

LAKE SHORE GOLD CORP.**CONSOLIDATED BALANCE SHEETS***(in thousands of dollars)**(Unaudited)*

<i>As at</i>	June 30, 2009	December 31, 2008
Assets		
Current		
Cash and cash equivalents	\$93,823	\$85,319
Exploration advances and other receivables	2,708	3,888
	96,531	89,207
Restricted cash <i>note 4</i>	5,107	4,901
Property, plant and equipment (net of accumulated amortization) <i>note 5</i>	20,967	13,703
Resource properties and deferred exploration <i>note 6</i>	210,071	172,111
	\$332,676	\$279,922
Liabilities		
Current		
Accounts payable and accrued liabilities	\$10,055	\$17,113
Current portion of lease obligations <i>note 7</i>	2,320	671
	12,375	17,784
Lease obligations <i>note 7</i>	4,124	719
Asset retirement obligations <i>note 9</i>	1,534	1,461
Future income tax liabilities <i>note 11</i>	15,475	17,381
	21,133	19,561
Shareholders' Equity		
Share capital <i>note 8(b)</i>	312,289	252,872
Contributed surplus <i>note 8(e)</i>	8,336	7,982
Deficit	(21,457)	(18,277)
	299,168	242,577
	\$332,676	\$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)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Expenses				
Corporate costs <i>note 8(d)</i>	\$1,359	\$1,311	\$2,828	\$2,194
Consulting fees <i>notes 8(d) and 10</i>	85	195	152	433
General exploration <i>note 8(d)</i>	132	284	379	525
Shareholder information	132	184	209	353
Travel	97	169	254	273
Legal and accounting	105	51	185	145
Write-off of resource properties and deferred exploration	-	-	170	-
Depreciation of property, plant and equipment	51	17	120	33
Accretion of asset retirement obligations <i>note 9</i>	36	30	73	61
Loss before the undernoted	(1,997)	(2,241)	(4,370)	(4,017)
Interest expense	(20)	(159)	(46)	(161)
Interest and other income	70	571	228	889
Loss before income taxes	(1,947)	(1,829)	(4,188)	(3,289)
Recovery of income taxes <i>note 11</i>	498	250	1,008	1,164
Net loss for the period	(\$1,449)	(\$1,579)	(\$3,180)	(\$2,125)
Deficit, beginning of period	(20,008)	(13,322)	(18,277)	(12,776)
Deficit, end of period	(\$21,457)	(\$14,901)	(\$21,457)	(\$14,901)
Net loss per share - basic and diluted <i>note 8(g)</i>	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)
Weighted-average number of shares outstanding (000's)	212,915	146,903	199,587	135,825

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net loss for the period	(\$1,449)	(\$1,579)	(\$3,180)	(\$2,125)
Other comprehensive loss:				
Unrealized loss on available-for-sale investment	-	(7)	-	(15)
Comprehensive loss for the period	(\$1,449)	(\$1,586)	(\$3,180)	(\$2,140)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Operating Activities				
Net loss for the period	(\$1,449)	(\$1,579)	(\$3,180)	(\$2,125)
Recovery of income taxes	(498)	(250)	(1,008)	(1,164)
Stock-based compensation	284	409	600	685
Write-off of resource properties and deferred exploration	-	-	170	-
Depreciation of property, plant and equipment	51	17	120	33
Accretion of asset retirement obligations	36	30	73	61
	(1,576)	(1,373)	(3,225)	(2,510)
Change in non-cash operating working capital items:				
(Increase) decrease in exploration advances and other receivables	(289)	(45)	543	(726)
Increase (decrease) in accounts payable and accrued charges	1,186	(522)	3,054	(808)
Cash (used in) provided by operating activities	(679)	(1,940)	372	(4,044)
Investing Activities				
Restricted cash	-	(92)	(206)	(721)
Additions to property, plant and equipment	(2,037)	(456)	(2,855)	(575)
Resource properties and deferred exploration expenditures	(21,864)	(17,329)	(46,122)	(27,018)
Cash used in investing activities	(23,901)	(17,877)	(49,183)	(28,314)
Financing Activities				
Proceeds from public offering / private placement (net of share issue costs)	-	78,813	57,003	143,334
Exercise of stock options and warrants	913	420	913	1,095
Payment of capital lease obligations	(365)	(47)	(601)	(84)
Cash provided by financing activities	548	79,186	57,315	144,345
(Decrease) increase in cash and cash equivalents during the period	(24,032)	59,369	8,504	111,987
Cash and cash equivalents at beginning of period	117,855	64,533	85,319	11,915
Cash and cash equivalents at end of period	\$93,823	\$123,902	\$93,823	\$123,902

Supplemental cash flow information note 12

See accompanying notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 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 item 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 at the date of issuance 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 six months ended June 30, 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 the Company as security for its obligations under various agreements. These funds are restricted and not available for current operations. During the three and six months ended June 30, 2009, the Company issued letters of credit for \$Nil and \$206 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2009 and 2008 (In thousands of dollars, unaudited)

5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment at June 30, 2009 are as follows:

	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$231	\$63	\$168
Computer equipment	1,035	308	727
Mining equipment	21,715	1,643	20,072
	\$22,981	\$2,014	\$20,967

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
	\$14,582	\$879	\$13,703

Mining equipment at June 30, 2009, includes costs of \$7,982 and accumulated amortization of \$354 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 (\$546 and \$1,006 capitalized for the three and six months ended June 30, 2009 and \$36 and \$71 respectively for the same periods in 2008).

6. RESOURCE PROPERTIES AND DEFERRED EXPLORATION

For the six month period ended June 30, 2009:

	Timmins Mine Project	Bell Creek Properties	Thunder Creek	Casa Berardi	Blakelock	Ti-pa-haa- kaa-ning	Other ¹	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	-	123	-	-	-	3	3	129
Bell Creek mill	-	5,491	-	-	-	-	-	5,491
Analytical	106	120	122	31	21	2	-	402
Geology	42	90	13	-	4	51	12	212
Drilling	1,094	2,155	1,110	375	16	-	-	4,750
Project administration	20	165	121	45	21	26	4	402
Write off of resource properties and deferred exploration	-	-	-	-	-	-	(170)	(170)
Advanced exploration	22,576	4,168	-	-	-	-	-	26,744
Balance, end of period	\$146,904	\$45,199	\$4,741	\$1,492	\$3,584	\$4,567	\$3,584	\$210,071

¹ Includes, Abitibi \$1,648, Bazooka \$942 and Miscellaneous \$994.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 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 ¹	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	38,655	-	-	-	-	-	-	38,655
Balance, end of year	\$123,065	\$32,887	\$3,375	\$1,041	\$3,522	\$4,485	\$3,735	\$172,111

¹ Includes Abitibi \$1,644, Bazooka \$942 and Miscellaneous 1,149.

During the three and six months ended June 30, 2009, the Company wrote off \$Nil and \$170 respectively (same periods 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 June 30, 2009, and December 31, 2008 are as follows:

	June 30, 2009	December 31, 2008
2009	\$1,592	\$776
2010	2,190	537
2011	1,562	116
2012	1,465	115
2013	606	-
Total minimum lease payments	\$7,415	\$1,544
Less: Amount representing interest	(971)	(154)
Present value of capital lease obligations	\$6,444	\$1,390
Less: Current portion	(2,320)	(671)
Non-current portion	\$4,124	\$719

8. SHARE CAPITAL

a) Authorized unlimited common shares without par value.

b) During the six months ended June 30, 2009 and year ended December 31, 2008, changes in issued share capital were as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2009 and 2008 (In thousands of dollars, unaudited)

	Six months ended June 30, 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 \$506 (2008 - \$670) from contributed surplus)	771,566	1,419	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	213,358,507	\$312,289	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 June 30, 2009, the Company had 9,311,934 stock options outstanding of which 2,932,580 were exercisable.

A summary of the changes in the Company's stock option plan for the six months ended June 30, 2009 and year ended December 31, 2008 are as follows:

	June 30, 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	375,000	\$1.49	6,720,000	\$1.26
Exercised	(771,566)	\$1.18	(1,231,000)	\$0.89
Forfeited	(671,500)	\$1.67	(1,489,000)	\$1.74
Outstanding, end of period / year	9,311,934	\$1.36	10,380,000	\$1.37
Exercisable, end of period / year	2,932,580	\$1.61	2,981,648	\$1.48

d) Stock-based compensation

Stock-based compensation recognized in the periods 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 \$75 and \$260 of stock based compensation during the three and six months ended June 30, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2009 and 2008 (In thousands of dollars, unaudited)

The allocation of the stock-based compensation expense in the consolidated statement of loss and deficit for the three and six months ended June 30, 2009 and 2008 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Corporate costs	\$221	\$231	\$486	\$303
Consulting fees	58	72	118	154
General exploration	5	106	(4)	228
Total stock-based compensation	\$284	\$409	\$600	\$685

The stock-based compensation was determined using the Black-Scholes option pricing model. A weighted average grant-date fair value for the first half of 2009 of \$1.49 (2008 – \$0.89) for options granted was estimated using the following assumptions: no dividends are to be paid; volatility of 69% (2008 – 64% to 66%); risk free interest rate of 1.63% to 2.11% (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

	Six months ended June 30, 2009	Year ended December 31, 2008
Balance, beginning of year	\$7,982	\$6,797
Stock-based compensation	860	2,078
Stock options exercised	(506)	(670)
Warrants expired	-	(223)
Balance, end of period / year	\$8,336	\$7,982

f) Warrants

As at June 30, 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.

h) Accumulated other comprehensive income

There is no accumulated other comprehensive income at June 30, 2009 (December 31, 2008 - \$Nil)

9. ASSET RETIREMENT OBLIGATIONS

A summary of the changes in the asset retirement obligations for the six months ended June 30, 2009 and year ended December 31, 2008 is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2009 and 2008 (In thousands of dollars, unaudited)

	Six months ended June 30, 2009	Year ended December 31, 2008
Balance, beginning of year	\$1,461	\$1,228
Liability incurred on the Timmins West property	-	109
Accretion expense	73	124
Balance, end of period / year	\$1,534	\$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 and six months ended June 30, 2009 and 2008:

No fees were paid during the three and six months ended June 30, 2009 (2008 – \$513 and \$619 respectively) for consulting services provided by directors. The fees paid during 2008 included \$500 paid to a director as finder fee related to a financing completed during that period.

During the three and six months ended June 30, 2009, the Company charged \$34 and \$84 respectively (2008 - \$16 for the three and six months ended June 30) 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 three and six months ended June 30, 2009, Northern Superior, the joint venture operator for the Ti-pa-ha-kaa-ning property, charged the Company \$36 and \$86 respectively (2008 – \$1,189 and \$2,151 respectively), for the Company's share for the property expenditures. As at June 30, 2009, there is \$36 (December 31, 2008, net -\$815) due to Northern Superior included in accounts payable (December 31, 2008 - \$1,088 included in accounts payable and \$274 included in exploration advances and other receivable).

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 \$1.9 million during the six month period ended June 30, 2009 (during the six months ended June 30, 2008 the liability decreased by \$1.5 million), of which \$1.0 million (six months ended June 30, 2008 - \$1.2 million) was recorded as a recovery of income tax in the consolidated statement of loss and deficit and the remaining on the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2009 and 2008 (In thousands of dollars, unaudited)

12. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Resource properties				
Increase (reduction) in working capital related to resource properties	(\$738)	(\$1,778)	(\$9,476)	\$3,510
Write-off of resource properties and deferred exploration	-	-	(170)	-
Depreciation of property, plant and equipment capitalized	546	36	1,006	71
Stock options capitalized (gross of future income taxes)	103	-	356	-
Additional asset retirement obligations for Timmins West property	-	18	-	54
Share capital				
Transfer of amounts from contributed surplus	505	283	505	670
Future tax recovery on share issue costs	-	254	994	301
2008 - 15 million flow through shares renounced recorded as adjustment to share issue costs	-	-	-	(4,725)
Interest received	92	398	413	475
Income taxes paid	-	-	-	-
Cash and cash equivalents at June 30 consist of:				
Cash	\$43,823	\$123,902	\$43,823	\$123,902
Short term investments	\$50,000	-	\$50,000	-
	\$93,823	\$123,902	\$93,823	\$123,902