration and compensation packages in order to attract and retain personnel with the necessary qualifications, skills and experience, and to date has not encountered any difficulty finding qualified people to meet the Company’s requirements.

Competitive Conditions

Lake Shore Gold has numerous competitors in Canada, including many large established mining companies having substantial capabilities and greater financial and technical resources than Lake Shore Gold.

Employees

The Company had approximately 115 employees at the end of 2008.

Strategic Alliance with Hochschild

The Company entered into a strategic alliance with Hochschild Mining plc (“Hochschild”) pursuant to which an affiliate of Hochschild acquired approximately 40% of the shares of the Company on a fully diluted basis. The strategic alliance is governed by an agreement which addresses various matters, including future dealings with the securities of the Company, corporate governance and corporate opportunities. A copy of the Strategic Alliance Agreement was filed on SEDAR on February 29, 2008.

Risk Factors

The following is a brief description of those distinctive or special characteristics of Lake Shore Gold's operations and industry, which may have a material impact on, or constitute risk factors in respect of, Lake Shore Gold's financial performance, business and operations.

Mineral Exploration and Development Activities Inherently Risky

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production and there is a risk that none of the Company's properties will ultimately be developed into productive mines. Unusual or unexpected formations, formation pressures, seismic activity, fires, power outages, labour disruptions, flooding, explosions, rock bursts, cave-ins, landslides, variations in grade, deposit size, density and other geological problems, hydrological conditions, metallurgical and other processing problems, mechanical equipment performance problems, the unavailability of materials and equipment including fuel, unanticipated transportation costs, unanticipated regulatory changes, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, and adverse weather conditions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability, are other risks involved in extraction operations and the conduct of exploration programs. Although Lake Shore Gold carries liability insurance with respect to its mineral exploration operations, Lake Shore Gold may become subject to liability for damage to life and property, environmental damage, cave-ins or hazards against which it cannot insure or against which it may elect not to insure.

Uncertainty of Mineral Resources and Reserves

The figures for mineral resources and reserves stated in this Prospectus, or in the documents incorporated by reference, are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the prices of metals may render resources uneconomic. Moreover, short-term operating factors relating to the mineral deposits, such as the need for orderly development of the deposits or the processing of new or different grades of ore, may cause any mining operation to be unprofitable in any particular accounting period.

Until mineral reserves or mineral resources are actually mined and processed, mineral resources and mineral reserve grades must be considered as estimates only. In addition, mineral reserves and mineral resources may vary depending on, among other things, metal prices and currency exchange rates. Any material change in mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the properties. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

The Company's mineral projects, other than the Timmins project which is in an advanced exploration stage, are in the exploration stage. Until mineral resources on these exploration properties are categorized as "mineral reserves" under NI 43-101, the known mineralization at these projects is not determined to be economic. The Company's ability to put these properties into production will be dependent upon the results of further drilling and evaluation. There is no certainty that expenditure made in the exploration of the Company's mineral properties will result in identification of commercially recoverable quantities of ore or that mineral reserves will be mined or processed profitably. Such assurance will require completion of final comprehensive feasibility studies and, possibly, further associated exploration and other work that concludes a potential mine at each of these projects is likely to be economic.

Risk of Project Delay

There are significant risks that the commencement and completion of construction of a mine on the Timmins project could be delayed due to circumstances beyond the Company's control. Such risks include delays in obtaining environmental and construction authorizations and permits, delays in finalizing all necessary detailed engineering and construction contracts, as well as unforeseen difficulties encountered during the construction process.

The Company May Not Meet Key Production and Other Cost Estimates

A decrease in the amount and a change in the timing of the production outlook for the Timmins project will directly impact the amount and timing of the Company's cash flow from operations. The actual impact of such a decrease on the Company's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the amount or timing of these projected cash flows that would occur due to production shortfall, changes in prices or costs, labour disruptions, or reduced availability of required equipment or suppliers would, in turn, result in delays in receipt of such cash flows and may require additional financing to fund capital expenditures.

Current Global Financial Condition

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of its common shares may be adversely affected.

Fluctuation of Mineral Prices

The development and success of the Timmins project will be primarily dependent on the future price of gold. Gold prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold and other base and precious metals has fluctuated widely in recent years, and future serious price declines could cause continued development of, and commercial production from, the Company's properties to be impracticable or uneconomic. Depending on the price of gold and base metals, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue development and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on gold prices that are adequate to make these properties economically viable.

Furthermore, reserve calculations and life-of-mine plans using significantly lower gold prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges. In addition to adversely affecting the Company's mineral reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Currency fluctuations

Currency fluctuations may affect the costs the Company incurs in its operations and may affect the Company's operating results and cash flows. Gold is sold throughout the world based principally on the U.S. dollar price, but the Company's operating expenses are incurred in Canadian dollars. The appreciation of the Canadian dollar against the U.S. dollar can reduce the Company's revenues relative to the costs at the Company's operations, making such operations less profitable.

History of Net Losses; Uncertainty of Additional Financing

To date, the Company has not recorded any revenues from operations nor has the Company commenced commercial production on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Timmins project or other properties in which the Company has an interest. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will generate any revenues or achieve profitability.

The Company may require significant capital in order to fund its operating costs. The Company currently has no revenues from operations and is currently wholly reliant upon its current cash balance and available equity external financing options to fund all of its capital requirements. The Company may require additional financing from external sources to meet such requirements. There can be no assurance that such financing will be available to the Company or, if it is, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of the Company, the interests of shareholders in the net assets of the Company may be diluted. Any failure of the Company to obtain required financing on acceptable terms could have a material adverse effect on the Company's financial condition, results of operations and liquidity and require the Company to cancel or postpone planned capital investments.

Possible Loss of Interests in Exploration Properties; Possible Failure to Obtain Mining Licenses

Certain agreements pursuant to which Lake Shore Gold acquired or may acquire interests in certain properties provide that Lake Shore Gold must make a series of payments in cash and/or common shares over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. If Lake Shore Gold fails to make such payments or expenditures in a timely fashion, Lake Shore Gold may lose its interest in those properties. Further, with respect to any exploration property, Lake Shore Gold may not be able to obtain the necessary licenses or permits to conduct mining operations on the properties, and thus would realize no benefit from its exploration activities on such properties.

No Experience in Placing Properties into Production

Lake Shore Gold has, until recently, been an exploration stage company, with no experience in placing mineral deposit properties into production. Its ability to do so, starting with the Timmins project, will be dependent upon acquiring the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There is no assurance that the Company will successfully produce gold, generate revenue, operate profitably or provide a return on investment in the future.

The Majority of Lake Shore Gold's Properties Contain No Known Mineral Reserves

With the exception of the Timmins Mine, there are no known mineral reserves on Lake Shore Gold's properties. Additional work is required before Lake Shore Gold can ascertain if any mineralization may be economically viable and if any of its properties have a body of commercially viable ore. Exploration for minerals is a speculative venture necessarily involving substantial risk. If the expenditures Lake Shore Gold makes on its properties do not result in discoveries of mineralization that can be economically recovered, the value of exploration and acquisition expenditures may be lost and the value of Lake Shore Gold stock will be negatively impacted.

Title Risks

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds an interest in its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

Although title to its material property has been reviewed by or on behalf of Lake Shore Gold, no assurances can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Canada and Lake Shore Gold's ability to ensure that it has obtained secure claim to individual mineral properties may be severely constrained. Lake Shore Gold has not conducted surveys of all of the claims in which it holds direct or indirect interests, therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be subject to prior unregistered liens, agreements, transfers or claims including native land claims, and title may be affected by, among other things, undetected defects. In addition, Lake Shore Gold may be unable to conduct work on the properties as permitted or to enforce its rights with respect to its properties.

Obligations and Potential Liabilities with respect to Bell Creek

Under the agreement for the acquisition of the Bell Creek Complex, Lake Shore Gold assumed all liabilities relating to, and has provided a full indemnity to the seller in connection with, the Bell Creek mine property, surface buildings, mill and tailings, past, present and future. While Lake Shore Gold conducted due diligence with a view to determining, among other things, what these obligations and liabilities may be, there is no assurance that Lake Shore Gold has been able to determine accurately the existence or extent or potential cost of any such obligations and liabilities. Failure to determine adequately or at all the existence or extent or potential cost of any such obligations and liabilities could, going forward, have a material adverse impact on Lake Shore Gold's profitability, business prospects, results of operations and financial condition.

Environmental Risks

Mining operations have inherent risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Laws and regulations involving the protection and remediation of the environment and the governmental policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive. Lake Shore Gold cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws (even if inadvertent) or environmental pollution will not materially and adversely affect its financial condition and its results from operations.

Previous mining operations may have caused environmental damage at certain of Lake Shore Gold's properties. It may be difficult or impossible to assess the extent to which such damage

was caused by Lake Shore Gold or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures may differ from the actual expenditures required.

Risks Associated with Joint Venture Agreements

Lake Shore Gold's interests in various of its properties may, in certain circumstances, become subject to the risks normally associated with the conduct of joint ventures. In the event that any of Lake Shore Gold's properties become subject to a joint venture, the existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on Lake Shore Gold's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on Lake Shore Gold's business prospects, results of operations and financial condition: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

Third Party Reliance

Lake Shore Gold's rights to acquire an interest in certain resource properties may have been granted by third parties who themselves held only a lease or an option to acquire such properties. If such persons fail to fulfill their obligations, Lake Shore Gold could lose such interest in the properties and may have no meaningful recourse, as it may not have any direct contractual arrangements with the underlying property holders.

Risks Relating to Statutory and Regulatory Compliance

The current and future operations of Lake Shore Gold, including exploration, development activities and commercial production are and will be governed by laws and regulations governing mineral claims acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Lake Shore Gold has received all necessary permits for the exploration and development work it is presently conducting; however, there can be no assurance that all permits which Lake Shore Gold may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which Lake Shore Gold may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions thereunder, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. Lake Shore Gold may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. Lake Shore Gold is not currently covered by any form of environmental liability insurance. See "Insurance Risk".

Existing and possible future laws, regulations and permits governing operations and activities of exploration and development companies, or more stringent implementation thereof, could have a

material adverse impact on Lake Shore Gold and cause increases in capital expenditures or require abandonment of, or delays in, exploration.

Insurance Risk

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes or slowdowns, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment or laws, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Competition

The Company's business is intensely competitive, and the Company competes with other mining companies, many of which have greater resources and experience. Competition in the precious metals mining industry is primarily for: (i) mineral rich properties which can be developed and produced economically; (ii) the technical expertise to find, develop, and produce such properties; (iii) the labour to operate the properties; and (iv) the capital for the purpose of financing development of such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a world-wide basis and some of these companies have much greater financial and technical resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these mineral deposits could have a material adverse effect on the Company's results of operations.

Dependence on Key Management and Employees

The success of the operations and activities of Lake Shore Gold is dependent to a significant extent on the efforts and abilities of its management, key employees and outside contractors. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors. The Company does not have in place formal programs for succession of management and training of management, nor does it hold key person insurance on these individuals. The loss of one or more of these key employees or contractors, if not replaced, could adversely affect Lake Shore Gold's profitability, results of operations and financial condition.

Market Price of Securities

There can be no assurance that an active market for the securities of the Company will be sustained after the Offering. Securities of mining companies have experienced substantial volatility in the past, and especially during the three months prior to the Offering, often based on market perceptions of the attractiveness of particular industries, rather than factors related to the

financial performance or prospects of the companies involved. The price of the securities of the Company is also likely to be significantly affected by short-term changes in commodity prices and other precious metal prices or other mineral prices.

Market Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those that are not yet in commercial production, including Lake Shore Gold, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Significant Shareholder

As of the date of this Prospectus, Hochschild beneficially owns approximately 73,139,210 of the Company's outstanding common shares. Those shares represent approximately 41.7% of the aggregate voting power of the Company's outstanding shares. Subject to applicable law and to contractual protections negotiated by the Company, Hochschild may, as a practical matter, be able to cause the Company to effect corporate transactions without the consent of other shareholders and cause or prevent a change in control of the Company.

Tax Risk

Flow-Through Shares may not be a suitable investment for all potential subscribers. Their suitability for any particular subscriber is contingent upon the particular tax characteristics of that subscriber, and is therefore best determined by the particular subscriber in consultation with his or her own tax advisors. Federal or provincial income tax legislation may be amended, or their interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Flow-Through Shares. The Proposed Amendments may not be enacted in the form proposed or at all. There is a risk that the Company will not incur and renounce CEE in an aggregate amount equal to the Flow-Through Funds, which may adversely affect the return on the subscriber's investment in the Flow-Through Shares. There is a further risk that the Flow-Through Shares may qualify as "prescribed shares" or may otherwise not qualify as "flow-through shares" for the purposes of the Tax Act or that the expenditures incurred by the Company and renounced to subscribers may not qualify as CEE, which may adversely affect the return on the subscriber's investment in the Flow-Through Shares.

If any qualified CEE is renounced to a subscriber with whom the Company, at any time in 2010, does not deal at arm's length, the Company will be prevented from renouncing to such subscriber any CEE it incurs in 2010 with an effective date of December 31, 2009. Arm's length status can be a complex question of fact and law. There is a risk the CRA may disagree that a relationship between a subscriber and the Company is at arm's length, with the result that income tax deductions the subscriber expected to use for his or her taxation year that includes December 31, 2009 may not be available for that taxation year.

There may be disagreements with the CRA with respect to certain tax consequences of an investment in the Flow-Through Shares of the Company. The alternative minimum tax could limit tax benefits available to subscribers of Flow-Through Shares. If a subscriber finances the subscription of his Flow-Through Shares with a borrowing or other indebtedness that is, or is deemed under the Tax Act to be, a limited resource financing, the tax benefits of the investment to the subscriber will be adversely affected. See "Certain Canadian Federal Tax Considerations".

Mineral Projects

Timmins Mine Property

Lake Shore Gold's material property is the Timmins Mine located in Ontario. The following extract is the "Executive Summary" from the Technical Report for the Timmins Mine (formerly referred to as the Timmins West Project), dated October 12, 2007, prepared in accordance with National Instrument 43-101 by SRK Consulting (Canada) Inc. ("SRK"). The complete report (the "SRK Report") may be viewed under Lake Shore Gold's profile at www.sedar.com.

History

The Timmins West ("TW") Gold Project ("Project") of Lake Shore Gold Corp. ("LSG") is located in northern Ontario within the city limits of Timmins, (pop 45,000). Timmins is one of the richest mineral producing areas in the western hemisphere. Timmins was established in 1912, as a by-product of the then Porcupine Gold Rush, and today it is still a leader in the production of gold and base metals. Strategically located in the heart of the Timmins area gold camp, it is easily accessible to the more densely populated areas of southern Ontario, 300 km north of Sudbury and 700 km north of Toronto, accessible by highway, rail and air transport. The Project property is conveniently located at the intersection of highways 101 and 144 about 18 km west of Timmins. (Please refer to Figure 1 [of the SRK Report]).

Gold was discovered on the TW Property in 1911 but did not receive serious exploration attention until the 1990's when Holmer Gold Mines Limited ("Holmer") completed 44 diamond drill holes totalling about 9,000 m and completed a Mineral Resource estimate. LSG entered into an option agreement with Holmer in 2003 and continued drilling, LSG prepared an updated Mineral Resource estimate in 2004 in accordance with National Instrument NI 43-101 ("NI 43-101") that returned an Indicated 1.3 million (M) tonnes at a grade of 10.96 g/t of gold cut (16.45 gAu/t uncut).

In December 2004, LSG acquired a 100% interest in the Project and immediately conducted an aggressive deep drilling campaign that was completed in October 2006, and then updated the NI.43-101 Mineral Resource estimate. The current Mineral Resource estimate has been externally audited by Watts, Griffis and McOuat Limited ("WGM").

Resource/Reserve Estimates

Indicated Resource Category:

3,268,000 tonnes at 8.62 g/t Au cut (905,000 contained oz) or 12.29 g/t Au uncut (1,291,000 oz).

In addition, there is an Inferred Mineral Resource estimated at 968,000 Mt with an average grade of 5.62 g/t Au. The deposit remains open down-plunge. WGM concluded that the Project has considerable merit justifying the completion of a Pre-Feasibility Study ("PFS") and an Advanced Exploration Program ("AEP") subject to a positive outcome of the PFS report.

The gold mineralization occurs in ten geological zones. In the Main Zone and the three Vein zones, mineralization is associated with quartz/tourmaline veining and stringers along with small, varying amounts of pyrite and arsenopyrite. Mineralized zones are typically 1 to 5 meters ("m") wide in the Veins and Main zone. In the three Ultramafic and three Footwall Zones, the gold values occur mainly within the alteration halo adjacent to the veins in zones up to 20 m wide and are closely related to the pyrite content. These types of mineralization are typical of deposits in the Timmins mining camp.

Preparation of the PFS commenced in January 2005 with the intention that the PFS would provide a sound basis to justify the expenditures of the planned AEP. A production decision will be made later, following the completion of the AEP and subsequent feasibility study. The decision to begin planning the AEP was based on preliminary economic studies conducted in 2005 and

2006. These studies indicated positive potential economics for a shaft access mining operation with either a new mill or toll milling. The AEP involves permitting for shaft access for underground drilling and bulk sampling, and it is currently in planning stages, ready for implementation.

LSG engaged V. B. Cook Co. Limited ("Cook") of Thunder Bay to develop a preliminary design, cost estimate, and schedule for underground access to the 600 level for exploration drilling and to provide for a 20,000 tonne bulk sample. The 600 level was deemed by LSG geologists to be the minimum level that can provide access to most of the ore zones. Cook estimated the cost of the AEP at \$49.4 M (net of gold credit from bulk sampling) which will allow the advanced exploration ("AE") drilling to proceed in fourth quarter (Q4) of 2008 and a production decision in quarter 1 2009, based on the start of AE shaft sinking in January 2008. Production could then start in quarter 2 of 2009 after a short period of evaluation of the bulk sample milling results to justify the production decision. At the time of this report, LSG has obtained the key permits for the program, advanced with on site access, and detailed planning, including the acquisition of a used hoist in order to maintain this schedule.

After completion and audit of the Mineral Resource estimate in January 2007, LSG engaged SRK's Sudbury office to provide a Mineral Reserve estimate and a preliminary mine production plan, to assist in finalizing and compiling the remaining activities for the final PFS report.

SRK's estimate of underground Mineral Reserves was based on the LSG polygonal resource estimate that SRK converted into several wireframes and modeled in Mine2/4D software. SRK then validated this conversion by cross-referencing back to the original LSG Mineral Resource estimate. The mining method planned is long-hole open stoping and mechanized cut and fill.

The Mineral Reserve estimate was based on the following parameters developed by SRK as part of the mine plan:

- Mining recovery: 86 to 92 %;
- Dilution: 12 % for cut and fill vein mining and 27 % for long-hole stoping, using dilution grades of 0 and 1 g/t Au respectively;
- Minimum mining width: 2 to 3.5 m;
- Mill recovery: 95 %; and
- Total site operating cost: \$83/tonne ore.

Probable Mineral Reserves were estimated by SRK to be:

3.4M tonnes at 7.6 g/t Au cut (826,000oz)

SRK also performed a sensitivity analysis based on the uncut Mineral Resource gold grades. The results were 3.8M tonnes at 10.4g/t Au (1,200,000 oz).

Mine Plan

The mine plan is based on utilizing the surface and shaft facilities that remain from the AEP. SRK has estimated that after the completion of the AEP, a pre-production capital cost of \$15.7 M will be required to start production. Once complete, the production phase capital cost is estimated at \$76.0 M. The planned production rate of 1,000 t/d was based on the selected mining methods and the steeply dipping ore body geometry. Ore will be loaded onto highway trucks for transport to the Bell Creek Mill ("BC Mill"), just east of Timmins.

The total pre-production and production CAPEX to the point of the Project implementation (excluding the AE expenditures) are \$16.7M and \$78.7M respectively for a grand total of \$95.4M CAPEX.

Processing

The gold is very amenable to cyanide leaching, yielding a high recovery of 95%. Based on extensive test work, a preliminary process design was developed using a conventional ball mill followed by agitated cyanide leaching and carbon in pulp (“CIP”) gold recovery. The ore treatment design rate is 1,000 t/d (355,000 tonnes ore per year). About 20,000 ounces of gold will be produced per quarter over the 10-year production life for a total of 826,000 ounces.

While early planning was based on the assumption that a new mill would be constructed at the TW Property, an opportunity arose in the late 2006 for LSG to acquire the BC Mill Property. The BC Mill, built in 1980 for a capacity of 500 t/d, is situated east of Timmins adjacent to LSG’s Vogel-Schumacher Property. The original mill was expanded a number of times until a 1500 t/d capacity was reached in 2001. The main equipment includes two grinding mills (1400 Hp and 400 Hp) and 8 CIP tanks. The mill has been under care and maintenance since 2004. After extensive due diligence investigations by LSG regarding the suitability of the mill to treat TW ore, LSG concluded the acquisition from the Porcupine Joint Venture (“PJV”) in January 2007. Consequently, the PFS was modified to include the TW ore treatment at the BC Mill.

The BC Mill also includes an adjacent conventional tailings disposal facility that has been determined to be suitable and expandable to the present total reserve of TW ore and beyond. Most permitting requirements are still in force as the entire complex has been kept on ‘operational’ status with the regulators. Modifications to account for the properties of the TW ore (finer grind and longer leach times) were incorporated in the implementation program and are consistent with the planned 1,000 t/d mining rate. The cost to re-commission the BC Mill, including upgrading of the tailings and water management installations was estimated at \$9.5 M. Expansion of the tailings facility to ultimately accommodate about 5 M additional tonnes has been determined to be feasible. Staged expansions have been estimated by AMEC to cost \$2.4 M for the 3 M tonnes of tailings expected from the planned TW ore over the 10-year mine life. Total milling costs have been estimated at \$24/tonne ore.

Environment

Environmental issues at the TW Project relate to surface water protection while at the BC Mill cyanide usage is the main issue. Socio-economic issues relate to the mandated First Nations consultations and public information sessions that have been held as part of the AEP planning. A full environmental baseline study has been completed.

The plant site topography is undulating to 300 to 350 m above sea level. The disturbed area at TW will comprise of about 20-30 hectares, including the mine site with waste rock and mine water storage. Excess water will be treated if and as required and discharged via pipeline to the Tatapikachika River about 2.5 km south of the mine. Power will be supplied from the nearby main grid.

Work Force

Total payroll is expected to be 103 at the TW mine and 42 at the BC Mill, with a staff of 14 management/administration personnel in the city of Timmins for a total work force of 159. The Timmins area has a mining-oriented population of over 50,000. Housing and human resources are in competitive supply in the area. Training programs will be instituted at TW Mine but will be minimal because skilled workers are locally available for all of the trades needed to operate the Project.

Costs

Cost estimates and discounted cash flow analysis indicates that the Project will be potentially economic as shown in the Table below; the execution of an AEP is therefore justified. (All values in Table S-1 below and throughout the technical report are in \$ CDN unless stated otherwise).

Table S-1: AE Stage Economics Total Expenditures

Present day (2007) Economics						
	Total Cost		Costs/Tone	Economics Pre-tax 100% Equity		
AEP: (net of gold credit:	49.4 M	Mining Ore	47/t	Gold Price	US\$600/oz	
TW Mine	91.7 M	Processing	23/t	Price		
BC Mill	2.7 M	Trucking	6/t	Pre-Tax		
		BC Mill CAPEX	2/t			
Other	1.0 M	Amortization G & A	5/t	100% Equity		
Total Expenditures	143.8M	Total Ore	83/t			
Overall Economic Return on Investment with AE Expenditures:				14% IRR (CUT)@ US\$ 600/oz 19% IRR (CUT)@ US# 650/oz		
Post AE Future Production Phase (2008) Economics:						
Total Pre-production Capital costs	16.7 M	Cash Cost	US\$319/oz (Cut)	IRR (US\$ 600/oz)	52% (Cut)	
Production Expenditures	78.7 M		10 yrs	NPV @4% NPV @8%	109M (Cut) 80M (Cut)	
Additional Sunk Costs	45.2 M	Mine Life		Payback	3 yrs (Cut)	

Only the pre-tax economics are presented as the Project benefits from large tax write-off pools that are expected to reduce the after-tax internal rate of return ("IRR") by only minimal amounts depending on detailed financial analysis that is not part of the PFS.

The overall present-day pre-AE, pre-tax economics are positive, as indicated by an IRR ranging from 14% to 19% corresponding to gold prices of US\$600/oz and US\$650/oz gold respectively, and remain positive in the range of US\$500 to US\$ 430/oz gold.

A sensitivity analysis was done using uncut gold grades and a gold price of US\$650/oz resulting in an IRR of 45%.

The expenditures of \$49.4 M (\$47.4M net) for the AEP should be viewed with the same caution and risks associated with other mining exploration programs. The resources for the TW Project however, have been carefully and prudently established from significant surface drilling, which limits the potential downside risk that the actual ore grades encountered during the mine life could differ from those estimated to date. The bulk-sampling program will determine the grade more accurately than the estimates determined to date from surface exploration drilling.

In addition, there are a number of potential factors that will be investigated as recommended in this report that could significantly alter the economics due to a combination of the following factors:

- Increased grades from re-calculation of the cutting factor;
- Optimizing mining methods to minimize dilution;
- Obtaining higher sustained mining rates during early years of production;
- External dilution could be higher than planned;

- The continuity of the vein structures has not been proven by test mining (i.e. AEP).

The following Table S-2 summarizes the PFS results.

Table S-2: Pre-Feasibility Study Highlights

Mineral Reserves		3.4 Mt	7.6 g/t Au (cut); 0.83 M oz. Au (base case)
Mining Rate		1000	tonnes per day
Tonnage Mined per year at Timmins West		355,000	tonnes
Mine life		11	years
Minimum Mining Widths		2.0	Metres
Mining Method: Primary			Open stoping (longhole sublevel and Uppers mining
Secondary			V ramp mechanized cut and fill
Dilution		8 to 27%	
Milling:			Cyanide leaching and CIP recovery
Metallurgical Recovery		95%	
Trucking distance		40.0	Kilometers
Capital Expenditures			
Advanced exploration program	C\$	49	Million
Development Capital to 2009 Q3	C\$	17	Million
	C\$	66	Million total
Sustaining Capital (including mine closure)	C\$	76	Million
Sustaining Capital (tailings expansion)	C\$	3 79	Million Million total
Operating Costs			
Mining	C\$	47	per tonne of ore
Processing	C\$	24	per tonne of ore (assumes no other source of mill feed)
Bell Creek Mill (Amortization)	C\$	2	per tonne of ore
Trucking	C\$	5	per tonne of ore
G & A	C\$	5	per tonne of ore
Project Operating Costs	C\$	83	per tonne of ore
Cash cost per ounce	US\$	319	per ounce (cut) base case (production phase)
	US\$	234	per ounce (uncut as a variance production phase)
Project payback		3	Years cut
Production		Q3	2009
IRR (pre tax, Production Phase)		14%	(Base case cut grade including AEP costs)
		52%	(Base case cut grade production phase)
Sensitivity Analysis			
Uncut grade applied to Reserve Estimation			3.8 Mt at 10.4g/t Au 1.2M oz. Au
		38%	(uncut grade as a variance including AEP costs)
		272%	(uncut grade as a variance production phase)

Property Description and Location

The section of the SRK Report, starting on page 18, setting out the property description and location is incorporated herein by reference.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The section of the SRK Report, starting on page 24, describing the accessibility, climate, local resources, infrastructure and physiography is incorporated herein by reference.

History

The section of the SRK Report, starting on page 27, describing the history is incorporated herein by reference.

Geological Setting

The section of the SRK Report, starting on page 29, describing the geologic setting is incorporated herein by reference.

Exploration

The section of the SRK Report, starting on page 39, describing the nature and extent of exploration is incorporated herein by reference.

Mineralization

The section of the SRK Report, starting on page 36, describing the mineralization is incorporated herein by reference.

Drilling

The section of the SRK Report, starting on page 42, describing the type and extent of drilling is incorporated herein by reference.

Sampling and Analysis

The sections of the SRK Report, starting on pages 45 and 47, describing the sampling and analysis are incorporated herein by reference.

Security of Samples

The subsection of the SRK Report, starting on page 56, describing the measures taken to ensure the validity and integrity of samples is incorporated herein by reference.

Mineral Resource and Mineral Reserve Estimates

The section of the SRK Report, starting on page 62, describing the mineral resource and reserve estimates is incorporated herein by reference.

Mining Operations

The section of the SRK Report, starting on page 74, describing certain information with respect to mining operations is incorporated herein by reference.

Exploration and Development

Currently, the Company's development activities at the Timmins Mine include advancing a ramp from surface to the 650 metre level and sinking a shaft to a depth of 710 metres (complete with loading pocket). The Company will also be initiating lateral development at various elevations from both the ramp and the shaft and will be completing vertical development for ventilation and an escapeway. As the ramp and shaft advance, the Company will be developing mineralized areas as part of the advanced exploration program, and the Company anticipates extracting in excess of 135,000 tonnes of ore as part of its advanced exploration program this year. As of March 12, 2009, the shaft had reached a depth of 526 metres and the ramp had been advanced 652 metres linearly (for a vertical depth of 99 metres).

Current exploration activities at the Timmins Mine include diamond drilling from the surface ramp between the 25 metre and 80 metre levels to confirm and expand the V1 and V2 vein systems. Exploration contemplated for the future includes additional drilling on these veins as the ramp continues to the 400 metre level as well as drilling towards the ultramafic and footwall zones from the 650 metre level once this level is established.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The authorized capital of Lake Shore Gold consists of an unlimited number of common shares of which 212,586,941 are issued and outstanding as of the date of this AIF.

The holders of common shares are entitled to one vote per common share at all meetings of shareholders, to receive dividends as and when declared by the directors, and to receive a pro rata share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company. The common shares have no pre-emptive, redemption, purchase or conversion rights. There are no sinking fund provisions in relation to the common shares and they are not liable to further calls or to assessment by the Company. The *Canada Business Corporations Act* provides that the rights and provisions attached to any class of shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy by holders of shares of that class.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets out the high and low market prices and the volume traded of the common shares on the Toronto Stock Exchange for the most recently completed financial year and the period up to the date of this AIF:

	HIGH \$	LOW \$	VOLUME
January 2008	1.94	1.45	5,498,256
February 2008	2.09	1.65	5,273,062
March 2008	2.00	1.70	4,315,234
April 2008	1.88	1.60	5,145,688
May 2008	1.68	1.51	4,422,057
June 2008	1.68	1.43	4,404,624
July 2008	1.60	1.20	2,117,602
August 2008	1.50	1.07	3,653,150
September 2008	1.39	0.90	5,402,686

October 2008	1.23	0.65	4,771,857
November 2008	0.96	0.60	3,156,722
December 2008	1.52	0.63	9,172,329
January 2009	1.63	1.10	3,974,913
February 2009	1.74	1.32	6,701,800
March 2009 (up to March 12)	1.45	1.23	2,636,557

DIRECTORS AND OFFICERS

The following table sets forth all current directors and executive officers as of the date of this AIF, with each position and office held by them in the Company and the period of service as such. Each director's term of office expires at the next annual general meeting of shareholders.

Name, Occupation and Security Holding

Name & Residence	Position with the Company	Principal Occupation, Business or Employment	Director Since
Alan C. Moon ⁽²⁾⁽³⁾ Alberta Shares: 148,700 Options: 215,000	Director, Chair of the Board of Directors	Chair and Director of the Company; independent businessman, corporate director and consultant since 1997. Director of Northern Superior Resources Inc., Maxy Gold Corp., TransAtlantic Petroleum Corp. and Avenir Diversified Income Trust	2005
Daniel G. Innes ⁽¹⁾ British Columbia Shares: 772,400 Options: 500,000	Director	Director of the Company; Director of FNX Mining Company; President, D.G. Innes & Associates Ltd. (private consulting company); President of the Company from 2003- 2005	2003
Brian R. Booth ⁽¹⁾ British Columbia Shares: 20,500 Options: 910,000	Director	Director of the Company; President and CEO of Tambo Mining Corp.; President, B.R. Booth and Associates Inc. (private consulting company); President of the Company from 2005-2008; Director of Northern Superior Resources Inc. and Maxy Gold Corp.; prior to joining the Company held various positions with Inco Limited, the last of which was Manager of Exploration North America and Europe	2005
Michael D. Winn ⁽³⁾⁽⁴⁾ California, USA Shares: 125,000 Options: 275,000	Director	Director of the Company; President, Terrasearch Inc. (financial consulting company); President and CEO of Iron Creek Capital Corp.; Director of Alexco Resource Corp., Eurasian Minerals Inc., Sprott Resource Corp., Lara Exploration Ltd., Sanu Resources Ltd., Transatlantic Petroleum Corp., Reservoir Capital Corp., Buffalo Resource Corp. and Iron Creek Capital Corp.	2002
Arnold Klassen ⁽⁴⁾ British Columbia Shares: 12,300 Options: 110,000	Director	Director of the Company; Director of Northern Superior Resources Inc.; retired since 2007; Vice President, Finance for Dynatec Corporation from 1997-2007.	2008
K. Sethu Raman ⁽²⁾ Ontario	Director	Director of the Company; Director of Altai Resources Inc.; President & CEO of Holmer	2004

Shares: 1,308,592 Options: 275,001		Gold Mines from 1986 until its acquisition in December 2004 by Lake Shore Gold.	
Ignacio Rosado ⁽²⁾⁽⁴⁾ Lima, Peru Shares: nil ⁽⁵⁾ Options: nil	Director	Director of the Company; Chief Financial Officer, Hochschild Mining plc since 2005; Senior Engagement Manager for McKinsey & Company from 2000 to 2005.	2008
Jorge D. Benavides ⁽¹⁾⁽³⁾ Lima, Peru Shares: 50,000 Options: 110,000	Director	Director of the Company; Independent consultant and senior advisor to the Chairman and Board of Hochschild Mining plc; From 2001 to 2008 held various positions with Hochschild Mining plc, the last position being Senior VP Corporate Development.	2008
Ignacio Bustamante Lima, Peru Shares: nil ⁽⁵⁾ Options: nil	Director	Director of the Company; Chief Operating Officer, Hochschild Mining plc since 2008; General Manager – Peruvian Operations, Hochschild Mining plc from 2007-2008; Various positions with Zemex Corporation from 2003-2007, including President from 2005-2007.	2009
Jonathan Gill ⁽¹⁾ Ontario Shares: nil Options: 110,000	Director	General Mine Management Consultant since 2002; Mines Manager for Inco in Sudbury from 1990 to 2002.	2008
Anthony P. Makuch Ontario Shares: 100,000 Options: 1,950,000	Director, President and CEO	President and CEO of the Company; Executive Vice President and Chief Operating Officer for FNX Mining Company Inc. from 2006-2008; From 1998 to December 2005 he held several positions with Dynatec Corporation, the last of which was VP, Operations.	2007
Brian Hagan Ontario Shares: nil Options: 450,000	Executive Vice President	Executive Vice President for the Company since November 2008; Vice President of Health and Safety for the company from May 2008 to November 2008. Various positions with FNX Mining including Mine Manager of McCreedy West Mine for from August 2006 to April 2007 and Director of Health & Safety from April 2006 to August 2006; Director of Health & Safety and Area Manager for Dynatec Corporation from January 1992 to March 2006.	N/A
Eric Kallio Ontario Shares: nil Options: 300,000	Vice President, Exploration	Vice President of Exploration for the Company since 2008; Geological Consultant from 2004 to 2008 for various companies including Detour Gold Corp, Centerra Gold Corp, Pelangio Mines, Golden Harp Resources, Goldeye Exploration, Silvermet Resources, Strike Minerals, Baffinland Iron Mines, Verena Minerals Corp and Roscoe Postle Associates.	N/A
Hannu Virtanen Ontario Shares: nil Options: 390,000	Vice President, Project Development	Vice President, Project Development of the Company since 2007; Geological engineer with Inco Limited from 1974 to 2007	N/A
Mario Stifano Ontario	Vice President and Chief	Vice President and Chief Financial Officer of the Company since 2008; Vice-President and Chief	N/A

Shares: 14,000 Options: 450,000	Financial Officer	Financial Officer of Ivernia Inc. from 2005 to 2008; Vice-President of Finance for Investment Administration Sciences, Inc. from 2003 to 2005; Prior to 2003 held a number of senior finance roles at Noranda Inc.	
Alasdair Federico Ontario Shares: nil Options: 360,000	General Counsel and Corporate Secretary	General Counsel and Corporate Secretary of the Company since 2008; Associate, McCarthy Tétrault LLP from 2002-2008	N/A
Merushe Verli Ontario Shares: nil Options: 390,000	Vice President, Finance and Corporate Controller	Vice President, Finance since 2008. Corporate Controller of the Company since 2007; from 1997 to 2007 held various positions with KPMG LLP, the last of which was Senior Manager.	N/A
Mark Utting Ontario Shares: nil Options: 240,000	Vice President, Investor Relations	Vice President, Investor Relations since 2008; Director, Investor Relations of Extencicare REIT from September 2007 to March 2008; Director, Investor Relations of Sherritt International Corp. from June 2007 to September 2007; Director, Investor Relations of Dynatec Corporation from February 2003 to June 2007.	N/A

(1) Member of the Health, Safety, Environment and Community Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance and Nominating Committee.

(4) Member of the Audit Committee.

(5) Mr. Rosado and Mr. Bustamante are officers of Hochschild Mining plc, which beneficially owns 88,032,032 common shares.

In total the directors and officers of Lake Shore Gold own, directly or indirectly, 2,551,492 common shares of the Company which is equal to approximately 1.2% of the issued and outstanding share capital as at the date of this AIF.

None of the Directors or Officers of the Company has been subject to any cease trade order, penalty or sanction, or has declared bankruptcy during the last 10 years, and none has been a director or officer of a company that has been subject to any cease trade order, penalty sanction or has declared bankruptcy during the last 10 years.

Conflicts of Interest

See "Interest of Management and Others in Material Transactions" and "Risk Factors-Conflicts".

AUDIT COMMITTEE

Charter

The Charter of the Audit Committee is attached as Schedule A to this AIF.

Composition of the Audit Committee

The Audit Committee consists of three independent members: Arnold Klassen (Chair), Michael D. Winn and Ignacio Rosado, all of whom are financially literate.

Relevant Education and Experience of Audit Committee

Arnold Klassen (Chair of the Audit Committee) is a Chartered Accountant with more than 30 years of accounting and finance experience, of which 25 years has been in the mining industry. He was employed by Dynatec for 20 years, and from 1994 to 2007, prior to his retirement, he held the position of VP, Finance. From 1977 to 1984 Mr. Klassen was employed by KPMG where he earned his CA designation in 1979. From 1984 to 1994 Mr. Klassen held various senior financial positions with Dynatec Corporation or its predecessors. He has the financial and accounting expertise to understand and evaluate financial statements, the accounting principles applied to natural resource companies' financial statements and the internal controls required to accurately report the Company's financial position.

Michael D. Winn is currently President of Terrasearch Inc., a consulting company that provides analysis on mining and energy companies. Mr. Winn has worked in the oil and gas industry since 1983 and the mining industry since 1992. He completed graduate course work in accounting and finance and received a BSc in geology from the University of Southern California. Mr. Winn has the business expertise to understand and evaluate financial statements and the accounting principles applied to natural resource companies' financial statements.

Ignacio Rosado has been the Chief Financial Officer of the Hochschild Mining Group since 2005. Previously, he was Senior Engagement Manager for Latin America for McKinsey & Company from 2000 to 2005. Mr. Rosado began his career in banking having worked for Banco Wiese Sudameris in Peru (1992 to 1994) and in Banco de Crédito del Peru. Mr. Rosado holds a MBA from the University of Michigan Business School and a BSc in Economics from the Universidad del Pacifico in Peru. He has the financial and accounting expertise to understand and evaluate financial statements, the accounting principles applied to natural resource companies' financial statements and the internal controls required to accurately report the Company's financial position.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, the Board of Directors has adopted all recommendations of the Audit Committee regarding nomination or compensation of the external auditors.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemption in section 2.4 (*De Minimis Non-audit Services*); or an exemption from Multilateral Instrument 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all non-audit related services provided by the external auditors.

Service Fees Paid to External Auditors

	2008	2007
a) Audit Fees	\$178,500	\$143,400
b) Audit Related Fees	--	--
c) Tax Fees	66,625	23,350
d) All Other Fees	--	--
	<u>\$245,125</u>	<u>\$166,750</u>

The audit fees for 2007 include \$43,100 for the review in April 2007 of the Company's prospectus.

Tax fees incurred in 2008 and 2007 were for advice and assistance in the preparation of tax returns for the years ended December 31, 2007 and December 31, 2006 respectively.

All of the fees paid to external auditors in 2008 were pre-approved by the Audit Committee.

LEGAL PROCEEDINGS

The Company is not aware of any material legal proceedings, actual or contemplated, to which the Company is a party or of which any of its property is the subject.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The interest of management of the Company and others in material transactions and transactions involving remuneration for services is disclosed under the heading "Related Party Transactions" in the Company's Management's Discussion and Analysis, December 31, 2008. See "Additional Information".

TRANSFER AGENTS AND REGISTRARS

The registrar and transfer agent for the common shares in Canada is Computershare Investor Services Inc. at its principal offices in Toronto.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only other material contract entered into by the Company within the most recently completed financial year, or before the most recently completed financial year, that is still material and still in effect is the Hochschild Strategic Alliance Agreement.

Strategic Alliance Agreement

In conjunction with an investment in the Company by Hochschild Mining Holdings Ltd. (a wholly-owned subsidiary of Hochschild Mining plc) ("Hochschild"), the Company entered into a strategic alliance agreement (the "Strategic Alliance Agreement") with Hochschild, as of February 22, 2008 (amended as of April 16, 2008). The Strategic Alliance Agreement will govern the parties with respect to various matters, including future dealings with securities and corporate opportunities. Set out below are certain of the principal terms of the Strategic Alliance Agreement.

- Prior to November 22, 2010, Hochschild may not own greater than 40% of the Company's shares on a fully diluted basis.
- Hochschild has the right to nominate a number of the directors of the Board of Directors of the Company proportional to its holdings in the Company.
- Hochschild has a pre-emptive right with respect to issuances of securities by the Company, subject to certain exceptions, up to Hochschild's then interest in the Company on a fully-diluted basis.
- Hochschild will grant the Company a right of first refusal in respect of certain arm's length sales of greater than 10% of the then issued and outstanding Shares and with respect to corporate opportunities available to Hochschild; and the Company will grant Hochschild certain rights with respect to joint ventures and asset sales by the Company.

INTERESTS OF EXPERTS

Names of Experts

George Darling, P. Eng. (SRK), Michael Kociumbas, P. Geo. (Watts, Griffis and McOuat Limited), John R. Sullivan, P. Geo. (Watts, Griffis and McOuat Limited), James J. Lavigne, P. Geo. (Watts, Griffis and McOuat Limited), Alfred S. Hayden, P. Eng. (EHA Engineering Ltd.), Andrew S. Small, P. Eng. (AMEC Earth & Environmental Limited), Dave Butler, P. Eng. (V.B. Cook Co. Limited), Faramarz Kordgharachorloo, P. Eng. (B.H. Martin Consultants Ltd.), Robert A. Hall, P. Eng. (Mill-Ore Industries Inc.), and Paul R. Schmidt, P. Eng., PRS Associates, are the authors of the technical report with respect to the Company's Timmins project property, dated October 12, 2007 and prepared in accordance with National Instrument 43-101.

Deloitte & Touche LLP are the independent auditors of the Company.

Interests of Experts

To the knowledge of the Company, none of the experts holds, nor have any of them received, nor will any of them receive any securities or other property in the Company.

ADDITIONAL INFORMATION

Additional information on the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors which may be found on the Company's website at www.lsgold.com or under the Company's profile on SEDAR at www.sedar.com.

Additional financial information is included in the Company's Management's Discussion and Analysis, December 31, 2008, and the Company's audited consolidated financial statements for the year ended December 31, 2008 all of which are filed on SEDAR.

Schedule A

LAKE SHORE GOLD CORP.

(the "Company")

CHARTER OF THE AUDIT COMMITTEE

PURPOSE

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the shareholders and others, the systems of internal controls and management information systems established by management, and the Company's internal and external audit process, and monitoring compliance with the Company's legal and regulatory requirements with respect to its financial statements.

The Audit Committee is accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee is expected to maintain an open communication between the Company's external auditors and the Board.

The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board. Nothing in this Charter, however, is intended to or does confer on any member a higher standard of care or diligence than that which applies to the Directors as a whole.

The Audit Committee does not plan or perform audits, or warrant the accuracy or completeness of the Company's financial statements or financial disclosure or compliance with generally accepted accounting procedures as these are the responsibility of management.

Procedural Matters

The Audit Committee:

- a. meets at least four times per year, either by telephone conference or in person;
- b. invites the Company's external auditors, the Chief Financial Officer, and such other persons as deemed appropriate by the Audit Committee to attend meetings of the Audit Committee;
- c. reports material decisions and actions of the Audit Committee to the Board, together with such recommendations as the Committee may deem appropriate;
- d. has the power to conduct or authorize investigations into any matter within the scope of its responsibilities;
- e. has the right to engage independent counsel and other advisors as it determines necessary to carry out its duties and the right to set the compensation for any advisors employed by the Audit Committee;

- f. has the right to communicate directly with the CFO and other members of management who have responsibility for the internal and external audit process, as well as to communicate directly with the internal and external auditors; and
- g. pre-approves non-audit services to be performed by the external auditors in accordance with the Committee's pre-approval policies and procedures, which pre-approval is subject to ratification by the Board. The Audit Committee may delegate certain pre-approval functions for non-audit services to one or more independent members of its Committee if it first adopts specific policies and procedures respecting same and provided such decisions are presented to the full Audit Committee for approval at its next meeting.

RESPONSIBILITIES

External Auditors

The Audit Committee has primary responsibility for the selection, appointment, dismissal, compensation and oversight of the external auditors, subject to the overall approval of the Board. For this purpose, the Audit Committee may consult with management.

The external auditors shall report directly to the Audit Committee.

Also, the Audit Committee:

- a. recommends to the Board:
 - i. whether the current external auditors should be nominated for reappointment for the ensuing year and if the current external auditors are not to be reappointed, selects and recommends a suitable alternative for nomination; and
 - ii. the amount of compensation payable to the external auditors;
- b. resolves disagreements, if any, between management and the external auditors regarding financial reporting;
- c. provides the Board with such recommendations and reports with respect to the financial statements of the Company as it deems advisable;
- d. takes reasonable steps to confirm the independence of the external auditors, including but not limited to pre-approving non-audit related services provided by the external auditors to the Company or the Company's subsidiaries, if any;
- e. confirms that the external auditors are a "participating audit" firm for the purpose of National Instrument 52-108 *Auditor Oversight* and are in compliance with governing regulations;
- f. reviews and evaluates the performance of the external auditors; and
- g. reviews and approves the Company's hiring policy regarding partners, employees and former partners and employees of the Company's external auditors.

Audit and Review Process and Results

The Audit Committee has a duty to receive, review and make any inquiry regarding the completeness, accuracy and presentation of the Company's financial statements to ensure that the financial statements fairly present the financial position and risks of the organization and that they are prepared in accordance with generally accepted accounting principles. To accomplish this, the Audit Committee:

- a. considers the scope and general extent of the external auditors' review, including their engagement letter and major changes to the Company's auditing and accounting principles and practices;
- b. consults with management regarding the sufficiency of the Company's internal system of audit and financial controls, internal audit procedures and results of such audits;
- c. ensures the external auditors have full, unrestricted access to required information and have the cooperation of management;
- d. reviews with the external auditors the audit process and standards, as well as regulatory or Company-initiated changes in accounting practices and policies and the financial impact thereof, and selection or application of appropriate accounting principles;
- e. reviews with the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements;
- f. reviews the appropriateness and disclosure of any off-balance sheet matters;
- g. reviews disclosure of related-party transactions;
- h. receives and reviews with the external auditors, the external auditors' audit report and the audited financial statements;
- i. makes recommendations to the Board respecting approval of the audited financial statements;
- j. meets with the external auditors separately from management to review the integrity of the Company's financial reporting, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates, any significant disagreements or difficulties in obtaining information, adequacy of internal controls over financial reporting, adequacy of disclosure controls and procedures, and the degree of compliance by the Company with prior recommendations of the external auditors;
- k. directs management to implement such changes as the Audit Committee considers appropriate, subject to any required approvals of the Board arising out of the review; and

- I. meets at least annually with the external auditors, independent of management, and reports to the Board on such meetings.

Interim Financial Statements

The Audit Committee:

- a. reviews on an annual basis the Company's practice with respect to review of interim financial statements by the external auditors;
- b. conducts all such reviews and discussions with the external auditors and management as it deems appropriate;
- c. reviews the interim financial statements with the external auditors; and
- d. makes recommendations to the Board respecting approval of the interim financial statements.

Involvement with Management

The Audit Committee has primary responsibility for overseeing the actions of management in all aspects of financial management and reporting. The Audit Committee:

- a. reviews the Company's annual and interim financial statements, Management's Discussion and Analysis and earnings press releases, if any, before the Company publicly discloses this information;
- b. reviews all of the Company's public disclosure of financial information extracted from the Company's financial statements, if such financial statements have not previously been reviewed by the Committee, prior to such information being made public by the Company, and for such purpose, the CFO assumes responsibility for providing the information to the Audit Committee for its review;
- c. reviews material financial risks with management, the plan that management has implemented to monitor and deal with such risks, and the success of management in following the plan;
- d. consults annually and otherwise as required with the Company's CEO and CFO respecting the adequacy of the internal controls over financial reporting and disclosure controls and procedures and reviews any breaches or deficiencies;
- e. obtains such certifications of annual and interim filings by the CEO and CFO attesting to internal controls over financial reporting and disclosure controls and procedures as deemed advisable;
- f. reviews management's response to significant written reports and recommendations issued by the external auditors and the extent to which such recommendations have been implemented by management;
- g. reviews as required with management the annual financial statements, the quarterly financial statements, Management's Discussion and Analysis, Annual

- Information Forms, future-oriented financial information or pro-forma information and other financial disclosure in continuous disclosure documents;
- h. reviews with management the Company's compliance with applicable laws and regulations respecting financial reporting matters;
 - i. reviews with management proposed regulatory changes and their impact on the Company; and
 - j. reviews as required with management and approves disclosure of the Audit Committee Charter, and Audit Committee disclosure required in the Company's Annual Information Form, Information Circular and on the Company's website.

COMPOSITION

The Audit Committee is composed of three Directors, all of whom are Directors who are not officers or employees of the Company or any of its subsidiaries.

In addition, members of the Audit Committee meet the prescribed independence, financial literacy and experience requirements and have relevant skills and/or experience in the Committee's areas of responsibility as required by the securities laws applicable to the Company, including those of any stock exchange on which the Company's securities are traded.

Appointment of Committee Members

Members of the Committee are appointed or confirmed by the Board annually and hold office at the pleasure of the Board.

Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board fills any vacancy if the membership of the Committee is less than the minimum number of Directors required for the Committee.

Committee Chair

The Board appoints a Chair for the Audit Committee.

STRUCTURE AND OPERATIONS

Absence of Committee Chair

If the Chair of a Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting will be chosen by the Committee to preside at the meeting.

Secretary of Committee

At each meeting the Committee appoints a secretary who need not be a director of the Company.

Meetings

The Chair of the Committee or the Chair of the Board or any two of its members may call a meeting of the Committee.

Quorum

A majority of the members appointed to the Committee constitutes a quorum.

Notice of Meetings

The Chair of the Committee arranges to provide notice of the time and place of every meeting in writing (including by facsimile or email) to each member of a Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. The Chair also ensures that an agenda for the meeting and all required materials for review by the members of the Committee are delivered to the members with sufficient time for their review, or that such requirement is waived.

Attendance of the Company's Officers at Meetings

The Chair of the Committee or any two members of the Committee may invite one or more officers of the Company to attend any meeting of the Committee.

Delegation

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee, management or, to the extent otherwise permitted by applicable plans, laws or regulations, to any other body or individual.

Procedure and Records

Subject to any statute or constituting documents of the Company, the Committee determines its own procedures at meetings and may conduct meetings by telephone and will keep records of its proceedings.

COMPLAINTS

The Audit Committee has established procedures for:

- a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- b. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Complaints regarding accounting, internal accounting controls, or auditing matters may be submitted as outlined in the Company's Whistle Blower Policy – Accounting, Internal Controls or Auditing Matters. Complaints may be made anonymously and, if not made anonymously, the identity of the person submitting the complaint is kept confidential.

Upon receipt of a complaint, the Chair conducts or designates a member of the Audit Committee to conduct an initial investigation. The results of that initial investigation are brought before the Audit Committee for a determination of further investigation and action.

Records of complaints made and the resulting action or determination with respect to the complaint are documented and kept in the records of the Audit Committee for a period of three years.

The Audit Committee reviews the Whistle Blower Policy annually.

REPORTING AND ASSESSMENT

The Audit Committee reports to the Board of Directors.

The Audit Committee reviews its Charter and conducts an assessment of its performance, and the performance of the Committee Chair, on an annual basis. The Committee reports to the Corporate Governance and Nominating Committee the results of such review and assessment, including any recommendations for change (the "Committee Annual Report").

DATE OF MOST RECENT CONSIDERATION

This Charter was updated and approved by the Board in August 2008.