

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 and six months ended June 30, 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 August 4, 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 kilometres west of the City of Timmins, one of the world's most productive gold mining camps. 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 activities. Refurbishing work to increase the Mill's capacity to 1,500 tonnes per day is progressing. The Company has also commenced 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. The Company 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 \$93.8 million of cash and cash equivalents as at June 30, 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

Advanced Exploration Program at Timmins Mine continues on schedule and on budget

- On May 13, 2009, the Timmins Mine shaft reached the 650 Level, the level from which bulk sampling of development ore from the Ultramafic Zone at Timmins Mine will be conducted. The 650 Level shaft station was completed on June 2, 2009 with development towards the Ultramafic Zone having currently advanced 71 metres. Bulk sampling is expected to commence by the end of August.
- The Timmins Mine ramp reached 1,060 metres of advance by the end of the second quarter of 2009, representing a vertical depth of approximately 160 metres. Work in the ramp during the second quarter largely focused on development and advanced exploration work to better define and expose the vein systems in the Vein 1 and the Main zones on the 50, 60, 80 and 90 metre levels. This work involved moving significant waste and development material.

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Processing of development ore commenced near end of March 2009

In March 2009, the Company commenced processing activities at the Bell Creek Mill. The Mill is initially running in campaigns, processing stockpiles of low grade material from development and advanced exploration work in the Timmins Mine ramp. Limited processing occurred during the second quarter, mainly related to testing the circuit and "bedding" the Mill. Deliveries are expected to increase in the third quarter as bulk sampling commences from both the ramp and the 650 Level in the shaft.

Bell Creek Mill capacity increasing to 1,500 tonnes per day

Near the end of the second quarter, the Company commenced work to refurbish the secondary ball mill circuit at the Bell Creek Mill, which is expected to increase the Mill's capacity to 1,500 tonnes per day during the third quarter of 2009 from the current capacity of 800 tonnes per day. The Company continues to target 30,000 ounces of gold in 2009 from processing bulk sample material from the Timmins Mine ramp and shaft. In July, the Company poured 457 ounces of gold.

Commencing advanced exploration program at the Bell Creek Complex

In May 2009, the Company commenced an advanced exploration program at its 100% owned Bell Creek Complex following receipt of Closure Plan approval and the completion of an Exploration Agreement with four First Nations. The Bell Creek complex advanced exploration program includes 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. As at August 4, 2009, the Bell Creek shaft had been de-watered to the 110 metre level and the ramp had been advanced 330 metres.

Exploration success in support of future production growth

During the first six months of 2009, the Company announced results for 13 holes and three wedge holes (11,145 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 (refer to the press releases dated March 31, May 5 and June 24, 2009 on the Company's website at www.lsgold.com). Included in results announced on June 24, 2009 were intercepts of 12.75 grams per tonne gold over 83.40 metres (13.73 grams per tonne gold over 77.50 metres, including 24.68 grams per tonne gold over 13.00 metres, 38.22 grams per tonne gold over 11.00 metres and 26.78 grams per tonne gold over 8.50 metres). These high-grade intercepts are the most encouraging results to date at Thunder Creek. On March 31, 2009, the Company announced 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 the discovery of a second significant mineralized horizon within the Porphyry zone.

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Encouraging exploration results were also reported from the Company's 100% owned Bell Creek Complex (including the Bell Creek, Vogel and Schumacher properties). To date in 2009, the Company has announced results from 40 holes and 9 wedge holes (28,494 metres) including results from Bell Creek released on July 21, 2009 which included 12.63 grams per tonne gold over 11.65 metres. The July 21st results extended the eastern plunging mineralized system at Bell Creek to a total plunge length of 1,150 metres from surface and 500 metres along strike with the system remaining open along strike and at depth.

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

- On March 5, 2009, the Company closed a bought deal equity 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 half of 2009, including exploration expenditures of \$5.9 million, totaled \$40.5 million (excluding non-cash charges and changes in working capital); the Company expects its expenditures in 2009 to be in line with the previously announced forecast of \$89 million.
- At June 30, 2009, Lake Shore Gold had cash and cash equivalents of \$93.8 million excluding \$5.1 million posted in reclamation bonds.

OUTLOOK

The year 2009 is critical for Lake Shore Gold as it progresses towards commercial gold production, expected during the second half of 2010. Initial processing of development material 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 bulk sample material and development ore mined from the Timmins ramp and shaft and processed at the Bell Creek Mill, as part of the ongoing advanced exploration program.

Near the end of the second quarter, the Company commenced work to refurbish the secondary ball mill circuit at the Bell Creek Mill, which is expected to increase the Mill's capacity to 1,500 tonnes per day during the third quarter of 2009.

The Company commenced the Bell Creek Complex advanced exploration program during the second quarter of 2009, which includes 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. Work is expected to advance on a schedule to allow bulk sampling at the Bell Creek Complex to commence around the middle of 2010.

Project spending in 2009 is forecast at \$89.0 million related to advanced exploration work at the 100% owned Timmins Mine and Bell Creek Complex, refurbishing and improvements at the Bell Creek Mill and exploration progress. Based on its June 30, 2009 cash position of \$93.8 million and the proceeds from planned gold sales in 2009 and 2010, 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.

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PROPERTY DEVELOPMENTS

Project and Exploration Spending (\$'000)	Six months ended June 30, 2009*
Resource property and deferred exploration	
Timmins Mine	\$22,728
Bell Creek Mill	5,121
Bell Creek mine and exploration properties	6,821
Thunder Creek Joint Venture (Company's share)	1,366
Blakelock - Little Abitibi properties	62
Casa Berardi net	452
Ti-pa-haa-kaa-ning (Company's share)	82
Other projects	18
	\$36,650
Property, Plant and equipment	
Timmins Mine	\$541
Bell Creek Mill	397
Bell Creek Mine	2,947
	\$3,886
	\$40,536

**Project and Exploration Spending reported above for the six months ended June 30, 2009 exclude non cash charges of \$1.5 million for resource property and deferred exploration, \$5.5 million for property, plant and equipment and changes in working capital.*

DEFERRED EXPLORATION EXPENDITURES

Exploration spending for the first half of 2009 totaled \$5.9 million (representing 47,123 metres of drilling) and included \$1.3 million at the Timmins Mine project, \$1.4 million at Thunder Creek, \$2.7 million at the Bell Creek Complex, and \$0.5 million at Casa Berardi, with the remainder 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 tonnes per day. Processing of low-grade material from development and advanced exploration work in the Timmins Mine ramp commenced at the Bell Creek Mill near the end of the first quarter. The Mill is initially running in campaigns processing material as stockpiles are established. The Mill will run on a more continuous basis during the second half of the year as deliveries from the Timmins Mine increase, both from the ramp and shaft. In addition, near the end of the second quarter work commenced to refurbish the secondary ball mill at the Bell Creek Mill, which is expected to increase the Mill's capacity to 1,500 tonnes per day during the third quarter.

Spending at the Bell Creek Mill in the first half of 2009 totaled \$5.5 million, mainly related to new surface buildings, the construction of a cyanide destruction plant and other mill improvements and repairs.

TIMMINS MINE PROJECT

During the first half of 2009, the Company spent \$23.3 million on the Timmins Mine project (including advanced exploration, ramp development and exploration drilling expenditures, as detailed below).

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 half of 2009, the Company's spending on advanced exploration at Timmins totaled \$11.7 million.

On May 13, 2009, the Timmins shaft reached the 650 Level. The 650 Level shaft station was completed as of June 2, 2009 and development from the 650 Level towards the ore in the Ultramafic Zone, representing approximately 60% of the Timmins Mine deposit, commenced in July. Bulk sampling is expected to begin by the end of August. The shaft has currently been deepened to the 668 metre level in order to place the shaft sinking structure below the 650 Level. The current work plan envisions sinking the shaft to the 710 metre level by year end, with consideration currently being given to continuing to deepen the shaft to the 1200 metre level. A decision on deepening the shaft is anticipated by the end of the year and will be assisted by results from diamond drilling planned to be carried out in the third and fourth quarters from surface and underground on the 650 Level. A favourable decision to deepen the shaft is not expected to affect the Company's production plans.

SURFACE RAMP TO THE 400 LEVEL

At June 30, 2009 the Timmins ramp had advanced approximately 1,060 metres and has currently been driven approximately 1,215 metres (to a vertical depth of approximately 180 metres). Work in the ramp during the second quarter largely focused on development and advanced exploration work to better define and expose the vein systems in the Vein 1 and the Main zones on the 50, 60, 80 and 90 metre levels. This work involved moving significant waste and development material. Project spending related to the ramp during the first half of 2009 was \$10.3 million.

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.

Drilling during the first half of 2009 was conducted from the underground mine and included 9,539 metres in 146 holes. Holes were collared from a variety of drilling platforms located between the 20 and 140 metre Level, and were directed mainly towards testing of the near surface Main Zone and Vein 1 and Vein 2 Zones.

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Underground drilling commenced in the shaft area in late June, with one 186 metres diamond drill hole targeting the Ultramafic and Footwall Zones completed prior to June 30th. A total of 322.6 metres in 10 service holes were also drilled in support of mining operations.

Currently, of the drilling completed in the first half of 2009, 7,906 metres has been geologically logged and 4,506 metres remains to be sampled. Analysis and interpretation of data collected to date is still ongoing.

BELL CREEK MINE AND VOGEL/SCHUMACHER

The Company incurred expenditures at the 100% owned Bell Creek Mine and contiguous Vogel and Schumacher properties of \$9.8 million during the first half of 2009, of which \$7.1 million related to the Bell Creek Complex advanced exploration program and \$2.7 million to exploration.

In May 2009, the Company commenced an advanced exploration program at the Bell Creek Complex (Bell Creek, Vogel and Schumacher) following receipt of Closure Plan approval and the completion of an Exploration Agreement with four First Nations. The Bell Creek Complex advanced exploration program includes 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. As at August 4, 2009, the Bell Creek shaft had been de-watered to the 110 metre level and the ramp had been advanced 330 metres.

During the six months ended June 30, 2009, the surface drilling program at the Bell Creek Complex included completion of 29 holes and 10 wedge holes, with an additional 3 holes from 2008 drilling program being extended into the current year, for a total of 21,189 metres of drilling. Of holes completed, 28 holes and 9 wedge holes (19,917 metres) 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 1 hole and 1 wedge hole (1,272 metres) was drilled at the Vogel project.

On May 4, 2009, the Company announced encouraging results from 20 holes (12,297 metres) including holes at Bell Creek confirming at least a 200 metre easterly extension of mineralization from the Bell Creek mine workings; holes intersecting mineralization 350 metres below the Bell Creek mine workings; and holes intersecting mineralization 225 metres south of the historic mine workings and near the collar location for the new Vogel ramp.

On July 7, 2009, the Company announced additional encouraging results from 16 holes and 7 wedge holes (12,593 metres) from the Bell Creek and Vogel properties, including holes at Bell Creek which encountered attractive grades and widths of gold mineralization below and to the east of the historic resource. In addition, results at Vogel included intersecting visible gold with assays of 22.50 grams per tonne gold over 1.00 metre, 8.39 grams per tonne gold over 1.60 metres and 7.06 grams per tonne gold over 1.95 metres. The historic area of mineralization at Vogel has been extended by 300 metres, to a total depth of 650 metres.

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Results announced on July 21, 2009 included 12.63 grams per tonne gold over 11.65 metres within a broader intercept of 11.09 grams per tonne gold over 13.75 metres. Included within the 12.63 grams per tonne gold intercept were 24.73 grams per tonne gold over 2.20 metres and 23.16 grams per tonne gold over 1.50 metres. The July 21st results added a significant new dimension to the Bell Creek project identifying a large gold system at depth where drilling has demonstrated attractive grades and widths. The system, which plunges eastward towards the Company's wholly owned Schumacher property, where there is limited past drilling, has now been identified to a total plunge length of 1,150 metres from surface and 500 metres along strike and remains open both along strike and at depth.

Drilling at Bell Creek is ongoing, and will be accelerated with six drills active on the property.

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 six months of 2009, the Company incurred, on behalf of the joint venture, \$2.3 million of expenditures on the property (the Company's share was \$1.4 million). During the first six months of 2009, the Company announced results for 13 holes and three wedge holes (11,145 metres) as part of its ongoing 22,000 metre diamond drill program at Thunder Creek. The Company is awaiting results from one wedge hole with four additional holes in progress.

There are currently two drills operating on the property, with approximately 15,000 metres of the current 22,000 metre drill program having now been reported. Two drills have been added on the Company's 100% owned Timmins Mine property to explore for new mineralization along the north-east extension of the same geological contact hosting the Thunder Creek Rusk Zone.

The results announced on March 31, 2009 included an intercept of 8.86 grams per tonne gold over 24.85 metres, including 19.55 grams per tonne gold over 6.00 metres in hole TC09-69. The intercepts reported on March 31st significantly extended the Rusk and Porphyry zones at Thunder Creek, and also indicated the presence of a second significant mineralized horizon within the Porphyry zone.

The results announced on May 5, 2009 included 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 hole TC09-69a, which intersected 7.97 grams per tonne gold over 19.45 metres in the Rusk Horizon. Both of these holes intersected multiple Porphyry horizons similar to those announced on March 31, 2009).

The results announced on June 24, 2009 included hole TC09-68b with intercepts of 12.75 grams per tonne gold over 83.40 metres (13.73 grams per tonne gold over 77.50 metres, including 24.68 grams per tonne gold over 13.00 metres, 38.22 grams per tonne gold over 11.00 metres and 26.78 grams per tonne gold over 8.50 metres). The broad intercept in TC09-68b spanned the full width of the Porphyry unit and also intersected mineralization in the Rusk Zone as well as in a new, second Porphyry unit discovered near the bottom of the hole.

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BLAKELOCK

All results have now been received for the drill program completed near Porphyry Creek portion of the property just before year end of 2008 and a final report for this is now being completed. The drilling was designed to test for expansion potential of anomalous gold assays obtained from past programs on the north side of the Casa Berardi trend. The drilling obtained interesting alteration but mostly low grade assay values. Future plans for exploration on the property are still being reviewed.

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 June 30, 2009, of which \$0.5 million were spent during the first half of 2009. Note that exploration expenditures in Quebec result in a 40% refundable tax credit to the Corporation. To date, the total amount of eligible Quebec refundable tax credits is \$1 million, including \$0.3 million in 2009.

Work completed in the first half 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 ongoing.

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.

Work to date in 2009 has largely focused on completion of an updated 43-101 report.

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RESULTS OF OPERATIONS

(in \$'000)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Corporate costs	\$1,359	\$1,311	\$2,828	\$2,194
Consulting fees	85	195	152	433
General exploration	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	36	30	73	61
Loss before interest and other income and income taxes	(\$1,997)	(\$2,241)	(\$4,370)	(\$4,017)
Interest and other income, net	50	412	182	728
Recovery of income taxes	498	250	1,008	1,164
Net loss for the period	(\$1,449)	(\$1,579)	(\$3,180)	(\$2,125)
Net loss per share - basic and diluted	\$0.01	\$0.01	\$0.02	\$0.02

The net loss in the second quarter of 2009 decreased compared to the same period in 2008 mainly due to higher recovery of income taxes. The higher net loss in the first half of 2009 compared to the same period in 2008, mainly resulted from increased corporate costs in support of capital programs and growth plans, lower interest and other income and tax recovery, and the write off of certain non core projects in 2009 (none in 2008). These factors were partially offset by decreased consulting fees, general exploration and shareholder information expenditures.

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 \$0.3 million of stock based compensation during the first half of 2009. The allocation on the consolidated statements of loss and deficit for the three and six months ended June 30, 2009 and 2008, was as follows (\$'000):

	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 expenditures were 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).

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Stock-based compensation expense for the first half of 2009 is comparable to the first half of 2008. The stock-based compensation expense in the second quarter of 2009 is lower than the same period in 2008, largely reflecting the impact of the cancellation of a number of options in 2009 (the latter due to organizational restructuring in late 2008).

Corporate costs in the three and six months ended June 30, 2009, increased by a nominal amount and \$0.6 million, respectively, compared to the same periods in 2008 (or a nominal amount and \$0.5 million, respectively, excluding the impact of stock-based compensation expense). The increase is due mainly to increased costs in support of capital programs and growth plans initiated in the second quarter of 2008 supporting the Company's transition 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 decreased by \$0.1 million and \$0.2 million respectively in the three and six months ended June 30, 2009, compared to the same periods 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 second quarter of 2009 are comparable to the same period in 2008 (excluding the impact of stock-based compensation expenses), while these costs increased by \$0.1 million for the first six months of 2009 compared to the same period in 2008 (excluding the impact of stock-based compensation expenses). The increase in general exploration expense for the first six months of 2009 compared to 2008 reflected the Company's increased exploration activity in 2009.

Shareholder information costs in the three and six months ended June 30, 2009 decreased by a nominal amount and \$0.1 million respectively compared to the same periods in 2008, reflecting lower expenditures related to investor relation activities.

Travel expenses and legal and accounting fees in the three and six months ended June 30, 2009 were comparable to the same periods in 2008.

During the first quarter of 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 \$1.9 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.

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, other than "per share" amounts):

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<i>Fiscal quarter ended</i>	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Interest and other income, net	\$50	\$132	\$600	\$892
Net loss	(\$1,449)	(\$1,731)	(\$2,297)	(\$1,078)
Net loss per share* - basic and diluted	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)

<i>Fiscal quarter ended</i>	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Interest and other income, net	\$412	\$316	\$94	\$411
Net income (loss)	(\$1,579)	(\$546)	\$270	\$300
Net income (loss) per share* - basic and diluted	(\$0.01)	(\$0.00)	\$0.00	\$0.00

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

The Company's operating expenses increased starting in the second quarter of 2008 mainly due to 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 June 30, 2009, the Company had cash and cash equivalents of \$93.8 million.

Cash provided by operating activities during the first half of 2009 was \$0.4 million mainly from changes in working capital (same period in 2008 – cash used in operating activities of \$4.4 million). Cash used in operating activities during the second quarter of 2009 was \$0.7 million mainly from changes in working capital (same period in 2008 – cash used in operating activities of \$1.9 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 (\$2.7 million at June 30, 2009, compared to \$3.9 million at December 31, 2008) is mainly due to sales taxes. The decrease in accounts payable and accrued liabilities (\$10.1 million at June 30, 2009, compared to \$17.1 million at December 31, 2008) is mainly due to the timing of payments.

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Cash used in investing activities in the first half of 2009 totaled \$49.2 million, including \$9.5 in working capital changes (2008 – \$28.3 million). Cash used in investing activities in the second quarter of 2009 totaled \$23.9 million (same period in 2008 – \$17.9 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 June 30, 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 the "Property Developments" section of this MD&A). Included in investing activities for the first half of 2009 is \$0.2 million (same period in 2008 - \$0.7 million) for irrevocable letters of credit posted by the Company, related to different activities at the Timmins Mine.

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 August 4, 2009, there were 213,401,838 common shares issued and outstanding, as well as the following options and warrants:

OPTIONS:

Number of Options Outstanding	Exercise Price Range
3,631,000	\$0.00 - \$0.99
965,000	\$1.00 - \$1.49
4,365,937	\$1.50 - \$1.99
330,000	\$2.00 - \$2.50
<u>9,291,937</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 at the date of issuance resulting in no impact on its consolidated financial statements.

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 – \$0.5 million and \$0.6 million respectively) for consulting services provided by directors. The fees paid during 2008 included \$0.5 million paid to a director as finder fees related to a financing completed during that period.

During the three and six months ended June 30, 2009, the Company charged a nominal amount and \$0.1 million respectively (2008 – a nominal amount 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 a nominal amount and \$0.1 million respectively (2008 – \$1.2 million and \$2.2 million respectively), for the Company's share for the property expenditures. As at June 30, 2009, there is a nominal amount (December 31, 2008, net –\$0.8 million) due to Northern Superior included in accounts payable (December 31, 2008 - \$1.1 million included in accounts payable and \$0.3 million 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.

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; the uncertainty as to potential project delays from circumstances beyond the Company's control; and the 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 widely accepted 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 has also adopted 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 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 half 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 half 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 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.

LAKE SHORE GOLD CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS

Three and six months ended June 30, 2009 and 2008

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. Eric Kallio, P. Geo., Don Boucher, P. Geo., respectively. As QPs, Messrs. Samson, Labine, Kallio and Boucher 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.