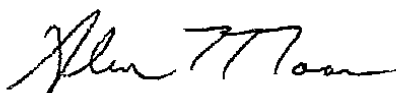


**LAKE SHORE GOLD CORP.****CONSOLIDATED BALANCE SHEETS***(in thousands of dollars)**(Unaudited)*

<i>As at</i>	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Current		
Cash and cash equivalents	<b>\$65,949</b>	\$85,319
Exploration advances and other receivables	<b>4,575</b>	3,888
	<b>70,524</b>	89,207
Restricted cash <i>note 3</i>	<b>5,107</b>	4,901
Property, plant and equipment (net of accumulated depreciation) <i>note 4</i>	<b>24,186</b>	13,703
Resource properties and deferred exploration <i>note 5</i>	<b>236,992</b>	172,111
	<b>\$336,809</b>	\$279,922
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	<b>\$14,876</b>	\$17,113
Current portion of lease obligations <i>note 6</i>	<b>2,460</b>	671
	<b>17,336</b>	17,784
Lease obligations <i>note 6</i>	<b>4,869</b>	719
Asset retirement obligations <i>note 8</i>	<b>1,571</b>	1,461
Future income tax liabilities <i>note 10</i>	<b>14,961</b>	17,381
	<b>21,401</b>	19,561
<b>Shareholders' Equity</b>		
Share capital <i>note 7(b)</i>	<b>312,647</b>	252,872
Contributed surplus <i>note 7(e)</i>	<b>8,768</b>	7,982
Deficit	<b>(23,343)</b>	(18,277)
	<b>298,072</b>	242,577
	<b>\$336,809</b>	\$279,922

Subsequent events *note 12**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 share amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Expenses				
Corporate costs <i>note 7(d)</i>	\$1,729	\$915	\$4,557	\$3,108
Consulting fees <i>notes 7(d) and 9</i>	156	369	308	802
General exploration <i>note 7(d)</i>	124	346	502	872
Shareholder information	132	118	341	470
Travel	200	222	455	496
Legal and accounting	67	164	253	309
Write-off of resource properties and deferred exploration	40	-	210	-
Depreciation of property, plant and equipment	50	36	170	69
Accretion of asset retirement obligations <i>note 8</i>	37	31	110	92
Loss before the undernoted	(2,536)	(2,201)	(6,906)	(6,218)
Interest expense	(7)	(16)	(53)	(177)
Interest and other income	63	909	291	1,798
Loss before income taxes	(2,480)	(1,308)	(6,668)	(4,597)
Recovery of income taxes <i>note 10</i>	594	231	1,602	1,394
Net loss for the period	(\$1,886)	(\$1,077)	(\$5,066)	(\$3,203)
Deficit, beginning of period	(21,457)	(14,902)	(18,277)	(12,776)
Deficit, end of period	(\$23,343)	(\$15,979)	(\$23,343)	(\$15,979)
Net loss per share - basic and diluted <i>note 7(g)</i>	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)
Weighted-average number of shares outstanding (000's)	213,424	175,282	204,250	149,073

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net loss for the period	(\$1,886)	(\$1,077)	(\$5,066)	(\$3,203)
Other comprehensive loss:				
Unrealized loss on available-for-sale investment	-	(4)	-	(19)
Comprehensive loss for the period	(\$1,886)	(\$1,081)	(\$5,066)	(\$3,222)

See accompanying notes to consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>Operating Activities</b>				
Net loss for the period	(\$1,885)	(\$1,077)	(\$5,066)	(\$3,203)
Items not involving cash:				
Recovery of income taxes	(595)	(231)	(1,602)	(1,394)
Stock-based compensation	339	397	939	1,082
Write-off of resource properties and deferred exploration	40	-	210	-
Depreciation of property, plant and equipment	50	36	170	69
Accretion of asset retirement obligations	37	31	110	92
	(2,014)	(844)	(5,239)	(3,354)
Change in non-cash operating working capital items:				
(Increase) decrease in exploration advances and other receivables	(2,318)	549	(1,775)	(177)
(Decrease) increase in accounts payable and accrued charges	(3,680)	834	(626)	26
Cash (used in) provided by operating activities	(8,012)	539	(7,640)	(3,505)
<b>Investing Activities</b>				
Restricted cash	-	(400)	(206)	(1,121)
Additions to property, plant and equipment	(1,340)	(4,435)	(4,195)	(5,009)
Resource properties and deferred exploration expenditures	(16,658)	(17,696)	(62,780)	(44,714)
Cash used in investing activities	(17,998)	(22,531)	(67,181)	(50,844)
<b>Financing Activities</b>				
Proceeds from public offering / private placement (net of share issue costs)	-	-	57,003	143,335
Exercise of stock options	244	-	1,157	1,095
Payment of capital lease obligations	(2,107)	(45)	(2,708)	(129)
Cash (used in) provided by financing activities	(1,864)	(45)	55,452	144,301
(Decrease) increase in cash and cash equivalents during the period	(27,874)	(22,037)	(19,370)	89,952
Cash and cash equivalents at beginning of period	93,823	123,902	85,319	11,913
Cash and cash equivalents at end of period	\$65,949	\$101,865	\$65,949	\$101,865

Supplemental cash flow information note 11

See accompanying notes to consolidated financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008 (In thousands of dollars, except share amounts, unaudited)

### 1. BASIS OF PRESENTATION

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

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

The Company believes it is positioned to finance its core operating, development and exploration expenditures in 2010. Going forward, the Company may pursue opportunities to raise additional capital through equity and/or debt markets to finance its aggressive growth plans, 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 ("CICA") 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.

#### Amendments to Section 3862, Financial Instruments - Disclosures

In July, 2009, the CICA approved amendments to section 3862, *Financial Instruments – Disclosures*. The amendments require additional fair value disclosure for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making fair value assessments. The amendments to Section 3862 apply for financial statements relating to fiscal years ending after September 30, 2009. The Company is assessing the impact of these amendments on its consolidated financial statements.

### 3. RESTRICTED CASH

Restricted cash includes security funds for letters of credits issued by the Company in favor of the Ontario Ministry of Northern Development and Mines as security for the Company's obligations under the Closure Plans submitted for the Timmins project advanced exploration and Bell Creek Mine and Mill (\$4,078) and other letters of credits issued under various agreements (\$1,029). These funds are restricted and not available for current operations. During the three and nine months ended September 30, 2009, the Company issued letters of credit for \$Nil and \$206 respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008 (In thousands of dollars, except share amounts, unaudited)

### 4. PROPERTY, PLANT AND EQUIPMENT

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

	Cost	Accumulated Depreciation	Net Book Value
Office equipment	\$231	\$75	\$156
Computer equipment	1,214	392	822
Mining equipment	25,653	2,445	23,208
	<b>\$27,098</b>	<b>\$2,912</b>	<b>\$24,186</b>

As at December 31, 2008:

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

Mining equipment at September 30, 2009, includes costs of \$10,072 and accumulated depreciation of \$691 of capital equipment and vehicles under capital lease (note 6). The depreciation of equipment used in the exploration activities is capitalized in resource properties and deferred exploration (\$857 and \$1,863 capitalized for the three and nine months ended September 30, 2009 and \$233 and \$307 respectively for the same periods in 2008).

### 5. RESOURCE PROPERTIES AND DEFERRED EXPLORATION

For the nine month period ended September 30, 2009:

	Timmins Mine Project	Bell Creek Properties	Thunder Creek	Casa Berardi	Blakelock	Other <sup>1</sup>	Total
Balance, beginning of year	\$123,065	\$32,887	\$3,375	\$1,041	\$3,523	\$8,220	\$172,111
Property acquisition, assessment and maintenance	3	192	-	40	-	5	240
Bell Creek mill	-	13,904	-	-	-	-	13,904
Analytical	425	238	182	51	21	3	920
Geology	71	175	23	-	6	113	388
Drilling	2,889	4,452	1,571	787	21	16	9,736
Project administration	24	283	187	42	22	46	604
Write off of resource properties and deferred exploration	-	-	-	-	-	(210)	(210)
Advanced exploration	35,843	3,456	-	-	-	-	39,299
Balance, end of period	<b>\$162,320</b>	<b>\$55,587</b>	<b>\$5,338</b>	<b>\$1,961</b>	<b>\$3,593</b>	<b>\$8,193</b>	<b>\$236,992</b>

<sup>1</sup> Includes, Ti-pa-haa-kaa-ning \$4,604, Abitibi \$1,648, Bazooka \$942 and Miscellaneous \$1,039

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008 (In thousands of dollars, except share amounts, unaudited)

For the year ended December 31, 2008:

	Timmins Mine Project	Bell Creek Properties	Thunder Creek	Casa Berardi	Blakelock	Other <sup>1</sup>	Total
Balance, beginning of year	\$82,079	\$19,088	\$2,413	\$48	\$2,172	\$3,242	\$109,042
Property acquisition, assessment and maintenance	-	118	9	4	10	326	467
Bell Creek mine and mill	-	9,009	-	-	-	-	9,009
Analytical	88	25	34	61	79	210	497
Geology	237	319	119	262	145	636	1,718
Drilling	1,688	4,076	749	640	997	2,991	11,141
Project administration	318	252	51	26	120	815	1,582
Advanced exploration	38,655	-	-	-	-	-	38,655
Balance, end of year	\$123,065	\$32,887	\$3,375	\$1,041	\$3,523	\$8,220	\$172,111

<sup>1</sup> Includes Ti-pa-haa-kaa-ning \$4,485, Abitibi \$1,644, Bazooka \$942 and Miscellaneous \$1,149.

Timmins Mine Project advance exploration expenditures for the three and nine months ended September 30, 2009, is net of gold revenue of \$0.5 million.

During the three and nine months ended September 30, 2009, the Company wrote off \$40 and \$210 respectively (same periods in 2008, \$Nil) of its resource properties and deferred exploration, representing the carrying value of certain non core properties.

### 6. CAPITAL LEASE OBLIGATIONS

The Company has entered into capital equipment and vehicle leases expiring starting in 2009 with interest rates between 6.35% to 8.5%. Estimated minimum annual lease payments at September 30, 2009, and December 31, 2008 are as follows:

	September 30, 2009	December 31, 2008
2009	\$765	\$776
2010	2,835	537
2011	2,103	116
2012	1,861	115
2013	860	-
Total minimum lease payments	\$8,424	\$1,544
Less: Amount representing interest	(1,095)	(154)
Present value of capital lease obligations	\$7,329	\$1,390
Less: Current portion	(2,460)	(671)
Non-current portion	\$4,869	\$719

### 7. SHARE CAPITAL

a) Authorized unlimited common shares without par value.

b) During the nine months ended September 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 nine months ended September 30, 2009 and 2008 (In thousands of dollars, except share amounts, unaudited)

	Nine months ended September 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 \$619 (2008 - \$670) from contributed surplus)	918,062	1,772	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	213,505,003	\$312,642	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 led 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 September 30, 2009, the Company had 9,210,438 stock options outstanding of which 3,272,750 were exercisable.

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

	September 30, 2009		December 31, 2008	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of year	10,380,000	\$1.37	6,380,000	\$1.48
Granted	420,000	\$1.47	6,720,000	\$1.26
Exercised	(918,062)	\$1.26	(1,231,000)	\$0.89
Forfeited	(671,500)	\$1.67	(1,489,000)	\$1.74
Outstanding, end of period / year	9,210,438	\$1.36	10,380,000	\$1.37
Exercisable, end of period / year	3,272,750	\$1.60	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 \$207 and \$467 of stock based compensation during the three and nine months ended September 30, 2009.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008 (In thousands of dollars, except share amounts, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Corporate costs	\$270	\$236	\$756	\$539
Consulting fees	54	59	172	213
General exploration	15	102	11	330
Total stock-based compensation	\$339	\$397	\$939	\$1,082

The stock-based compensation was determined using the Black-Scholes option pricing model. A weighted average grant-date fair value for the first nine months of 2009 of \$1.47 (2008 – \$0.83) for options granted was estimated using the following assumptions: no dividends are to be paid; volatility of 69% (2008 – 62.55% to 66%); risk free interest rate of 1.63% to 2.44% (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

	Nine months ended September 30, 2009	Year ended December 31, 2008
Balance, beginning of year	\$7,982	\$6,797
Stock-based compensation	1,405	2,078
Stock options exercised	(619)	(670)
Warrants expired	-	(223)
Balance, end of period / year	\$8,768	\$7,982

### f) Warrants

As at September 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 September 30, 2009 (December 31, 2008 - \$Nil)

## 8. ASSET RETIREMENT OBLIGATIONS

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008 (In thousands of dollars, except share amounts, unaudited)

	<b>Nine months ended September 30, 2009</b>	Year ended December 31, 2008
Balance, beginning of year	<b>\$1,461</b>	\$1,228
Liability incurred on the Timmins West property	-	109
Accretion expense	<b>110</b>	124
Balance, end of period / year	<b>\$1,571</b>	\$1,461

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

### 9. RELATED PARTY TRANSACTIONS

The following are related party transactions for the three and nine months ended September 30, 2009 and 2008:

No fees were paid during the three and nine months ended September 30, 2009 (same periods in 2008 – \$9 and \$629 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 nine months ended September 30, 2009, the Company charged \$Nil and \$84 respectively (same periods in 2008 - \$16 and \$64 respectively) 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 accounting and administrative services the Company provided to Northern Superior under an administrative service agreement entered into in June 2008 and terminated on April 30, 2009.

During the three and nine months ended September 30, 2009, Northern Superior, the joint venture operator for the Ti-pa-ha-kaa-ning property, charged the Company \$43 and \$129 respectively (same periods in 2008 – \$1,185 and \$3,405 respectively), for the Company's share for the property expenditures. As at September 30, 2009, there is \$43 (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.

### 10. INCOME TAXES

As a result of the tax benefits of deductible expenses and share issue costs incurred, future income tax liabilities decreased by \$2,420 during the nine month period ended September 30, 2009 (during the nine months ended September 30, 2008 the liability increased by \$3,033), of which \$1,602 (nine months ended September 30, 2008 - \$1,395) 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 nine months ended September 30, 2009 and 2008 (In thousands of dollars, except share amounts, unaudited)

### 11. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>Resource properties</b>				
Increase (reduction) in working capital related to resource properties	\$8,954	(\$6,691)	(\$522)	(\$3,182)
Write-off of resource properties and deferred exploration	(40)	-	(210)	-
Depreciation of property, plant and equipment capitalized	857	236	1,863	307
Stock options capitalized (gross of future income taxes)	283	-	640	-
Additional asset retirement obligations for Timmins West property	-	41	-	95
Shares issued based on resource property agreements	-	118	-	118
Interest charges on capital leases	189	34	309	46
<b>Share capital</b>				
Transfer of amounts from contributed surplus	114	-	619	670
Future tax recovery on share issue costs	-	(4)	994	297
2008 - 15 million flow through shares renounced recorded as adjustment to share issue costs	-	-	-	(4,725)
Interest received	49	844	462	1,319
Income taxes paid	-	-	-	-
<b>Cash and cash equivalents at September 30 consist of:</b>				
Cash	\$25,449	\$101,865	\$25,449	\$101,865
Short term investments	40,500	-	40,500	-
	\$65,949	\$101,865	\$65,949	\$101,865

### 12. SUBSEQUENT EVENTS

On November 6, 2009, Lake Shore Gold and West Timmins Mining Inc. ("West Timmins") completed a business combination as provided in a Business Combination Agreement entered into on August 27, 2009 between the Company and West Timmins. Lake Shore Gold acquired all of the outstanding common shares of West Timmins by issuing 103,951,129 common shares of Lake Shore Gold (each West Timmins common share outstanding on November 6<sup>th</sup>, 2009 was exchanged for 0.73 of a Lake Shore Gold common share). As a result of this transaction West Timmins became a wholly-owned subsidiary of Lake Shore Gold. The outstanding West Timmins stock options and warrants were exchanged for Lake Shore Gold stock options and warrants (at the same exchange ratio of 0.73). The estimated purchase price of West Timmins Mining is approximately \$430,000 including approximately \$4,300 of estimated cash acquisition costs. The acquisition will be accounted for as an asset acquisition under Canadian GAAP.

On October 23, 2009, the Company entered into an agreement with Goldcorp Canada Ltd., manager of the Porcupine Gold Mines Joint Venture and Goldcorp Inc., for the purchase of approximately 28 square kilometers of prospective exploration property in the surrounding vicinity of Lake Shore Gold's 100% owned Bell Creek Complex. Consideration for the transaction totals \$20,000, including \$15,000 of cash and \$5,000 in Lake Shore Gold common shares. The Porcupine Joint Venture will obtain a 2% net smelter royalty relating to any future production from the properties. Completion of the transaction is subject to receipt of regulatory approvals with closing of the transaction expected in December.