

LAKE SHORE GOLD CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS

Three months ended March 31, 2009 and 2008

General

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial conditions of Lake Shore Gold Corp. (the "Company" or "Lake Shore Gold"). This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Company, including the notes thereto, for the three months ended March 31, 2009 and 2008 (the "financial statements"), which are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements, and the annual audited consolidated financial statements and MD&A for the year ended December 31, 2008. This MD&A has taken into account information available up to and including May 5, 2009. All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise stated.

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 kilometers west of the City of Timmins, one of the world's most productive mining camps having produced approximately 75 million ounces of gold over the last century. The wholly owned Bell Creek Mill, located just east of the City of Timmins, has been refurbished to a capacity of 800 tonnes per day and has commenced processing development ore from the Timmins Mine. The Company is also commencing an advanced exploration program at its Bell Creek Complex, including the Bell Creek Mine, Schumacher and Vogel properties, which have the potential to become the Company's second mining project in the Timmins camp, and is also pursuing a number of other prospective exploration properties in the Timmins area and in other parts of Northern Ontario and Quebec. Lake Shore Gold is well financed to achieve its growth objectives, with \$118 million of cash and cash equivalents as at March 31, 2009. The Company is a reporting issuer in British Columbia, Alberta, Manitoba, Ontario and Quebec, and trades on the Toronto Stock Exchange ("TSX") under the symbol LSG.

This MD&A contains forward-looking statements. Please refer to the cautionary language at the end of this document.

HIGHLIGHTS

Processing of development ore commenced during the quarter and rapid growth expected going forward

- In March 2009, the Company commenced processing development ore from the Timmins Mine advanced exploration program at the Bell Creek Mill with a target of producing 30,000 ounces of gold in 2009. The Mill is initially running in campaigns processing stockpiles of development ore. The Mill will run on a more continuous basis as the year progresses and deliveries from the Timmins Mine increase, with the targeted 30,000 ounces of gold to be produced largely in the latter part of the year.
- In early September 2008, the Company commenced driving a ramp from surface as part of an advanced exploration program to access ore above the 400 Level at the Timmins Mine project. By March 31, 2009, the ramp had advanced 716 metres and is currently advanced a total of 830 metre level.

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- Shaft sinking work commenced at the Timmins Mine property in late July 2008 as part of the advanced exploration program. At March 31, 2009, the shaft had been sunk to the 525 metre level and, since that time, has advanced to the 620 metre level. To date, the 200, 400 and 525 Level shaft stations have been completed, with the 525 Level shaft station completed in early April 2009. The Company is ahead of schedule and now anticipates reaching the 650 Level by mid-May and expects to complete the shaft to the 710 metre level and complete a bulk sample of the ore off the 650 Level by the end of 2009.

Commencing advanced exploration program at the Bell Creek Complex

On April 28, 2009, the Company announced that the Closure Plan for the Bell Creek Complex Advanced Exploration Program had been approved by and filed with Ontario's Ministry of Northern Development and Mines. With the approval of the Closure Plan, the receipt of other required permits and the completion last month of an Exploration Agreement with four First Nations, the Company plans to commence the Bell Creek Complex Advanced Exploration Program, including de-watering and rehabilitating the existing Bell Creek Mine shaft and workings and collaring a ramp at Bell Creek to be connected to the Bell Creek mine workings and then to be driven across the Bell Creek property to the contiguous Schumacher and Vogel properties in order to access known mineralization at Vogel.

Exploration success in support of future production growth

- On May 4, 2009, the Company announced encouraging results from 20 holes (12,297 metres) from the Company's 100% owned Bell Creek and Vogel properties. Included in the results are holes confirming at least a 200 metre easterly extension of mineralization from the Bell Creek mine workings including intercepts of 10.40 grams per tonne gold over 0.60 metres and 4.08 grams per tonne gold over 3.45 metres in wedge hole BC08-23a, 7.44 grams per tonne gold over 0.50 metres within a broader intercept of 4.46 grams per tonne gold over 2.00 metres in Hole BC08-23 and 5.57 grams per tonne gold over 1.5 metres in BC09-03. These holes were drilled above discovery Hole BC08-09 (7.76 grams per tonne gold over 1.50 metres, 7.60 grams per tonne gold over 6.3 metres and 6.06 grams per tonne gold over 4.65 metres) which was reported on December 10, 2008 and indicate a minimum 300 metre vertical height for the mineralized zone in this area.
- On March 31, 2009, the Company announced the release of new, high-grade intercepts from six additional holes (4,093 metres) as part of its ongoing 22,000 metre diamond drill program on the Company's 60% owned Thunder Creek property, which is located immediately adjacent to the Timmins Mine project. In addition, on May 5, 2009, the Company announced the results from one additional hole and two wedges from the same drilling program.

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The results announced on March 31, 2009, include an intercept of 8.86 grams per tonne gold over 24.85 metres, including 10.88 grams per tonne gold over 4.05 metres, 19.55 grams per tonne gold over 6.00 metres and 7.95 grams per tonne gold over 5.25 metres in Hole TC09-69, and 7.41 grams per tonne gold over 3.00 metres, 5.80 grams per tonne gold over 13.65 metres and 5.29 grams per tonne gold over 12.85 metres in Hole TC09-68. These intercepts extend the Rusk and Porphyry zones at Thunder Creek by 200 metres at depth and 100 metres along strike, for a total depth of approximately 775 metres. They also indicate the presence of a second significant mineralized horizon within the Porphyry zone. The zones remain open at depth and along strike.

The results announced on May 5, 2009 include wedge Hole TC09-68a with an intercept of 10.09 grams per tonne gold over 4.70 metres, including 17.16 grams per tonne gold over 2.25 metres and wedge Hole TC09-69a, which intersected 7.97 grams per tonne gold over 19.45 metres in the Rusk Horizon, including 9.88 grams per tonne gold over 6.90 metres and 11.44 grams per tonne gold over 6.00 metres. Both wedge holes plus step out hole TC09-70 also intersected multiple Porphyry horizons similar to those previously announced in holes TC09-68 and TC09-69 (see above), confirming a minimum 175 metre strike length for these Porphyry zones and the Rusk zone along a north-northeasterly trend.

Building a balance sheet to fund the Company's growth plans

- On March 5, 2009, the Company closed a bought deal equity financing (the "Financing") involving the issuance of 30,615,871 common shares at a price of \$1.55 per share and 6,616,185 flow-through common shares at a price of \$2.00 per share for gross proceeds of \$60.7 million (\$57.0 million net of share issue costs).
- Project spending in the first quarter of 2009, including exploration expenditures of \$2.1 million, totaled \$17.8 million; the Company expects its expenditures in 2009 to be in line with the previously announced forecast of \$89 million.
- At March 31, 2009, Lake Shore Gold had cash and cash equivalents of \$117.9 million.

OUTLOOK

The year 2009 is expected to be an important year for Lake Shore Gold as it progresses towards commercial gold production. Initial processing of development ore from the advanced exploration program at the Timmins Mine project commenced near the end of the first quarter 2009. A total of 30,000 ounces of gold is targeted for 2009 from ore deliveries from the Timmins Mine to the Bell Creek Mill, to come from the ore deliveries from bulk sampling and advanced exploration work at both the Timmins ramp and shaft.

The Company expects to sink the Timmins shaft to the 710 metre level, complete initial bulk sampling and conduct underground diamond drilling before the end of the year. The Mill's processing capacity, currently 800 tonnes per day, is expected to expand to 1,500 tonnes per day when the secondary ball mill is commissioned by the end of 2009 or early 2010 as additional feed becomes available.

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The Company plans to commence the Bell Creek Complex Advanced Exploration Program during the second quarter of 2009, including de-watering and rehabilitating the existing Bell Creek Mine shaft and workings and collaring a ramp at Bell Creek to be connected to the Bell Creek mine workings and then to be driven across Bell Creek property to the contiguous Schumacher and Vogel properties. Work is expected to advance on a schedule to allow bulk sampling at Bell Creek to begin during the second quarter of next year, with bulk sampling at Vogel anticipated during the fourth quarter of 2010.

Project spending in 2009 is forecast at \$89.0 million, including approximately \$14.0 million for exploration. The Company's project spending continues to remain on track and on budget. Based on its March 31, 2009 cash position of \$117.9 million and the proceeds from planned gold sales in 2009, Lake Shore Gold is positioned to finance its currently planned activities for 2009 and 2010, including bringing the Timmins Mine to commercial production, advancing the Bell Creek and Vogel projects and completing other planned operating, development and exploration activities.

PROPERTY DEVELOPMENTS

Resource Property and Deferred Exploration Expenditures (\$'000)	Three months ended March 31, 2009*
Timmins Mine	\$11,584
Bell Creek Mill	2,714
Bell Creek mine and exploration properties	849
Thunder Creek Joint Venture (Company's share)	412
Blakelock - Little Abitibi properties	62
Casa Berardi	325
Ti-pa-haa-kaa-ning (Company's share)	46
Other projects	14
Total expenditures	\$16,006

**Resource property expenditures represent the change in the carrying value of the resource properties and deferred exploration for the three months ended March 31, 2009 (for details refer to note 6 to financial statements). In addition to the above expenditures, the Company spent \$1.8 million on equipment for the Timmins Mine, recorded as property, plant and equipment. Expenditures in the first quarter include \$1.3 million of non-cash charges.*

DEFERRED EXPLORATION EXPENDITURES

Exploration expenditures for the first quarter of 2009 totaled \$2.1 million and included \$0.6 million at the Timmins Mine project, \$0.4 million at Thunder Creek, \$0.7 million at Bell Creek, Vogel and Schumacher, \$0.3 million at Casa Berardi and the remaining at other projects.

BELL CREEK MILL

The Bell Creek Mill, acquired in 2007 together with the Bell Creek Mine, was made operational in December 2008 at a capacity of 800 tons per day. Processing of development ore from the Timmins Mine advanced exploration program at the Bell Creek Mill commenced near the end of the first quarter. The Mill is initially running in campaigns processing stockpiles of development ore. The Mill will run on a more continuous basis as the year progresses and deliveries from the Timmins Mine increase with the Company continuing to target 30,000 ounces of gold to be produced largely in the latter part of the year.

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Expenditures for Mill improvements and repairs in the first quarter of 2009, totaled \$2.7 million, largely related to such areas as the carbon columns, the HP300 cone crusher and C100 jaw crusher, the cleaning of CIP tanks, work on the cyanide tanks and structural work on the generator building and gatehouse.

TIMMINS MINE PROJECT

During the first quarter of 2009, the Company incurred \$13.0 million of expenditures on the Timmins Mine project (including advanced exploration, ramp development and exploration drilling expenditures, as detailed below), of which \$1.4 million was for property, plant and equipment.

ADVANCED EXPLORATION PROGRAM

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. During the first quarter of 2009, the Company's advanced exploration expenditures at Timmins totaled \$7.2 million, of which \$0.6 million was for property, plant and equipment.

The shaft sinking program commenced at the end of July 2008 and continued through the first quarter of 2009. At March 31, 2009, the shaft had been sunk to the 525 metre level and, since that time, has advanced to the 620 metre level with the 525 Level shaft station having been completed in early April 2009. The Company expects to reach the 650 Level by mid-May at which time it will complete the 650 shaft station and then begin driving from the 650 Level to the ore for the purpose of commencing bulk sampling, with the ore expected to be reached [during the third quarter of 2009]. By the end of 2009, the Company expects to sink the Timmins shaft to the 710 metre level, complete initial bulk sampling and conduct underground diamond drilling before the end of the year.

SURFACE RAMP TO THE 400 LEVEL

At March 31, 2009 the ramp had advanced approximately 715 metres and has currently been driven approximately 830 metres (to a vertical depth of 115 metres). Processing of development ore mined from the Timmins ramp commenced near the end of the first quarter of 2009.

Expenditures related to the ramp during the first quarter of 2009 were \$5.2 million, of which \$0.8 million represented expenditures recorded as property, plant and equipment.

EXPLORATION

Gold mineralization at the Timmins Mine project has now been delineated to a depth of 1,200 metres below surface, with alteration, veining and mineralization within the Footwall Deposit and Ultramafic Deposit remaining open at depth. This is highlighted by the deepest drill intercepts including 65.65 grams per tonne gold over 4.0 metres within the Ultramafic Zone and 7.62 grams per tonne gold over 5.8 metres on the Footwall Zone. The hoist and headframe are designed to a depth of at least 1,200 metres.

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Drilling in the first quarter of 2009 was conducted from the underground mine and included 3,951 metres in 56 holes. Holes were collared from a variety of cut-outs located between the 40 and 80 metre level, and were directed mainly towards testing of the Main Zone and Vein one and Vein two Zones.

BELL CREEK MINE AND VOGEL/SCHUMACHER

The Company incurred expenditures of approximately \$0.7 million on exploration at the Bell Creek Complex during the first quarter of 2009.

During the first quarter of 2009, 5 holes and 4 wedge holes were completed at the Bell Creek complex. Of those, 4 holes and 4 wedge holes were at the Bell Creek mine, and were directed to testing extensions of the North A horizon below the mine workings and along strike, as well as areas surrounding the proposed ramp portal and other areas to the south. The remaining hole is being drilled at the Vogel project. The hole was designed to test for extensions of the Vogel mineralization to depth and is still in progress.

On May 4, 2009, the Company announced encouraging results from 20 holes (12,297 metres) from the Company's 100% owned Bell Creek and Vogel properties. Included in the results are holes confirming at least a 200 metre easterly extension of mineralization from the Bell Creek mine workings including intercepts of 10.40 grams per tonne gold over 0.60 metres and 4.08 grams per tonne gold over 3.45 metres in wedge hole BC08-23a, 7.44 grams per tonne gold over 0.50 metres within a broader intercept of 4.46 grams per tonne gold over 2.00 metres in Hole BC08-23 and 5.57 grams per tonne gold over 1.5 metres in BC09-03. These holes were drilled above discovery Hole BC08-09 (7.76 grams per tonne gold over 1.50 metres, 7.60 grams per tonne gold over 6.3 metres and 6.06 grams per tonne gold over 4.65 metres) which was reported on December 10, 2008 and indicate a minimum 300 metre vertical height for the mineralized zone in this area.

Also included are results from Hole BC08-24 and wedge holes BC08-24a and 24b which intersected mineralization 350 metres below the Bell Creek mine workings. Intercepts in Hole BC08-24 included 4.95 grams per tonne gold over 8.20 m including 10.13 grams per tonne gold over 0.40 m and 29.77 grams per tonne gold over 0.9 m. Wedge Hole BC08-24b intersected 5.30 grams per tonne gold over 6.90 m, including 8.72 grams per tonne gold over 1.85 m.

New mineralization was intersected by several holes 225 metres south of the historic mine workings and near the proposed collar location for the new Vogel ramp which is due to commence development within the next month. Results from the new area included 4.81 grams per tonne gold over 1.90 metres and 4.77 grams per tonne gold over 0.70 metres in Hole BC08-24, 5.61 grams per tonne gold over 0.50 metres in Hole BC08-30, 55.2 grams per tonne gold over 0.30 metres in BC08-32 and 4.08 grams per tonne gold over 1.00 metres in Hole BC08-33. These new results are located approximately 150 metres northeasterly from the new south zone discovered by Hole BC08-02 in 2008 which contained an intercept of 5.39 grams per tonne gold over 6.05 metres (11.70 grams per tonne gold over 1.7 metres). In total visible gold was identified at the Bell Creek property in four drill holes (BC08-21,23,24,32) and three wedge holes (BC08-23a,23c,24a).

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At the Vogel property, results are being reported for one new hole, Hole V-08-01 (1,166 metres) which was completed in late 2008. The hole was drilled in the central part of the property in order to test the down dip extension of the mineralization. Results of the drilling were highly favorable and intersected strong alteration and local quartz veining containing an assay value of 8.89 grams per tonne gold over 0.70 metres in an area 300 metres below the historic area of mineralization, to a total depth of 950 metres. Drilling is still continuing in this area along with sampling and assaying of two additional holes (V-08-02 and V-09-01) and one wedge hole (V-08-01C) (3,248 metres). Initial observations from hole V-09-01 which is testing a similar elevation level as V-08-01 but on a north-south cross section 115 metres to the west indicated visible gold within smokey grey brecciated quartz veining at depths in the hole of 650 and 680 metres.

During the first quarter of 2009, there were five drills in the property; the same number of drills is expected to be in the property for at least the first half of 2009.

THUNDER CREEK

The Company has a 60% interest in the Thunder Creek property. A joint venture exists with West Timmins Mining Inc., with Lake Shore Gold as the operator, and with all work funded on a 60/40 pro-rata basis (60% being the Company's share).

During the first quarter of 2009, the Company incurred, on behalf of the joint venture, \$0.7 million of expenditures on the property (the Company's share was \$0.4 million). On March 31, 2009, the Company announced new, high-grade intercepts from six holes (4,093 metres) drilled as part of an ongoing 22,000 metre diamond drill program on the Thunder Creek property, which is located immediately adjacent to the Timmins Mine project. In addition, on May 5, 2009, the Company announced the results from one additional hole and two wedges from the same drilling program (1,152 metres).

The results announced on March 31, 2009 include an intercept of 8.86 grams per tonne gold over 24.85 metres, including 10.88 grams per tonne gold over 4.05 metres, 19.55 grams per tonne gold over 6.00 metres and 7.95 grams per tonne gold over 5.25 metres in Hole TC09-69, and 7.41 grams per tonne gold over 3.00 metres, 5.80 grams per tonne gold over 13.65 metres and 5.29 grams per tonne gold over 12.85 metres in Hole TC09-68. These intercepts extend the Rusk and Porphyry zones at Thunder Creek by 200 metres at depth and 100 metres along strike, for a total depth of approximately 775 metres. They also indicate the presence of a second significant mineralized horizon within the Porphyry zone. The zones remain open at depth.

Holes TC09-68 and TC09-69 were designed to test the downward extension of the Rusk and Porphyry zones below the previously announced Hole TC08-54 (see press release dated December 16, 2008), which had been the deepest intercept at 575 metres and was the first to be identified within a new porphyry-hosted mineralized system. Included within TC08-54 was a high-grade zone of 25.99 grams per tonne gold over 3.00 metres, within a broader zone averaging 5.90 grams per tonne gold over 26.35 metres. Based on the results of TC09-68 and TC09-69, the overall thickness of the Syenite porphyry has increased from approximately 30 metres in Hole TC08-54 to over 120 metres in Hole TC09-69, and there are at least two significant horizons of mineralization within the Porphyry extending to depth. Mineralization in the Porphyry zone continues to indicate a strong association with quartz veining, increased pyrite, and VG (visible gold), with minor scheelite, sphalerite, galena, molybdenite and tellurides.

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The results announced on May 5, 2009, include wedge Hole TC09-68a with an intercept of 10.09 grams per tonne gold over 4.70 metres, including 17.16 grams per tonne gold over 2.25 metres and wedge Hole TC09-69a, which intersected 7.97 grams per tonne gold over 19.45 metres in the Rusk Horizon, including 9.88 grams per tonne gold over 6.90 metres and 11.44 grams per tonne gold over 6.00 metres. Both wedge holes plus step out hole TC09-70 also intersected multiple Porphyry horizons similar to those previously announced in holes TC09-68 and TC09-69 (see press release dated March 31, 2009), confirming a minimum 175 metre strike length for these Porphyry zones and the Rusk zone along a north-northeasterly trend.

Hole TC09-68a is a wedge-branch designed to re-drill a two metre section of core lost in the initial pilot Hole TC09-68. TC09-68a re-intersected the Rusk Zone and was extended for a second intersection through the porphyry unit. Hole TC09-68a also included the discovery of a new sub-zone at depth in the volcanic rocks approximately 90 metres below the previously reported deepest intercept. This new deeper intercept in Hole TC09-68a of 5.04 grams per tonne gold over 1.50 metres suggests potential for additional stacked zones of mineralization below the Porphyry zones, which will be targeted in future drilling.

Hole TC09-69a is a wedge-branch, designed to bypass broken rods in pilot Hole TC09-69 (8.86 grams per tonne gold over 24.85 metres, including 19.55 grams per tonne gold over 6.00 metres as discussed above announced on March 31, 2009) and cover untested parts of the Porphyry below the broken rods. The new results in TC09-69a not only strongly confirm the previous intersection of the Rusk Zone in TC09-69, but indicates the presence of multiple horizons of mineralization within the untested section of the Porphyry similar to those in TC09-68a. The location and width of the Rusk zone and the new Porphyry Zones in TC09-69a suggests that all of these horizons extend strongly to the west and line up well with those in TC09-68 and TC09-70. The new value from TC09-69a from the Rusk zone was 7.97 grams per tonne gold over 19.45 metres including 19.95 grams per tonne gold over 2.45 metres and the new values from the Porphyry zone are 7.76 grams per tonne gold over 2.5 metres, 11.33 grams per tonne gold over 2.00 metres and 7.83 grams per tonne gold over 1.50 metres.

Hole TC09-70 was designed to explore for the extension of the Rusk and Porphyry Zones, over 120 metres east of TC09-68 and -68a, and over 200 metres downplunge from TC09-54 (11.20 grams per tonne gold over 10.40 m in the Porphyry – see press release dated December 16, 2008). Numerous felsic dykes were noted within the Rusk Horizon, and while alteration and deformation remain locally very strong, no significant mineralization was noted, possibly suggesting a steepening in the plunge of the shoot, or a change in geometry of the Rusk Zone. Another 50 metres further past the Rusk Horizon, the Porphyry Zone was successfully intersected, characterized by strong hematization, local pyrite disseminations, quartz stockwork, molybdenite and visible gold. The porphyry assayed 2.25 grams per tonne gold over 13.00 m, including 11.26 grams per tonne gold over 1.35 metres and another zone assaying 7.32 grams per tonne gold over 1.20 metres.

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The Company intends to double the number of the drills in the property in the second half of the year and add a drill on surface on the Timmins property, which is contiguous and immediately to the north of Thunder Creek, in order to test the extension of the same mafic-sedimentary rock contact hosting the Rusk Zone. The mineralization identified on the Thunder Creek property in both the Rusk and Porphyry zones is located approximately 800 metres from the Timmins Mine shaft. The Timmins Mine shaft is currently being sunk to a depth of 710 metres at which depth, the shaft capacity is in excess of 5,000 tonnes per day, and was purposely over designed in order to provide the Company flexibility to support underground exploration programs and to develop and exploit resources and reserves at the Timmins Mine

BLAKELOCK

All sampling and cutting for the Porphyry Creek drill program was completed during the month of January, with all samples either now received or in the process of being assayed at the lab. A final compilation and analysis of results from the program is currently in progress and should be completed during the second quarter of 2009.

CASA BERARDI

The Company has a 50% earn-in right on the Casa Berardi property, as provided in a joint venture agreement with Aurizon Mines Ltd. ("Aurizon"), entered into during the third quarter of 2007. The Company can earn its 50% interest by spending \$5.0 million over five years. At December 31, 2008, the Company had fulfilled the earn-in expenditure commitments to the end of 2009. The Company is the operator during the earn-in period.

Lake Shore Gold has spent a total of \$2.3 million on the Casa Berardi property as at March 31, 2009 (gross of estimated Quebec refundable taxes of \$0.9 million), of which \$0.5 million were spent during the first quarter of 2009 (gross of estimated Quebec refundable tax credits of \$0.2 million).

Work completed in the first quarter of 2009 included drilling 3,656 metres in 10 holes on the east block of claims, which holes were designed to follow up on favourable results obtained in 2008 drilling. Logging, assaying and sampling is expected to be completed during the second quarter of 2009.

TI-PA-HAA-KAA-NING

Lake Shore Gold has a 50% interest in the Ti-pa-haa-kaa-ning project in Northwestern Ontario, with the other 50% owned by Northern Superior Resources Inc. ("Northern Superior"), a related party to the Company by virtue of certain common directors and officers. Northern Superior is the operator of the project.

On January 6, 2009, Northern Superior announced the results of drilling in the summer and fall of 2008, including the discovery of a new gold showing and several gold-bearing ductile shear zones at the head of the gold grain-in-till dispersal apron in the Big Dam area of the Ti-pa-haa-kaa-ning property. The new gold showing, discovered from work completed during the summer drill program, consisted of several separate quartz-veins hosted by granodiorite that returned 3.34 grams per tonne gold and 8.9 grams per tonne gold, both over 0.34 metres.

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Work to date in 2009 has largely focused on completion of an updated 43-101 report. The final version of the report is expected by mid year 2009.

RESULTS OF OPERATIONS

<i>Three months ended March 31,</i>	2009	2008
(in \$'000)		
Corporate costs	\$1,469	\$883
Consulting fees	67	238
General exploration	247	241
Shareholder information	77	169
Travel	157	104
Legal and accounting	80	94
Write-off of resource properties and deferred exploration	170	-
Depreciation of property, plant and equipment	69	16
Accretion of asset retirement obligations	37	31
Loss before interest and other income and income taxes	(2,373)	(1,776)
Interest and other income, net	132	316
Recovery of income taxes	510	914
Net loss for the period	(\$1,731)	(\$546)
Net loss per share - basic and diluted	\$0.01	\$0.00

The higher net loss in the first quarter of 2009 mainly resulted from increased corporate costs in support of capital programs and growth plans, lower tax recovery and interest and other income, and the write off of certain non core projects in 2009 (none in 2008). These factors were partially offset by decreased consulting fees.

The Company reports stock-based compensation by either expensing the amount on the consolidated statements of loss and deficit (allocating it to (i) corporate costs for corporate employees, (ii) consulting fees, (iii) general exploration for individuals involved in work of a general reconnaissance nature, or capitalizing the amount in resource properties and deferred exploration for individuals involved in specific projects.

The Company capitalized \$0.2 million of stock based compensation during the first quarter of 2009. The allocation on the consolidated statements of loss and deficit for the three months ended March 31, 2009 and 2008, was as follows (\$'000):

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

The stock-based compensation costs 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).

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The increase in the stock-based compensation expense in 2009 compared to the same period in 2008 reflects the vesting of a large number of options issued throughout 2008 (a larger number of options were issued in 2008 compared to 2007 reflecting the increase in the number of employees and the Company's activities in 2008), partially offset by a reduction in the weighted average grant-date fair value and cancellation of a number of options (the latter due to organizational restructuring in late 2008).

Corporate costs in the first quarter of 2009 increased by \$0.6 million compared to the same period in 2008. Excluding the impact of stock-based compensation expense, corporate costs in the first quarter of 2009 increased by \$0.4 million compared to the same period in 2008. The increase is due mainly to increased costs in support of capital programs and growth plans initiated in the second quarter of 2008 as the Company transitions from an exploration company to a gold producer. The increase in corporate costs is partially offset by a decrease in consulting fees (excluding impact of stock-based compensation, consulting fees were nominal in the first quarter of 2009 and decreased by \$0.1 million compared to the same period in 2008).

General exploration expenditures, which include expenditures of a general reconnaissance nature that are not project specific or do not result in the acquisition of resource properties, in the first quarter of 2009 are comparable to the same period in 2008; excluding impact of stock-based compensation expenses, general exploration expenditures increased by \$0.1 million in 2009 as compared to the same period in 2008. The increase in general exploration expense reflected the Company's increased exploration activity in 2009.

Shareholder information costs in the first quarter of 2009 decreased by \$0.1 million compared to the same period in 2008, reflecting lower expenditures related to investor relation activities.

Travel expenses and legal and accounting fees in the first quarter of 2009 were comparable to the same period in 2008.

During the three months ended March 31, 2009, the Company wrote off \$0.2 million (same period in 2008, \$Nil) of its resource properties and deferred exploration, representing the carrying value of certain non core properties.

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.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's interim consolidated financial statements (\$000's):

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<i>Fiscal quarter ended</i>	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Interest and other income, net	\$132	\$600	\$892	\$412
Net loss	(1,731)	(2,297)	(1,078)	(1,579)
Net loss per share* - basic and diluted	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)

<i>Fiscal quarter ended</i>	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Interest and other income, net	\$316	\$94	\$411	\$347
Net income (loss)	(546)	270	300	(687)
Net income (loss) per share* - basic and diluted	(\$0.00)	\$0.00	\$0.00	(\$0.01)

*Net (loss) income per share is calculated based on the weighted average number of shares outstanding.

The Company's expenditures increased starting in the second quarter of 2008 compared mainly due higher corporate and other costs in support of capital programs and growth plans as the Company transitions from an exploration company to a gold producer.

The last two quarters of 2007 generated net income compared to net losses during the first two quarters of the same year, primarily due to higher future income tax recovery, mainly a result of reductions in substantially enacted future income tax rates and higher deductible expenditures incurred.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Lake Shore Gold is not in commercial production and accordingly it does not generate cash from operations. Financing for the Company has come from raising capital through equity issues. At March 31, 2009, the Company had cash and cash equivalents of \$117.9 million.

Cash provided by operating activities during the first quarter of 2009 was \$1.1 million mainly from changes in working capital (2008 – cash used in operating activities of \$2.1 million). Changes in non-cash working capital items, recovery of income taxes and stock-based compensation expense make up the principal amounts that reconcile the consolidated statements of loss to the consolidated statements of cash flows from operating activities.

The decrease in exploration advances and other receivables (\$2.3 million at March 31, 2009, compared to \$3.9 million at December 31, 2008) is mainly due to sales taxes; decrease in accounts payable and accrued liabilities (\$9.2 million at March 31, 2009, compared to \$17.1 million at December 31, 2008) is mainly due to the timing of payments.

Cash used in investing activities in the first quarter of 2009 totaled \$25.3 million (2008 – \$10.4 million). The Company's principal investing activity is the acquisition, exploration and advanced exploration of its resource properties. During 2009, the Company incurred the majority of its resource property expenditures (including changes in working capital related to resource properties and deferred exploration at March 31, 2009) on advanced exploration and field equipment for the Timmins project, refurbishing work on the Bell Creek mill, and on drilling at its various exploration properties and at the Bell Creek mine (for details, refer to "Property Developments" section on this MD&A). Included in investing activities is \$0.2 million (2008 - \$0.6

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illion) for irrevocable letters of credit posted by the Company, related to different activities in the Timmins project.

On March 5, 2009, the Company completed a bought deal financing and received \$57.0 million net of share issue costs. In management's view, and based on approved budgets, the Company is positioned to finance its planned activities for the remainder of 2009 and 2010, including bringing the Timmins Mine to commercial production, the advancement of the Bell Creek and Vogel deposits, and other currently planned operating, development and exploration activities. As at the date of this report, the Company's liquidity did not include any holding of asset-backed commercial paper.

OUTSTANDING SHARE CAPITAL

As at May 5, 2009, there were 212,662,041 common shares issued and outstanding, as well as the following options and warrants:

OPTIONS:

Number of Options Outstanding	Exercise Price Range
4,121,000	\$0.00 - \$0.99
900,000	\$1.00 - \$1.49
4,832,500	\$1.50 - \$1.99
385,000	\$2.00 - \$2.50
<u>10,238,500</u>	

WARRANTS:

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

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.

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 – \$0.1 million) for consulting services provided by directors.

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During the first quarter of 2009, the Company charged \$0.1 million (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 as of 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 \$0.1 million (2008 – \$1 million), for the Company's share of the property expenditures.

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

RISKS AND UNCERTAINTIES

The most significant risks and uncertainties faced by the Company are: the inherent risk associated with mineral exploration and development activities; the uncertainty of mineral resources and their development into mineable reserves; uncertainty as to potential project delays from circumstances beyond the Company's control; and timing of production; as well as title risks, risks associated with joint venture agreements and the possible failure to obtain mining licenses.

For a detailed description of Risks and Uncertainties refer to the Company's Annual Information Form for the year ended December 31, 2008.

CORPORATE GOVERNANCE

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three independent directors, meets with management and the external auditors of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters. The Company also has the practice of engaging its external auditors to perform quarterly reviews of its interim financial statements.

CONTROLS AND PROCEDURES

In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have evaluated the operating effectiveness of the Company's internal control over financial reporting. Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

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statements for external purposes in accordance with generally accepted accounting principles. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. Based on this assessment, management believes that, as of December 31, 2008, the Company's internal control over financial reporting is operating effectively. Management determined that there were no material weaknesses in the Company's internal control over financial reporting as of December 31, 2008. There were no material changes in the internal controls over financial reporting during the first quarter of 2009.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding annual and interim financial statement disclosure. An evaluation of the effectiveness of the design and operation of disclosure controls and procedures was conducted as of December 31, 2008, by the Company's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures as defined in *National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings*, are effective. There were no material changes in the design and operation of disclosure controls and procedures during the first quarter of 2009.

FORWARD-LOOKING STATEMENTS

Some of the statements in this MD&A constitute "forward-looking statements" 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 MD&A or, in the case of documents incorporated by reference herein, as of the date of such documents, and the Company does not intend, and does not assume any obligation, to update these forward-looking statements. These forward-looking statements represent management's best judgment based on facts and assumptions that management considers reasonable, including that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts, labour disturbances, interruption in transportation or utilities, or adverse weather conditions, that there are no material unanticipated variations in budgeted costs, and that contractors will complete projects according to schedule. 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, the estimation of mineral resources, 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

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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, risks related to: the inherent uncertainties in mineral exploration and development activities; fluctuations in the price of gold or in currency markets; the uncertainty of mineral resource and reserve estimates; the uncertainty of financing being available when needed; the uncertainty of mining licences or governmental approvals being granted in a timely manner; changes in regulatory requirements; hiring and retaining personnel with the necessary expertise; the failure of plant, equipment or processes to operate as anticipated; material unanticipated variations in budgeted costs; contractors not completing projects according to schedule; actual mineralization on properties being less than identified mineral reserves; accidents, labour disputes and other risks of the mining industry; delays in the completion of development or construction activities; as well as other factors discussed in the section entitled "Risk Factors" in the Company's AIF. Although the Company has attempted to identify important factors 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.

QUALITY CONTROL

Lake Shore Gold has a quality control program to ensure best practices in the sampling and analysis of drill core. Assays have been completed using a standard fire assay with a 30-gram aliquot. For samples that return a value greater than three grams per tonne gold, another pulp is taken and fire assayed with a gravimetric finish. Zones with visible gold are tested by pulp metallic analysis. NQ size drill core is saw cut and half the drill core is sampled in standard intervals. The remaining half of the core is stored in a secure location. The drill core is transported in security-sealed bags for preparation at ALS Chemex Prep Lab located in Timmins, Ontario, and the pulps shipped to ALS Chemex Assay Laboratory in Vancouver, B.C. ALS Chemex is an ISO 9001-2000 registered laboratory preparing for ISO 17025 certification.

QUALIFIED PERSON

The Company's Qualified Persons ("QPs") (as defined in National Instrument 43-101, "Standards of Disclosure for Mineral Projects") for the Timmins project and Thunder Creek properties; Bell Creek, Schumacher and Vogel properties; and Casa Berardi optioned property are Jacques Samson, P. Geo., Richard Labine, P. Geo. and Eric Kallio, P. Geo., respectively. As QPs, Messrs. Samson, Labine and Kallio have prepared or supervised the preparation of the scientific or technical information for their respective properties as reviewed in this MD&A.

ADDITIONAL INFORMATION

Additional information relating to the Company is provided in the Company's audited consolidated financial statements for the year ended December 31, 2008, its Annual Information Form for the year ended December 31, 2008, and its most recently filed Information Circular. These and other documents relating to the Company are available on SEDAR at www.sedar.com.