

## CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

(Unaudited)

As at	March 31, 2009	December 31, 2008
<b>Assets</b>		
Current		
Cash and cash equivalents	\$117,855	\$85,319
Exploration advances and other receivables	2,293	3,888
	<b>120,148</b>	89,207
Restricted cash <i>note 4</i>	5,107	4,901
Property, plant and equipment (net of accumulated amortization) <i>note 5</i>	14,984	13,703
Resource properties and deferred exploration <i>note 6</i>	187,947	172,111
	<b>\$328,186</b>	\$279,922
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$9,213	\$17,113
Current portion of lease obligations <i>note 7</i>	940	671
	<b>10,153</b>	17,784
Lease obligations <i>note 7</i>	1,244	719
Asset retirement obligations <i>note 9</i>	1,498	1,461
Future income tax liabilities <i>note 11</i>	15,946	17,381
	<b>18,688</b>	19,561
<b>Shareholders' Equity</b>		
Share capital <i>note 8(b)</i>	310,870	252,872
Contributed surplus <i>note 8(e)</i>	8,483	7,982
Deficit	(20,008)	(18,277)
	<b>299,345</b>	242,577
	<b>\$328,186</b>	\$279,922

See accompanying notes to consolidated financial statements

Approved by the Board



**Alan C. Moon**  
Director



**Arnold Klassen**  
Director

## CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

(in thousands of dollars, except per the per share amounts)

(Unaudited)

<i>For the three months ended March 31,</i>	<b>2009</b>	<b>2008</b>
Expenses		
Corporate costs <i>note 8(d)</i>	<b>\$1,469</b>	\$883
Consulting fees <i>notes 8(d) and 10</i>	<b>67</b>	238
General exploration <i>note 8(d)</i>	<b>247</b>	241
Shareholder information	<b>77</b>	169
Travel	<b>157</b>	104
Legal and accounting	<b>80</b>	94
Write-off of resource properties and deferred exploration	<b>170</b>	-
Depreciation of property, plant and equipment	<b>69</b>	16
Accretion of asset retirement obligations <i>note 9</i>	<b>37</b>	31
Loss before the undernoted	<b>(2,373)</b>	(1,776)
Interest expense	<b>(26)</b>	(2)
Interest and other income	<b>158</b>	318
Loss before income taxes	<b>(2,241)</b>	(1,460)
Recovery of income taxes <i>note 11</i>	<b>510</b>	914
Net loss for the period	<b>(\$1,731)</b>	(\$546)
Deficit, beginning of year	<b>(18,277)</b>	(12,776)
Deficit, end of period	<b>(\$20,008)</b>	(\$13,322)
Net loss per share - basic and diluted <i>note 8(g)</i>	<b>(\$0.01)</b>	(\$0.00)
Weighted-average number of shares outstanding (000's)	<b>186,111</b>	124,956

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of dollars)

(Unaudited)

<i>For the three months ended March 31,</i>	<b>2009</b>	<b>2008</b>
Net loss for the period	<b>(\$1,731)</b>	(\$546)
Other comprehensive loss:		
Unrealized loss on available-for-sale investment	<b>-</b>	(8)
Comprehensive loss for the period	<b>(\$1,731)</b>	(\$554)

See accompanying notes to consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

(Unaudited)

For the three months ended March 31,	2009	2008
<b>Operating Activities</b>		
Net loss for the period	(\$1,731)	(\$546)
Recovery of income taxes	(510)	(914)
Stock-based compensation	316	276
Write-off of resource properties and deferred exploration	170	-
Depreciation of property, plant and equipment	69	16
Accretion of asset retirement obligations	37	31
	(1,649)	(1,137)
Change in non-cash operating working capital items:		
Decrease (increase) in exploration advances and other receivables	832	(681)
Increase (decrease) in accounts payable and accrued charges	1,868	(286)
Cash provided by (used in) operating activities	1,051	(2,104)
<b>Investing Activities</b>		
Restricted cash	(206)	(629)
Additions to property, plant and equipment	(819)	(119)
Resource properties and deferred exploration expenditures	(24,259)	(9,689)
Cash used in investing activities	(25,284)	(10,437)
<b>Financing Activities</b>		
Proceeds from public offering / private placement (net of share issue costs)	57,004	64,521
Exercise of stock options and warrants	-	675
Payment of capital lease obligations	(235)	(37)
Cash provided by financing activities	56,769	65,159
Increase in cash and cash equivalent during the period	32,536	52,618
Cash and cash equivalent at beginning of year	85,319	11,915
Cash and cash equivalent at end of period	\$117,855	\$64,533

Supplemental cash flow information note 12

See accompanying notes to consolidated financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended March 31, 2009 and 2008 (In thousands of dollars, unaudited)*

### 1. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements and follow the same accounting policies and methods of application as the annual consolidated financial statements of the Company for the year ended December 31, 2008, except for the items discussed in note 2 below. These interim consolidated financial statements do not contain all disclosures required by Canadian generally accepted accounting principles and accordingly should be read in conjunction with the 2008 annual consolidated financial statements and the notes thereto.

Lake Shore Gold Corp. ("Lake Shore Gold" or the "Company") is engaged in the exploration and development of gold properties in Northern Ontario and Quebec. The Company is in the advanced exploration stage on one of its properties and has not determined whether the other exploration properties contain mineral reserves that are economically recoverable. The recoverability of the amount shown for resource properties and deferred exploration is dependent upon the discovery of economically recoverable reserves on the other exploration properties and on attaining future profitable production from its advanced exploration property.

The Company believes it has sufficient funds to finance its current operating, development and exploration expenditures until such time as the Company generates positive cash flows. Longer term, the Company may pursue opportunities to raise additional capital through equity and/or debt markets, however, there can be no assurance it will be able to raise funds in the future.

### 2. RECENT ACCOUNTING PRONOUNCEMENTS

#### Mining exploration costs

On March 27, 2009, the Canadian Institute of Chartered Accountants approved EIC 174, "Mining Exploration Costs". The EIC provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Company has applied this new abstract for the three months ended March 31, 2009 resulting in no impact on its consolidated financial statements.

### 3. CAPITAL MANAGEMENT

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended March 31, 2009. Neither the Company nor its subsidiary is subject to externally imposed capital requirements and do not have exposure to asset-backed commercial paper or similar products.

### 4. RESTRICTED CASH

Restricted cash represents the value of cash restricted as support for various letters of credits issued by Lake Shore Gold as security for the Company's obligations under various agreements. These funds are restricted and not available for current operations. During the three months ended March 31, 2009, the Company issued letters of credit for \$206.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009 and 2008 (In thousands of dollars, unaudited)

### 5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment at March 31, 2009 are as follows:

	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$231	\$51	\$180
Computer equipment	989	236	753
Mining equipment	15,172	1,121	14,051
	<b>\$16,392</b>	<b>\$1,408</b>	<b>\$14,984</b>

As at December 31, 2008:

	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$218	\$40	\$178
Computer equipment	779	170	609
Mining equipment	13,585	669	12,916
	<b>\$14,582</b>	<b>\$879</b>	<b>\$13,703</b>

Mining equipment at March 31, 2009, includes costs of \$2,997 and accumulated amortization of \$215 of capital equipment and vehicles under capital lease (note 7). The amortization of equipment used in the exploration activities is capitalized in resource properties and deferred exploration (\$460 capitalized for the three months ended March 31, 2009 (\$35 for the same period in 2008).

### 6. RESOURCE PROPERTIES AND DEFERRED EXPLORATION

For the three month period ended March 31, 2009:

	Timmins Mine Project	Bell Creek Properties	Thunder Creek	Casa Berardi	Blakelock	Ti-pa-haa- kaa-ning	Other <sup>1</sup>	Total
Balance, beginning of year	\$123,066	\$32,887	\$3,375	\$1,041	\$3,522	\$4,485	\$3,735	\$172,111
Property acquisition, assessment and maintenance	2	66	-	-	-	2	2	72
Bell Creek mill	-	2,714	-	-	-	-	-	2,714
Analytical	67	31	33	11	21	2	-	165
Geology	7	22	6	-	4	26	5	70
Drilling	409	450	317	283	16	-	-	1,475
Project administration	69	85	56	31	17	16	11	284
Write off of resource properties and deferred exploration	-	-	-	-	-	-	(170)	(170)
Advanced exploration	11,030	195	-	-	-	-	-	11,225
Balance, end of period	<b>\$134,650</b>	<b>\$36,450</b>	<b>\$3,787</b>	<b>\$1,366</b>	<b>\$3,580</b>	<b>\$4,531</b>	<b>\$3,583</b>	<b>\$187,947</b>

<sup>1</sup> Includes, Abitibi \$1,648, Bazooka \$942 and Miscellaneous \$994.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009 and 2008 (In thousands of dollars, unaudited)

For the year ended December 31, 2008:

	Timmins Mine Project	Bell Creek Properties	Thunder Creek	Casa Berardi	Blakelock	Ti-pa-haa- kaa-ning	Other <sup>1</sup>	Total
Balance, beginning of year	\$82,079	\$19,088	\$2,413	\$48	\$2,172	\$322	\$2,920	\$109,042
Property acquisition, assessment and maintenance	-	118	9	4	10	123	203	467
Bell Creek mine and mill	-	9,009	-	-	-	-	-	9,009
Analytical	88	25	34	61	79	210	-	497
Geology	237	319	119	262	145	469	167	1,718
Drilling	1,688	4,076	749	640	997	2,616	375	11,141
Project administration	318	252	51	26	119	745	70	1,582
Advanced exploration	38,656	-	-	-	-	-	-	38,656
Balance, end of year	\$123,066	\$32,887	\$3,375	\$1,041	\$3,522	\$4,485	\$3,735	\$172,111

<sup>1</sup> Includes Abitibi \$1,644, Bazooka \$942 and Miscellaneous 1,149.

During the three months ended March 31, 2009, the Company wrote off \$170 (same period in 2008, \$Nil) of its resource properties and deferred exploration, representing the carrying value of certain non core properties.

### 7. CAPITAL LEASE OBLIGATIONS

The Company has entered into capital equipment and vehicle leases expiring starting in 2009 with interest rates between 6.35% to 13.4%. Estimated minimum annual lease payments at March 31, 2009, and December 31, 2008 are as follows:

	March 31, 2009	December 31, 2008
2009	\$836	\$776
2010	897	537
2011	475	116
2012	244	115
Total minimum lease payments	\$2,452	\$1,544
Less: Amount representing interest	(268)	(154)
Present value of capital lease obligations	\$2,184	\$1,390
Less: Current portion	(940)	(671)
Non-current portion	\$1,244	\$719

### 8. SHARE CAPITAL

a) Authorized unlimited common shares without par value.

b) During the three months ended March 31, 2009 and year ended December 31, 2008, changes in issued share capital were as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009 and 2008 (In thousands of dollars, unaudited)

	Three months ended March 31, 2009		Year ended December 31, 2008	
	Shares	Amount	Shares	Amount
Issued and outstanding				
Balance, beginning of year	175,354,885	\$252,872	112,684,675	\$112,071
Public offering (2008 - private placement), net of share issue costs of \$2,689 (2008- \$647*)	37,232,056	57,998	61,339,210	143,643
Exercise of options (including transfer of \$Nil (2008 - \$670) from contributed surplus)	-	-	1,231,000	1,765
Renunciation of flow-through shares	-	-	-	(4,725)
Issued as part of resource properties agreements, net of share issue costs of \$2 *	-	-	100,000	118
Balance, end of period / year	212,586,941	\$310,870	175,354,885	\$252,872

\*Share issue costs includes \$994 (year ended December 31, 2008 - \$297) adjustment for recovery of income tax.

On March 5, 2009, the Company completed a bought-deal financing (the "Financing") pursuant to an underwriting agreement dated February 19, 2009 between the Company and a syndicate of Banks lead by Scotia Capital Inc. (collectively, the "underwriters"). The Company raised gross proceeds of \$60,687 through the issuance of 30,615,871 common shares of the Company at a price of \$1.55 per common share and 6,616,185 flow-through common shares ("flow through shares") at \$2.00 per flow through share. The underwriters received a cash commission equal to 5% of gross proceeds. The Company has until December 31, 2010 to spend the money raised by issuing flow through shares on Canadian exploration expenditures.

### c) Stock options

As at March 31, 2009, the Company had 10,387,500 stock options outstanding of which 3,600,816 were exercisable.

A summary of the changes in the Company's incentive share option plan for the three months ended March 31, 2009 and year ended December 31, 2008 are as follows:

	March 31, 2009		December 31, 2008	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of period /	10,380,000	\$1.37	6,380,000	\$1.48
Granted	180,000	\$1.33	6,720,000	\$1.26
Exercised	-	-	(1,231,000)	\$0.89
Forfeited	(172,500)	\$1.83	(1,489,000)	\$1.74
Outstanding, end of period / year	10,387,500	\$1.36	10,380,000	\$1.37
Exercisable, end of period / year	3,600,816	\$1.52	2,981,648	\$1.48

### d) Stock-based compensation

Stock-based compensation recognized is allocated to consulting fees (options granted to consultants), general exploration (options granted to individuals involved in exploration work of a general reconnaissance nature), corporate costs (options granted to corporate employees) and capitalized as part of resource properties and deferred exploration (options granted to individuals involved on the specific projects included in resource properties and deferred exploration). The Company capitalized \$185 of stock based compensation during the first quarter of 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009 and 2008 (In thousands of dollars, unaudited)

The allocation on the consolidated statement of loss and deficit for the three months ended March 31, 2009 and 2008 was as follows:

<i>Three months ended March 31,</i>	<b>2009</b>	2008
Corporate costs	<b>\$265</b>	\$72
Consulting fees	<b>60</b>	82
General exploration	<b>(9)</b>	122
Total stock-based compensation	<b>\$316</b>	\$276

The stock-based compensation expenditures were determined using the Black-Scholes option pricing model. A weighted average grant-date fair value for the first quarter of 2009 of \$0.62 (2008 – \$0.94) for options granted was estimated using the following assumptions: no dividends are to be paid; volatility of 69% (2008 – 65% to 66%); risk free interest rate of 1.85% (2008 – 2.88% to 3.35%); and expected life of 3.5 years (2008 – 3.5 years).

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

### e) Contributed surplus

	<b>Three months ended March 31, 2009</b>	Year ended December 31, 2008
Balance, beginning of year	<b>\$7,982</b>	\$6,797
Stock-based compensation	<b>501</b>	2,078
Stock options exercised	-	(670)
Warrants granted (expired)	-	(223)
Balance, end of period / year	<b>\$8,483</b>	\$7,982

### f) Warrants

As at March 31, 2009, the following warrants were outstanding and exercisable:

Date issued	Number of warrants	Exercise price	Expiry date
December 17, 2007	2,000,000	\$2.41	December 17, 2009

### g) Basic and diluted loss per share

The impact of the outstanding options and warrants has not been included in the calculation of loss per share as the impact would be anti-dilutive. As such, the weighted average number of shares outstanding is the same for both basic and diluted loss per share for all periods presented.

## 9. ASSET RETIREMENT OBLIGATIONS

A summary of the changes in the asset retirement obligations for the three months ended March 31, 2009 and year ended December 31, 2008 is as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009 and 2008 (In thousands of dollars, unaudited)

	<b>Three months ended March 31, 2009</b>	Year ended December 31, 2008
Balance, beginning of year	<b>\$1,461</b>	\$1,228
Liability incurred on the Timmins West property	-	109
Accretion expense	<b>37</b>	124
Balance, end of period / year	<b>\$1,498</b>	\$1,461

In view of the uncertainties concerning the preparation of the cost estimate, the ultimate cost of asset retirement obligations could differ materially from the estimated amounts. Any future changes to the liability as a result of changes in regulations, laws or assumptions used would be recognized prospectively.

### 10. RELATED PARTY TRANSACTIONS

The following are related party transactions for the three months ended March 31, 2009 and 2008:

No fees were paid during first quarter of 2009 (2008 – \$107) for consulting services provided by directors.

During the first quarter of 2009, the Company charged \$50 (2008 - \$Nil) to Northern Superior Resources Inc. ("Northern Superior"), a related party by virtue of certain common directors and, from June 1, 2008 to April 30, 2009, by virtue of certain common officers as well. The charges were for certain corporate governance, finance, investor relations and certain accounting and administrative service the Company provided to Northern Superior under an administrative service agreement entered into in June 2008 and terminated in April 30, 2009.

During the first quarter of 2009, Northern Superior, the joint venture operator for the Ti-pa-ha-kaa-ning property, charged the Company \$50 (2008 – \$962), for the Company's share for the property expenditures. As at March 31, 2009, there is net \$33 (2008 – \$962) due to Northern Superior, of which \$50 is included in accounts payable (2008 - \$962) and \$17 in exploration advances and other receivable (2008 - \$Nil).

Related party transactions are measured at the exchange amount which is the consideration agreed to between the parties.

### 11. INCOME TAXES

As a result of the tax benefits of deductible expenses and share issue costs incurred, future income tax liabilities decreased by \$1,435 during the three month period ended March 31, 2009 (March 31, 2008 - 961), of which \$510 (March 31, 2008 - \$914) was recorded as a recovery of income tax in the consolidated statement of loss and deficit and the remaining on the balance sheet. The decrease at March 31, 2008 has been offset by flow through funds raised in 2007 renounced in 2008 resulting in \$4,725 reduction in share capital with the corresponding increase in future income tax liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2009 and 2008 (In thousands of dollars, unaudited)

### 12. SUPPLEMENTAL CASH FLOW INFORMATION

#### Non-cash investing and financing activities

<i>Three months ended March 31,</i>	<b>2009</b>	2008
<b>Resource properties</b>		
Increase (reduction) in working capital related to resource properties	<b>(\$8,738)</b>	\$5,288
Depreciation of property, plant and equipment capitalized	<b>460</b>	35
Stock options capitalised (gross of future income taxes)	<b>254</b>	
Additional asset retirements obligations for Timmins West property	-	36
<b>Share Capital</b>		
Transfer of amounts from contributed surplus	-	388
Future tax recovery on share issue costs	<b>994</b>	48
2008 - 15 million flow through shares renounced recorded as adjustment to share issue costs	-	(4,725)
Interest received	<b>321</b>	77
Income taxes paid	-	-
<b>Cash and cash equivalents at March 31 consist of:</b>		
Cash	<b>15,855</b>	64,533
Short term investments	<b>102,000</b>	-
	<b>\$117,855</b>	\$64,533