

Annual Information Form

Lake Shore Gold Corp.

For the year ended December 31, 2007

Dated as of March 19, 2008

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GLOSSARY OF TERMS

The following technical terms may be used in this Annual Information Form, and may appear capitalized or in lower case, without any difference in meaning.

Aeromagnetic/Airborne Magnetic - Measurement of the earth's magnetic field from an aircraft for the purpose of recording the magnetic characteristics of rocks.

Assay - An analysis to determine the presence, absence or quantity of one or more chemical components.

Au - gold

Base Metal - A metal, such as copper, lead, nickel, zinc or cobalt.

Belt - A specific elongate area defined by unique geologic characteristics.

Breccia - Rock fragmented into angular components.

Carbonate - A rock composed principally of calcium carbonate (CaCO₃).

Claim/Concession (Mineral/Mining) – The area that confers mineral exploration/exploitation rights to the registered holder under the laws of the governing jurisdiction.

Copper – A ductile, malleable base metal with a myriad of uses in construction (piping, wire) and electronics due to its high electrical and thermal conductivity and good resistance to corrosion.

Diamond Drilling/Drill Hole - A method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.

Dip - The angle at which a stratum is inclined from the horizontal.

Dyke - A tabular body of igneous rock cross cutting the host strata at a high angle.

Epithermal - A hydrothermal deposit formed close to surface at low temperature and pressure.

Fault - A fracture in a rock along which there has been relative movement between the two sides either vertically or horizontally.

Felsic - Igneous rock composed principally of feldspars and quartz.

Formation - A body of rock identified by lithological characteristics and stratigraphic position.

Gabbro – A fine to coarse, dark coloured crystalline igneous intrusive rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine.

Geochemistry/Geochemical - Study of variation of chemical elements in rocks or soil.

Geology/Geological – Study of the Earth's history and life, mainly as recorded in rocks.

Geophysics/Geophysical - Study of the earth by quantitative physical methods, either by surveys conducted on the ground, in the air (by fixed wing aircraft or helicopter) or in a borehole or drillhole.

Gold – A heavy, soft, ductile, malleable precious metal used in jewelry, dentistry, electronics and as an investment.

Grams per tonne (g/t) – A unit of measurement commonly used to quantify the concentration of precious metals.

Hectare - A square of 100 metres on each side.

Igneous – A classification of rocks formed from the solidification from a molten state.

Intrusive/Intrusions - Said of an igneous rock that invades older rocks.

Mafic - An igneous rock composed chiefly of dark iron and manganese silicate minerals.

Magnetic Survey - A geophysical survey conducted on the earth's surface that measures variations in the earth's magnetic field caused by variations in rock type or geological structures.

Mapping – The art and science of recording geological observations on a map.

Metallurgical – The science and technology of extraction of metals from their ores and the refining of metals.

Metamorphism/Metamorphic - A process whereby the composition of rock is adjusted by heat and pressure/A class of rock affected by metamorphism.

Mineralization - The concentration of metals and their chemical compounds within a body of rock.

Ore - Rock containing mineral(s) or metals that can be economically extracted to produce a profit.

Orogen/Orogeny – A belt of deformed rocks through folding and faulting, in many places accompanied by metamorphic and intrusive rocks that form mountains/the process of mountain building.

Outcrop - An exposure of bedrock at the surface.

Porphyry - A rock consisting of larger crystals embedded in a more compact finer grained groundmass.

Prospecting – The art and science of searching for mineral deposits.

Proterozoic - The youngest part of the Precambrian from 2450 - 570 million years ago.

Pyroxene – A calcium/sodium ferromagnesium silicate. One of the major rock forming minerals.

Quartz - A mineral composed of silicon dioxide.

Sediment - Solid material that has settled down from a state of suspension in a liquid. More generally, solid fragmental material transported and deposited by wind, water or ice, chemically precipitated from solution, or secreted by organisms, and that forms in layers in loose unconsolidated form.

Sedimentary - Pertaining to or containing sediment or formed by its deposition.

Shear - A planar zone of deformed rock caused by the movement of the rock.

Sill - A tabular body of igneous rock conforming to the last strata.

Soil Sampling - Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.

Strike - Direction or trend of a geologic structure.

Structure/Structural - Pertaining to geological structure, ie folds, faults, etc.

Sulphide/Sulphidation - A group of minerals in which one or more metals are found in combination with sulfur/rock that has been sulphidized.

Ultramafic – A dark coloured igneous rock containing less than 45% silica and characterized by mafic minerals, such as olivine, amphibole and pyroxene.

Vein - A thin sheet-like intrusion into a fissure or crack, commonly bearing quartz /a small vein or cluster of veins.

Volcanic - Descriptive of rocks originating from volcanic activity.

All information in this Annual Information Form ("AIF") is as of March 19, 2008, unless otherwise indicated.

All information stated to be incorporated by reference in the AIF is filed on the SEDAR website (www.sedar.com).

FORWARD-LOOKING STATEMENTS

This AIF and the documents incorporated by reference herein contain "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 AIF 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 demand for products develops as anticipated, that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts and supplies, labour disturbances, interruption in transportation or utilities, or adverse weather conditions, and that there are no material unanticipated variations in the cost of energy or supplies. 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 and other metals, 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 completion and integration of acquisitions and actual effects of the acquisitions; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and other metals; possible variations in ore resources, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors discussed in the section entitled "Risk Factors" in this 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.

CORPORATE STRUCTURE

Name, Address and Incorporation

Lake Shore Gold Corp. ("Lake Shore" or the "Company") was formed through an amalgamation in the Province of British Columbia on July 7, 1987, under the name Iron Lady Resources Inc. The Company changed its name to Takepoint Ventures Ltd. on August 25, 1993. On June 25, 2002, the Company consolidated its share capital on the basis of one new share for every three old shares, changed its name to Consolidated Takepoint Ventures Ltd. and was continued under the Yukon *Business Corporations Act*. On December 16, 2002, the Company completed a business reorganization and changed its name to "Lake Shore Gold Corp." On June 4, 2004, Lake Shore was continued under the British Columbia *Business Corporations Act* (the "Act").

The Company's corporate head office and principal place of business is Suite 1500, 10 King Street East, Toronto Ontario, M5C 1C3. The address of the registered and records office is Suite 1650, 701 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1C6. The Company also has offices at 1988 Kingsway, Unit G, Sudbury, Ontario, P3B 4J8 and 1515 Government Road, Timmins, Ontario, P4R 1N4. The Company is a reporting issuer in British Columbia, Alberta, Manitoba, Ontario and Québec.

Intercorporate Relationships

Lake Shore has one wholly-owned subsidiary, LSG Holdings Corp. ("LSG Holdings"), governed under the Act. LSG Holdings was incorporated in 2004 for the purpose of completing a business arrangement with Holmer Gold Mines Limited ("Holmer").

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

During the past three years, the Company has conducted its mineral exploration activities in Ontario and Québec, with the focus being its Timmins West property ("Timmins West") in Ontario.

On December 31, 2004 Lake Shore and Holmer completed a plan of arrangement pursuant to which Lake Shore acquired 100% of Timmins West by acquiring all of the issued and outstanding shares of Holmer. Holders of Holmer shares received one Lake Shore share for every 1.5 Holmer shares.

In March 2005, the Company purchased 100% of the Black Hawk Mining Inc. interest under the mining lease on the Vogel gold property. The property, which is subject to a maximum 3% net smelter return royalty, consists of one mining lease (approximately 160 acres) in Hoyle Township, within the eastern part of the Timmins Gold Camp.

In December 2005 Lake Shore signed a 20 year lease agreement with the Canada Trust Company (surviving trustee of Frederick William Schumacher) to acquire the Schumacher estate property, which consists of one patented lot covering 64 hectares located contiguous to and west of Lake Shore's Vogel property. The property is subject to a production royalty of 2% of net smelter returns.

In November 2006, Lake Shore and Inco signed an agreement whereby Lake Shore purchased Inco's right to a net smelter return royalty (the "Abitibi Royalty") in respect of certain properties acquired by Lake Shore (the "Abitibi Properties") utilizing Inco data, including Timmins West, Thunder Creek and Blakelock.

In January 2007 Lake Shore signed a Letter Agreement with Goldcorp Canada Ltd., manager of the Porcupine Joint Venture (the "PJV"), a joint venture between Goldcorp Canada Ltd. and Kinross Gold Corporation, to acquire the PJV's Bell Creek mine and associated infrastructure located in the Timmins Gold Camp, adjacent to Lake Shore's Vogel-Schumacher property.

In April 2007 Lake Shore received notice of acceptance of its certified closure plan for the Timmins West project from the Ontario Ministry of Northern Development and Mines, allowing Lake Shore to initiate the advanced exploration program.

In July 2007 Lake Shore signed the definitive agreement with the PJV for the acquisition of the Bell Creek assets, which included the Bell Creek mine property, a hoist, headframe and underground infrastructure, a 1,500 tonne per day mill with permitted tailings facilities, plus all surface infrastructure, including office buildings and road and hydro access.

In August 2007 Lake Shore released the results of a prefeasibility study for the Timmins West project, supporting the economic viability of production.

In September 2007 Lake Shore entered into an option joint venture agreement with Aurizon Mines Ltd. ("Aurizon") to acquire a 50% interest in the Casa Berardi Exploration Property surrounding Aurizon's Casa Berardi Mine, outside of Aurizon's existing mining leases.

In October 2007 Lake Shore filed a Technical Report with respect to its Timmins West property estimating an indicated resource of 3,268,000 tonnes at a cut grade of 8.62 grams per tonne gold (905,000 contained ounces gold) or an uncut grade of 12.29 grams per tonne gold (1,291,000 contained ounces gold). As well, the Technical Report included an inferred mineral resource estimated at 968,000 tonnes with an average grade of 5.62 grams per tonne gold.

In December 2007 Lake Shore completed the requirements to vest a 60% interest in Thunder Creek from West Timmins Mining Inc. ("West Timmins"). Pending final confirmation of exploration expenditures, the Thunder Creek property will move forward as a 60/40 pro-rata funded joint venture between Lake Shore and West Timmins. Lake Shore also completed its acquisition of the Bell Creek Mine and Mill.

In February 2008 Lake Shore entered into a strategic alliance with Hochschild Mining plc ("Hochschild"), resulting in Hochschild becoming a significant shareholder of Lake Shore and a strategic partner for future projects. Lake Shore and Hochschild entered into an agreement governing the future relationship, including terms with respect to Hochschild's representation on Lake Shore's board of directors and Hochschild's shareholding percentage. See "Material Contracts – Strategic Alliance Agreement".

Trends

Management is not aware of any trend, commitment, event or uncertainty outside the ordinary course of business that would be reasonably expected to have a material effect on Lake Shore's business, financial condition or results of operations as at the date of this AIF.

DESCRIPTION OF BUSINESS

General

Lake Shore is a growing mineral exploration company engaged in the identification, acquisition, evaluation, exploration and development of mineral properties with prospects for hosting gold and base metals in Canada. Lake Shore holds interests in a number of mineral properties in Ontario and Québec, some of which are described below. Lake Shore's mineral properties are in the exploration stage with some being in an advanced exploration phase possibly leading to the development stage. None of its properties are in the production stage.

Properties

1. Timmins Gold Camp

The following Lake Shore properties are part of an area known as the "Timmins Gold Camp". The Timmins Gold Camp has been a substantial producer of gold since its discovery in the early 1900s. The Timmins West property is a material property for Lake Shore for the purposes of NI 43-101.

a. Timmins West

Lake Shore owns 100% of the Timmins West property located 18 kilometres west of the City of Timmins, Ontario and is situated north of the main Destor-Porcupine Fault Zone on the west end of the Timmins Gold Camp. Lake Shore has completed the initial sink cut and is currently preparing to sink a shaft on the Timmins West property.

b. Bell Creek

The Bell Creek property is 100% owned by Lake Shore. It consists of the Bell Creek Mine and the Bell Creek Mill, and it is located west of and contiguous to the Company's Vogel/Schumacher property, and is strategic for the Company's plans. There is a possibility of extending the underground access from the Bell Creek Mine to further explore and delineate the Vogel/Schumacher gold mineralization. As well, once refurbished, the existing mill will be used to process ore from Timmins West. The Company will also evaluate the possibility of bringing the historic Bell Creek mine back into production. The property contains NI 43-101 resource estimates done by previous owners.

c. Vogel

Lake Shore owns a 100% interest in the mining lease on the Vogel property. The property consists of one mining lease (approximately 160 acres) in Hoyle Township, within the eastern part of the Timmins Gold Camp, that straddles a 800-metre section of the favourable gold bearing stratigraphy between the Hoyle Pond and Bell Creek gold deposits. The property contains historic resource estimates which the Company is not treating as a NI 43-101 defined resource.

d. Schumacher

Lake Shore holds a 20-year leasehold interest in the surface and mining rights on the Schumacher property. The lease is renewable for further 20-year terms. The property consists of approximately 64 hectares located contiguous to and west of the Vogel property. The property contains historic resource estimates which the Company is not treating as a NI 43-101 defined resource.

e. *Thunder Creek*

The Thunder Creek property is a 54-claim unit package adjacent to and southwest of Timmins West. Lake Shore has completed the requirements to vest a 60% interest in Thunder Creek from West Timmins. Pending final confirmation of exploration expenditures, the Thunder Creek property will move forward as a 60/40 pro-rata funded joint venture between Lake Shore and West Timmins.

2. Casa Berardi Break

The following properties occur along an area referred to as the Casa Berardi break. The Casa Berardi break is a major structural zone that is host to a number of gold and base metal deposits.

a. *Casa Berardi*

Lake Shore has entered into an option joint venture agreement with Aurizon Mines Ltd. ("Aurizon") to acquire a 50% interest in Aurizon's large land position (the "Casa Berardi Exploration Property") surrounding Aurizon's Casa Berardi mine. The Casa Berardi Exploration Property comprises 227 claims in an east and west block surrounding the Casa Berardi mine, and covers an area of 11,594 hectares along a 30-kilometre section of the Casa Berardi break.

b. *Blakelock*

The Company's 100% owned Blakelock property is located approximately 140 kilometres northeast of the city of Timmins and 58 kilometres west of the Casa Berardi mine, along the western extension of the Casa Berardi break.

Specialized Skill and Knowledge

The skill and knowledge required to develop a producing mine includes experience in exploration, development, construction, mine operations, metallurgical processing and environmental compliance. Lake Shore employs a number of technical personnel with relevant experience, education and professional designations, and constantly evaluates the need for additional employees with particular expertise. In addition, from time to time, as necessary, Lake Shore engages professionals in the geological, metallurgical, engineering, environmental and other relevant disciplines as consultants. Lake Shore endeavours to maintain attractive remuneration and compensation packages in order to attract and retain personnel with the necessary qualifications, skills and experience, and to date has not encountered any difficulty finding qualified people to meet the Company's requirements.

Competitive Conditions

Lake Shore has numerous competitors in Canada, including many large established mining companies having substantial capabilities and greater financial and technical resources than Lake Shore.

Employees

The Company had approximately 40 employees at the end of 2007.

Strategic Alliance with Hochschild

The Company entered into a strategic alliance with Hochschild Mining plc ("Hochschild") pursuant to which an affiliate of Hochschild acquired 19.99% of the outstanding shares of the Company. The strategic alliance is governed by an agreement which addresses various matters, including future dealings with the securities of the Company, corporate governance and corporate

opportunities. A copy of the Strategic Alliance Agreement was filed on SEDAR on February 29, 2008.

Risk Factors

History of Net Losses; Uncertainty of Additional Financing

Lake Shore has received no revenue to date from the exploration activities on its properties. Even if Lake Shore undertakes development activity on its properties, there is no certainty that Lake Shore will produce revenue, operate profitably or provide a return on investment in the future.

The exploration and development of Lake Shore's properties depends on Lake Shore's ability to obtain additional required financing. There is no assurance that Lake Shore will be successful in obtaining the required financing, which could cause Lake Shore to postpone its plans or result in the loss or substantial dilution of its interest in its properties as disclosed herein.

Possible Loss of Interests in Exploration Properties; Possible Failure to Obtain Mining Licenses

The agreements pursuant to which Lake Shore acquired its interests in certain of its properties provide that Lake Shore must make a series of payments in cash and/or common shares over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. If Lake Shore fails to make such payments or expenditures in a timely fashion, Lake Shore may lose its interest in those properties. Further, even if Lake Shore does complete exploration activities, it may not be able to obtain the necessary licenses or permits to conduct mining operations on the properties, and thus would realize no benefit from its exploration activities on the properties.

Mineral Exploration and Development Activities Inherently Risky

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production and there is a risk that none of the Company's properties is commercially viable. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in extraction operations and the conduct of exploration programs. Although Lake Shore carries liability insurance with respect to its mineral exploration operations, Lake Shore may become subject to liability for damage to life and property, environmental damage, cave-ins or hazards against which it cannot insure or against which it may elect not to insure.

Previous mining operations may have caused environmental damage at certain of Lake Shore's properties. It may be difficult or impossible to assess the extent to which such damage was caused by Lake Shore or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective.

If any of Lake Shore's properties are found to have commercial quantities of ore, Lake Shore would be subject to additional risks respecting any development and production activities. Most exploration projects do not result in the discovery of commercially mineable deposits of ore.

Uncertainty of Mineral Resources

The figures for mineral resources stated in this AIF are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the prices of metals may render resources uneconomic. Moreover, short-term operating factors relating to the mineral deposits, such as the need for orderly development of the deposits or the processing of new or different grades of ore, may cause any mining operation to be unprofitable in any particular accounting period.

The Company's mineral projects other than Timmins West are in the exploration stage as opposed to the development stage. Until mineral resources on these exploration properties are categorized as "mineral reserves" under NI 43-101, the known mineralization at these projects is not determined to be economic ore. The Company's ability to put these properties into production will be dependent upon the results of further drilling and evaluation. There is no certainty that expenditure made in the exploration of the Company's mineral properties will result in identification of commercially recoverable quantities of ore or that ore reserves will be mined or processed profitably. Such assurance will require completion of final comprehensive feasibility studies and, possibly, further associated exploration and other work that concludes a potential mine at each of these projects is likely to be economic.

No Experience in Placing Properties into Production

Lake Shore has, until recently, been an exploration stage company, with no experience in placing mineral deposit properties into production. Lake Shore's ability to do so, starting with its Timmins West property, will be dependent upon acquiring the services of appropriately experienced personnel, consultants or contracting services companies, or entering into agreements with other major resource companies that can provide such expertise.

Lake Shore's Properties Contain No Proven Reserves of Ore

With the exception of Timmins West, there are no known mineral reserves on Lake Shore's properties. Additional work is required before Lake Shore can ascertain if any mineralization may be economic and if any of its properties have a body of commercially viable ore. Exploration for minerals is a speculative venture necessarily involving substantial risk. If the expenditures Lake Shore makes on these properties do not result in discoveries of mineralization that can be economically recovered, the value of exploration and acquisition expenditures may be lost and the value of Lake Shore stock will be negatively impacted.

Title Risks

Although title to its material properties has been reviewed by or on behalf of Lake Shore, no assurances can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Canada, and Lake Shore's ability to ensure that it has obtained secure claim to individual mineral properties may be severely constrained. Lake Shore has not conducted surveys of all of the claims in which it holds direct or indirect interests, therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be subject to prior unregistered liens, agreements, transfers or claims including native land claims, and title may be affected by, among other things, undetected defects. In addition, Lake Shore may be unable to conduct work on the properties as permitted or to enforce its rights with respect to its properties.

Obligations and Potential Liabilities with respect to Bell Creek

Under the agreement for the acquisition of Bell Creek, Lake Shore has assumed all liabilities relating to, and has provided a full indemnity to the seller in connection with the Bell Creek mine property, surface buildings, mill and tailings, past, present and future. While Lake Shore has conducted due diligence with a view to determining, among other things, what these obligations and liabilities may be, there is no assurance that Lake Shore has been able to determine accurately the existence or extent or potential cost of any such obligations and liabilities. Failure to determine adequately or at all the existence or extent or potential cost of any such obligations and liabilities could have a material adverse impact on Lake Shore's profitability, business prospects, results of operations and financial condition.

Risks Associated with Joint Venture Agreements

Lake Shore's interests in various of its properties may, in certain circumstances, become subject to the risks normally associated with the conduct of joint ventures. In the event that any of Lake Shore's properties become subject to a joint venture, the existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on Lake Shore's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on Lake Shore's business prospects, results of operations and financial condition: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

Third Party Reliance

Lake Shore's rights to acquire an interest in certain resource properties may have been granted by third parties who themselves hold only a lease or an option to acquire such properties. If such persons fail to fulfill their obligations, Lake Shore could lose its interest in the property and may have no meaningful recourse, as it does not have any direct contractual arrangements with the underlying property holders.

Risks Relating to Statutory and Regulatory Compliance

The current and future operations of Lake Shore, from exploration through development activities and commercial production, if any, are and will be governed by laws and regulations governing mineral claims acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Lake Shore has received all necessary permits for the exploration work it is presently conducting; however, there can be no assurance that all permits which Lake Shore may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which Lake Shore may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions thereunder, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. Lake Shore may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. Lake Shore is not currently covered by any form of environmental liability insurance. See "Insurance Risk", below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration and development companies, or more stringent implementation thereof, could have a material adverse impact on Lake Shore and cause increases in capital expenditures or require abandonment of, or delays in, exploration.

Insurance Risk

No assurance can be given that insurance to cover the risks to which Lake Shore's activities are subject will be available at all or at commercially reasonable premiums. Lake Shore currently maintains insurance within ranges of coverage that it believes to be consistent with industry practice for companies of a similar stage of development. As noted above, Lake Shore carries

liability insurance with respect to its mineral exploration operations, but is not currently covered by any form of environmental liability insurance, since insurance against environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to Lake Shore. If Lake Shore is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

Competition

Significant and increasing competition exists for mineral deposits in each of the jurisdictions in which Lake Shore conducts operations. As a result of this competition, much of which is with large established mining companies with substantially greater financial and technical resources than Lake Shore, Lake Shore may be unable to acquire additional attractive mining claims or financing on terms it considers acceptable. Lake Shore also competes with other mining companies in the recruitment and retention of qualified employees.

Fluctuation of Mineral Prices

Factors beyond the control of Lake Shore may affect the marketability of any ore or minerals discovered at and extracted from Lake Shore's properties. Resource prices have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond Lake Shore's control including international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new and improved extraction and production methods. The effect of these factors cannot accurately be predicted.

Dependence on Key Management and Employees

Lake Shore's growth depends on the efforts of key members of management and employees. Loss of any of these people could have a material adverse effect on Lake Shore. Lake Shore has agreements with its key employees, which provide, among other things, periods for notice of termination. Lake Shore does not have key man insurance with respect to any of its key persons.

Conflicts

Certain of the directors of the Company also serve as directors or officers of other companies involved in mineral resource exploration and development and, to the extent that such other companies may participate in ventures in which the Company may participate, there exists the possibility for such directors to be in a position of conflict. In accordance with the laws of British Columbia, directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In addition, each director must declare his or her interest and abstain from voting on any contract or transaction in which the director may have a conflict of interest.

Price Fluctuations: Share Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, including Lake Shore, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Significant Shareholder

As of the date of this AIF, Hochschild beneficially owns approximately 28 million of the Company's outstanding common shares. Those shares represent approximately 19.9% of the

aggregate voting power of the Company's outstanding shares. Subject to shareholder approval, the Company has agreed to issue additional common shares to Hochschild and allow Hochschild to acquire additional outstanding shares such that Hochschild could hold as much as 40% of the Company's outstanding shares. Subject to applicable law and to contractual protections negotiated by the Company in the Strategic Alliance Agreement (a copy of which is filed under the Company's profile on www.sedar.com), Hochschild may, as a practical matter, be able to cause the Company to effect corporate transactions without the consent of the other shareholders and to cause or prevent a change in control of the Company.

Mineral Projects

Timmins West Gold Project

Lake Shore's material property is Timmins West located in Ontario. The following extract is the "Executive Summary" from the Technical Report for the Timmins West Project, dated October 12, 2007, prepared in accordance with National Instrument 43-101 by SRK Consulting (Canada) Inc. ("SRK"). The complete report (the "SRK Report") may be viewed under Lake Shore's profile at www.sedar.com.

History

The Timmins West ("TW") Gold Project ("Project") of Lake Shore Gold Corp. ("LSG") is located in northern Ontario within the city limits of Timmins, (pop 45,000). Timmins is one of the richest mineral producing areas in the western hemisphere. Timmins was established in 1912, as a by-product of the then Porcupine Gold Rush, and today it is still a leader in the production of gold and base metals. Strategically located in the heart of the Timmins area gold camp, it is easily accessible to the more densely populated areas of southern Ontario, 300 km north of Sudbury and 700 km north of Toronto, accessible by highway, rail and air transport. The Project property is conveniently located at the intersection of highways 101 and 144 about 18 km west of Timmins. (Please refer to Figure 1 [of the SRK Report]).

Gold was discovered on the TW Property in 1911 but did not receive serious exploration attention until the 1990's when Holmer Gold Mines Limited ("Holmer") completed 44 diamond drill holes totalling about 9,000 m and completed a Mineral Resource estimate. LSG entered into an option agreement with Holmer in 2003 and continued drilling, LSG prepared an updated Mineral Resource estimate in 2004 in accordance with National Instrument NI 43-101 ("NI 43-101") that returned an Indicated 1.3 million (M) tonnes at a grade of 10.96 g/t of gold cut (16.45 gAu/t uncut).

In December 2004, LSG acquired a 100% interest in the Project and immediately conducted an aggressive deep drilling campaign that was completed in October 2006, and then updated the NI.43-101 Mineral Resource estimate. The current Mineral Resource estimate has been externally audited by Watts, Griffis and McOuat Limited ("WGM").

Resource/Reserve Estimates

Indicated Resource Category:

3,268,000 tonnes at 8.62 g/t Au cut (905,000 contained oz) or 12.29 g/t Au uncut (1,291,000 oz).

In addition, there is an Inferred Mineral Resource estimated at 968,000 Mt with an average grade of 5.62 g/t Au. The deposit remains open down-plunge. WGM concluded that the Project has considerable merit justifying the completion of a Pre-Feasibility Study ("PFS") and an Advanced Exploration Program ("AEP") subject to a positive outcome of the PFS report.

The gold mineralization occurs in ten geological zones. In the Main Zone and the three Vein zones, mineralization is associated with quartz/tourmaline veining and stringers along with small, varying amounts of pyrite and arsenopyrite. Mineralized zones are typically 1 to 5 meters ("m")

wide in the Veins and Main zone. In the three Ultramafic and three Footwall Zones, the gold values occur mainly within the alteration halo adjacent to the veins in zones up to 20 m wide and are closely related to the pyrite content. These types of mineralization are typical of deposits in the Timmins mining camp.

Preparation of the PFS commenced in January 2005 with the intention that the PFS would provide a sound basis to justify the expenditures of the planned AEP. A production decision will be made later, following the completion of the AEP and subsequent feasibility study. The decision to begin planning the AEP was based on preliminary economic studies conducted in 2005 and 2006. These studies indicated positive potential economics for a shaft access mining operation with either a new mill or toll milling. The AEP involves permitting for shaft access for underground drilling and bulk sampling, and it is currently in planning stages, ready for implementation.

LSG engaged V. B. Cook Co. Limited ("Cook") of Thunder Bay to develop a preliminary design, cost estimate, and schedule for underground access to the 600 level for exploration drilling and to provide for a 20,000 tonne bulk sample. The 600 level was deemed by LSG geologists to be the minimum level that can provide access to most of the ore zones. Cook estimated the cost of the AEP at \$49.4 M (net of gold credit from bulk sampling) which will allow the advanced exploration ("AE") drilling to proceed in fourth quarter (Q4) of 2008 and a production decision in quarter 1 2009, based on the start of AE shaft sinking in January 2008. Production could then start in quarter 2 of 2009 after a short period of evaluation of the bulk sample milling results to justify the production decision. At the time of this report, LSG has obtained the key permits for the program, advanced with on site access, and detailed planning, including the acquisition of a used hoist in order to maintain this schedule.

After completion and audit of the Mineral Resource estimate in January 2007, LSG engaged SRK's Sudbury office to provide a Mineral Reserve estimate and a preliminary mine production plan, to assist in finalizing and compiling the remaining activities for the final PFS report.

SRK's estimate of underground Mineral Reserves was based on the LSG polygonal resource estimate that SRK converted into several wireframes and modeled in Mine2/4D software. SRK then validated this conversion by cross-referencing back to the original LSG Mineral Resource estimate. The mining method planned is long-hole open stoping and mechanized cut and fill.

The Mineral Reserve estimate was based on the following parameters developed by SRK as part of the mine plan:

- Mining recovery: 86 to 92 %;
- Dilution: 12 % for cut and fill vein mining and 27 % for long-hole stoping, using dilution grades of 0 and 1 g/t Au respectively;
- Minimum mining width: 2 to 3.5 m;
- Mill recovery: 95 %; and
- Total site operating cost: \$83/tonne ore.

Probable Mineral Reserves were estimated by SRK to be:

3.4M tonnes at 7.6 g/t Au cut (826,000oz)

SRK also performed a sensitivity analysis based on the uncut Mineral Resource gold grades. The results were 3.8M tonnes at 10.4g/t Au (1,200,000 oz).

Mine Plan

The mine plan is based on utilizing the surface and shaft facilities that remain from the AEP. SRK has estimated that after the completion of the AEP, a pre-production capital cost of \$15.7 M will be required to start production. Once complete, the production phase capital cost is estimated at \$76.0 M. The planned production rate of 1,000 t/d was based on the selected mining methods

and the steeply dipping ore body geometry. Ore will be loaded onto highway trucks for transport to the Bell Creek Mill ("BC Mill"), just east of Timmins.

The total pre-production and production CAPEX to the point of the Project implementation (excluding the AE expenditures) are \$16.7M and \$78.7M respectively for a grand total of \$95.4M CAPEX.

Processing

The gold is very amenable to cyanide leaching, yielding a high recovery of 95%. Based on extensive test work, a preliminary process design was developed using a conventional ball mill followed by agitated cyanide leaching and carbon in pulp ("CIP") gold recovery. The ore treatment design rate is 1,000 t/d (355,000 tonnes ore per year). About 20,000 ounces of gold will be produced per quarter over the 10-year production life for a total of 826,000 ounces.

While early planning was based on the assumption that a new mill would be constructed at the TW Property, an opportunity arose in the late 2006 for LSG to acquire the BC Mill Property. The BC Mill, built in 1980 for a capacity of 500 t/d, is situated east of Timmins adjacent to LSG's Vogel-Schumacher Property. The original mill was expanded a number of times until a 1500 t/d capacity was reached in 2001. The main equipment includes two grinding mills (1400 Hp and 400 Hp) and 8 CIP tanks. The mill has been under care and maintenance since 2004. After extensive due diligence investigations by LSG regarding the suitability of the mill to treat TW ore, LSG concluded the acquisition from the Porcupine Joint Venture ("PJV") in January 2007. Consequently, the PFS was modified to include the TW ore treatment at the BC Mill.

The BC Mill also includes an adjacent conventional tailings disposal facility that has been determined to be suitable and expandable to the present total reserve of TW ore and beyond. Most permitting requirements are still in force as the entire complex has been kept on 'operational' status with the regulators. Modifications to account for the properties of the TW ore (finer grind and longer leach times) were incorporated in the implementation program and are consistent with the planned 1,000 t/d mining rate. The cost to re-commission the BC Mill, including upgrading of the tailings and water management installations was estimated at \$9.5 M. Expansion of the tailings facility to ultimately accommodate about 5 M additional tonnes has been determined to be feasible. Staged expansions have been estimated by AMEC to cost \$2.4 M for the 3 M tonnes of tailings expected from the planned TW ore over the 10-year mine life. Total milling costs have been estimated at \$24/tonne ore.

Environment

Environmental issues at the TW Project relate to surface water protection while at the BC Mill cyanide usage is the main issue. Socio-economic issues relate to the mandated First Nations consultations and public information sessions that have been held as part of the AEP planning. A full environmental baseline study has been completed.

The plant site topography is undulating to 300 to 350 m above sea level. The disturbed area at TW will comprise of about 20-30 hectares, including the mine site with waste rock and mine water storage. Excess water will be treated if and as required and discharged via pipeline to the Tatapikachika River about 2.5 km south of the mine. Power will be supplied from the nearby main grid.

Work Force

Total payroll is expected to be 103 at the TW mine and 42 at the BC Mill, with a staff of 14 management/administration personnel in the city of Timmins for a total work force of 159. The Timmins area has a mining-oriented population of over 50,000. Housing and human resources are in competitive supply in the area. Training programs will be instituted at TW Mine but will be

minimal because skilled workers are locally available for all of the trades needed to operate the Project.

Costs

Cost estimates and discounted cash flow analysis indicates that the Project will be potentially economic as shown in the Table below; the execution of an AEP is therefore justified. (All values in Table S-1 below and throughout the technical report are in \$ CND unless stated otherwise).

Table S-1: AE Stage Economics Total Expenditures

| Present day (2007) Economics | | | | | |
|---|-------------------|----------------------------|--------------------|--------------------------------------|-------------|
| | Total Cost | | Costs/tonne | Economics Pre-tax 100% Equity | |
| AEP: (net of gold credit) | 49.4 M | Mining Ore | 47/t | Gold Price | US\$600/oz |
| TW Mine | 91.7 M | Processing | 23/t | Price | |
| BC Mill | 2.7 M | Trucking | 6/t | Pre-Tax | |
| | | BC Mill CAPEX Amortization | 2/t | | |
| Other | 1.0 M | G & A | 5/t | 100% Equity | |
| Total Expenditures | 143.8 M | Total Ore | 83/t | | |
| Overall Economic Return on Investment with AE Expenditures: | | | | 14% IRR (CUT)@ US\$ 600/oz | |
| | | | | 19% IRR (CUT)@ US\$ 650/oz | |
| Post AE Future Production Phase(2008) Economics: | | | | | |
| Total Pre-production Capital Costs | 16.7 M | Cash Cost | US\$319 /oz (Cut) | IRR (US\$ 600/oz) | 52% (Cut) |
| Production Expenditures | 78.7M | | 10 yrs | NPV @4% | 109M (Cut) |
| | | | | NPV @8% | 80M (Cut) |
| Additional Sunk Costs | 45.2 M | Mine Life | | Payback | 3 yrs (Cut) |

Only the pre-tax economics are presented as the Project benefits from large tax write-off pools that are expected to reduce the after-tax internal rate of return ("IRR") by only minimal amounts depending on detailed financial analysis that is not part of the PFS.

The overall present-day pre-AE, pre-tax economics are positive, as indicated by an IRR ranging from 14% to 19% corresponding to gold prices of US\$600/oz and US\$650/oz gold respectively, and remain positive in the range of US\$500 to US\$ 430/oz gold.

A sensitivity analysis was done using uncut gold grades and a gold price of US\$650/oz resulting in an IRR of 45%.

The expenditures of \$49.4 M (\$47.4M net) for the AEP should be viewed with the same caution and risks associated with other mining exploration programs. The resources for the TW Project however, have been carefully and prudently established from significant surface drilling, which limits the potential downside risk that the actual ore grades encountered during the mine life could differ from those estimated to date. The bulk-sampling program will determine the grade more accurately than the estimates determined to date from surface exploration drilling.

In addition, there are a number of potential factors that will be investigated as recommended in this report that could significantly alter the economics due to a combination of the following factors:

- Increased grades from re-calculation of the cutting factor;
- Optimizing mining methods to minimize dilution;
- Obtaining higher sustained mining rates during early years of production;
- External dilution could be higher than planned;
- The continuity of the vein structures has not been proven by test mining (i.e. AEP).

The following Table S-2 summarizes the PFS results.

Table S-2: Pre-Feasibility Study Highlights

| | | |
|---|----------------------|---|
| Mineral Reserves | 3.4 Mt | 7.6 g/t Au (cut); 0.83 M oz. Au (base case) |
| Mining Rate | 1000 | tonnes per day |
| Tonnage Mined per year at Timmins West | 355,000 | tonnes |
| Mine life | 11 | years |
| Minimum Mining Widths | 2.0 | Metres |
| Mining Method: Primary | | Open stoping (longhole sublevel and Uppers mining) |
| Secondary | | V ramp mechanized cut and fill |
| Dilution | 8 to 27 % | |
| Milling: | | cyanide leaching and CIP recovery |
| Metallurgical Recovery | 95% | |
| Trucking distance | 40.0 | kilometres |
| Capital Expenditures | | |
| Advanced exploration program expenditures | C\$ 49 | Million |
| Development Capital to 2009 Q3 | C\$ 17 | Million |
| | C\$ 66 | Million total |
| Sustaining Capital (including mine closure) | C\$ 76 | Million |
| Sustaining Capital (tailings expansion) | C\$ 3 | Million |
| | 79 | Million total |
| Operating Costs | | |
| Mining | C\$ 47 | per tonne of ore |
| | | per tonne of ore (assumes no other source of mill feed) |
| Processing | C\$ 24 | |
| Bell Creek Mill (Amortization) | C\$ 2 | per tonne of ore |
| Trucking | C\$ 5 | per tonne of ore |
| G&A | C\$ 5 | per tonne of ore |
| Project Operating Costs | C\$ 83 | per tonne of ore total |
| Cash cost per ounce | US\$ 319 | per ounce (cut) base case (production phase) |
| | US\$ 234 | per ounce (uncut as a variance production phase) |
| Project Payback | 3 | years cut |
| Production | Q3 2009 | |
| IRR (pre tax, Production Phase) | 14% | (Base case cut grade including AEP costs) |
| | 52% | (Base case cut grade production phase) |
| Sensitivity Analysis | | |
| Uncut grade applied to Reserve Estimation | 3.8 Mt at 10.4g/t Au | 1.2M oz. Au |
| | 38% | (uncut grade as a variance including AEP costs) |
| | 272% | (uncut grade as a variance production phase) |

Property Description and Location

The section of the SRK Report, starting on page 18, setting out the property description and location is incorporated herein by reference.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The section of the SRK Report, starting on page 24, describing the accessibility, climate, local resources, infrastructure and physiography is incorporated herein by reference.

History

The section of the SRK Report, starting on page 27, describing the history is incorporated herein by reference.

Geological Setting

The section of the SRK Report, starting on page 29, describing the geologic setting is incorporated herein by reference.

Exploration

The section of the SRK Report, starting on page 39, describing the nature and extent of exploration is incorporated herein by reference.

Mineralization

The section of the SRK Report, starting on page 36, describing the mineralization is incorporated herein by reference.

Drilling

The section of the SRK Report, starting on page 42, describing the type and extent of drilling is incorporated herein by reference.

Sampling and Analysis

The sections of the SRK Report, starting on pages 45 and 47, describing the sampling and analysis are incorporated herein by reference.

Security of Samples

The subsection of the SRK Report, starting on page 56, describing the measures taken to ensure the validity and integrity of samples is incorporated herein by reference.

Mineral Resource and Mineral Reserve Estimates

The section of the SRK Report, starting on page 62, describing the mineral resource and reserve estimates is incorporated herein by reference.

Mining Operations

The section of the SRK Report, starting on page 74, describing certain information with respect to mining operations is incorporated herein by reference.

Exploration

The section of the SRK Report, starting on page 39, describing exploration is incorporated herein by reference.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The authorized capital of Lake Shore consists of an unlimited number of common shares of which 141,607,977 are issued and outstanding as of the date of this AIF.

The holders of common shares are entitled to one vote per common share at all meetings of shareholders, to receive dividends as and when declared by the directors, and to receive a pro rata share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company. The common shares have no pre-emptive, redemption, purchase or conversion rights. There are no sinking fund provisions in relation to the common shares and they are not liable to further calls or to assessment by the Company. The *Business Corporations Act* (British Columbia) provides that the rights and provisions attached to any class of shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy by holders of shares of that class.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets out the high and low market prices and the volume traded of the common shares on the Toronto Stock Exchange for the most recently completed financial year and the period up to the date of this AIF:

| | <u>HIGH \$</u> | <u>LOW \$</u> | <u>VOLUME</u> |
|-----------------------------|-----------------------|----------------------|----------------------|
| January 2007 | 1.72 | 1.40 | 4,614,372 |
| February 2007 | 2.55 | 1.65 | 25,700,854 |
| March 2007 | 2.30 | 1.91 | 8,434,153 |
| April 2007 | 2.37 | 1.80 | 7,432,593 |
| May 2007 | 2.05 | 1.70 | 6,844,558 |
| June 2007 | 1.94 | 1.65 | 4,620,943 |
| July 2007 | 1.94 | 1.53 | 7,385,711 |
| August 2007 | 1.80 | 1.24 | 8,369,657 |
| September 2007 | 2.02 | 1.35 | 8,363,347 |
| October 2007 | 2.26 | 1.83 | 10,821,156 |
| November 2007 | 2.00 | 1.50 | 4,521,932 |
| December 2007 | 1.99 | 1.52 | 3,355,485 |
| January 2008 | 1.94 | 1.45 | 5,498,256 |
| February 2008 | 2.09 | 1.65 | 5,273,062 |
| March 2008 (up to March 19) | 2.00 | 1.74 | 2,413,200 |

DIRECTORS AND OFFICERS

The following table sets forth all current directors and executive officers as of the date of this AIF, with each position and office held by them in the Company and the period of service as such. Each director's term of office expires at the next annual general meeting of shareholders.

Name, Occupation and Security Holding

| Name & Residence | Position with the Company | Principal Occupation, Business or Employment | Director Since |
|---|---|--|----------------|
| Alan C. Moon ⁽³⁾ Alberta Shares: 148,700 Options: 265,000 | Director, Chair of the Board of Directors | Chair and Director of the Company; independent businessman, corporate director and consultant since 1997. Director of Superior Diamonds Inc., Maxy Gold Corp., TransAtlantic Petroleum Corp.; Director of Avenir Diversified Income Trust and Enervest Diversified Income Trust (all publicly traded) | 2005 |
| Daniel G. Innes ⁽¹⁾⁽²⁾ British Columbia Shares: 747,400 Options: 565,000 | Director | Director of the Company; Director of FNX Mining Company (public mining company); President, D.G. Innes & Associates Ltd. (private consulting company); President of the Company from 2003- 2005 | 2003 |
| Brian R. Booth ⁽¹⁾ British Columbia Shares: 18,800 Options: 850,000 | Director | Director of the Company; President and CEO of Tambo Mining Corp. (a private mining exploration company); President, B.R. Booth and Associates Inc. (private consulting company); President of the Company from 2005-2008; prior to joining the Company held various positions with Inco Limited, the last of which was Manager of Exploration North America and Europe | 2005 |
| Michael D. Winn ⁽³⁾⁽⁴⁾ California, USA Shares: 250,000 Options: 265,000 | Director | Director of the Company; President, Terrasearch Inc. (financial consulting company); Director of Alexco Resource Corp., Eurasian Minerals Inc., Sprott Resource Corp., Lara Exploration Ltd., Sanu Resources Ltd., Transatlantic Petroleum Corp., Reservoir Capital Corp. (all publicly traded) | 2002 |
| Murray A. Gordon ⁽⁴⁾ British Columbia Shares: nil Options: 215,000 | Director | Director of the Company; Director of Superior Diamonds Inc. (public mineral exploration company); retired | 2004 |
| K. Sethu Raman ⁽²⁾ Ontario Shares: 1,608,592 Options: 215,000 | Director | Director of the Company; Director of Altai Resources Inc.; President & CEO of Holmer Gold Mines from 1986 until its acquisition in December 2004 by Lake Shore. | 2004 |
| J. Ignacio Rosado ⁽²⁾⁽⁴⁾ Lima, Peru Shares: nil ⁽⁵⁾ Options: nil | Director | Chief Financial Officer, Hochschild Mining plc (a precious metals company focused on the exploration, mining, processing and sale of silver and gold) | 2008 |

| | | | |
|---|---|---|------|
| Jorge D. Benavides Alfaro ⁽¹⁾⁽³⁾ Lima, Peru Shares: nil ⁽⁵⁾ Options: nil | Director | Senior VP Corporate Development, Hochschild Mining plc (a precious metals company focused on the exploration, mining, processing and sale of silver and gold) | 2008 |
| Anthony P. Makuch Ontario Shares: 100,000 Options: 1,350,000 | Director, President and CEO | President and CEO of the Company; Executive Vice President and Chief Operating Officer for FNX Mining Company Inc. from 2006-2008; From 1998 to December 2005 he held several positions with Dynatec Corporation, the last of which was VP, Operations. | 2007 |
| Christopher Stewart Ontario Shares: nil Options: 300,000 | Vice President, Operations | Vice President of Operations for the Company since 2008; Vice President for Tesc Mining Services, 2007-2008; Area Manager for Dynatec Corporation, 2000-2007. | N/A |
| David Beilhartz Ontario Shares: 13,000 Options: 425,000 | Vice President, Exploration | Vice President of Exploration for the Company since 2007; Prior to that he was a consulting geologist from 1997–2006 for various companies including Lake Shore, Holmer Gold Mines, Consolidated Venturex Holdings, Namex Minerals and Crowflight Minerals | N/A |
| Hannu Virtanen Ontario Shares: nil Options: 300,000 | Vice President, Project Development | Vice President, Project Development of the Company since 2007; Geological engineer with Inco Limited from 1974 to 2007 | N/A |
| Mario Miranda Ontario Shares: 10,000 Options: 275,000 | Chief Financial Officer | Chief Financial Officer of the Company since 2007; Director Financial Reporting for Kinross Gold Corporation 2007; from 2004-2006 held various positions with Coalcorp Mining, the last of which was Controller; International Taxation and Financial Consultant for Robertson Building Systems Inc., 2004; CFO and VP Finance Northfield Glass Group, 2001-2004. | N/A |
| Alasdair Federico Ontario Shares: nil Options: 75,000 | General Counsel and Corporate Secretary | General Counsel and Corporate Secretary of the Company since 2008; Associate, McCarthy Tétrault LLP from 2002-2008 | N/A |
| Merushe Verli Ontario Shares: nil Options: 300,000 | Vice President, Finance and Corporate Controller | Vice President, Finance since 2008. Corporate Controller of the Company since 2007; from 1997 to 2007 held various positions with KPMG LLP, the last of which was Senior Manager | N/A |

(1) Member of the Environment and Safety Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance and Nominating Committee.

(4) Member of the Audit Committee.

(5) Mr. Rosado and Mr. Benavides Alfaro are officers of Hochschild Mining plc, which beneficially owns 28,172,302 common shares.

In total the directors and officers of Lake Shore own, directly or indirectly, 2,896,492 common shares of the Company which is equal to approximately 2% of the issued and outstanding share capital as at the date of this AIF.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Mario A. Miranda, while a director and/or officer of MacDonald Mines Exploration Ltd. and MacDonald Oil Exploration Ltd., was one of several parties to a settlement agreement with the Ontario Securities Commission (“OSC”) dated January 8, 2001. Under the agreement the parties agreed to the settlement of proceedings initiated by the OSC in respect of a number of infractions of securities law, including instances of non-compliance with filing, disclosure and trading requirements under Ontario securities laws. The terms of the settlement provided that, inter alia, (i) Mr. Miranda would be reprimanded by the OSC; (ii) Mr. Miranda would make a payment of \$5,000 in respect of the OSC’s costs; (iii) commencing March 1, 2001 Mr. Miranda would cease trading in all securities for a period six months; (iv) Mr. Miranda was prohibited from acting as an officer of MacDonald Oil for a period of two years; and (v) Mr. Miranda was prohibited from acting as the chair of the board of directors of MacDonald Oil and/or serving as a member of the audit, corporate governance, compliance or executive committees of the board of directors of MacDonald Oil for a period of two years.

Conflicts of Interest

See “Interest of Management and Others in Material Transactions” and “Risk Factors-Conflicts”.

AUDIT COMMITTEE

Charter

The Charter of the Audit Committee is attached as Schedule A to this AIF.

Composition of the Audit Committee

The Audit Committee consists of three independent members: Murray Gordon (Chair), Michael D. Winn and Ignacio Rosado (as of March 13, 2008), all of whom are financially literate. For the year ended December 31, 2007 and the period up to March 13, 2008, Alan Moon was a member of the Audit Committee.

Relevant Education and Experience of Audit Committee

Murray A. Gordon (Chair of the Audit Committee) is a Chartered Accountant with 30 years of experience in the mining industry. He was employed by Placer Dome Inc. for 23 years, and from 1994 to 2000, prior to his retirement, he held the position of VP, Finance and CFO of Southwestern Resources Corp., Aurora Platinum Corp. and Canabrava Diamond Corporation. He has the financial and accounting expertise to understand and evaluate financial statements, the accounting principles applied to natural resource companies’ financial statements and the internal controls required to accurately report the Company’s financial position.

Michael D. Winn is currently President of Terrasearch Inc., a consulting company that provides analysis on mining and energy companies. Mr. Winn has worked in the oil and gas industry since 1983 and the mining industry since 1992. He completed graduate course work in accounting and finance and received a BSc in geology from the University of Southern California. Mr. Winn has the business expertise to understand and evaluate financial statements and the accounting principles applied to natural resource companies’ financial statements.

Ignacio Rosado has been the Chief Financial Officer of the Hochschild Mining Group since 2005. Previously, he was Senior Engagement Manager for Latin America for McKinsey & Company from 2000 to 2005. Mr. Rosado began his career in banking having worked for Banco Wiese Sudameris in Peru (1992 to 1994) and in Banco de Crédito del Peru. Mr. Rosado holds a MBA

from the University of Michigan Business School and a BSc in Economics from the Universidad del Pacifico in Peru. He has the financial and accounting expertise to understand and evaluate financial statements, the accounting principles applied to natural resource companies' financial statements and the internal controls required to accurately report the Company's financial position.

Alan C. Moon (Chair of the Board of Directors) is a former senior executive with significant business experience both internationally and domestically, and brings to the board a strong and diversified business background. Mr. Moon, a professional engineer with an MBA, serves on the board of directors of a number of other public and private companies. He has the business expertise to understand and evaluate financial statements and the accounting principles applied to natural resource companies' financial statements.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, the Board of Directors has adopted all recommendations of the Audit Committee regarding nomination or compensation of the external auditors.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemption in section 2.4 (*De Minimis Non-audit Services*); or an exemption from Multilateral Instrument 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all non-audit related services provided by the external auditors.

Service Fees Paid to External Auditors

| | 2007 | 2006 |
|-----------------------|-------------------------|-------------------------|
| a) Audit Fees | \$143,400 | \$107,400 |
| b) Audit Related Fees | -- | -- |
| c) Tax Fees | 23,350 | 22,120 |
| d) All Other Fees | -- | -- |
| | <u>\$166,750</u> | <u>\$129,520</u> |

The audit fees for 2007 include \$43,100 for the review in April 2007 of the Company's prospectus. (The audit fees for 2006 include \$48,700 for the review in January 2006 of the Company's prospectus.)

Tax fees incurred in 2007 were for advice and assistance in the preparation of tax returns for the year ended December 31, 2006. The fees disclosed under All Other Fees for 2007 relate to advice with respect to defined terms and concepts for taxation purposes and advice regarding issues with respect to option grants.

All of the fees paid to external auditors in 2007 were pre-approved by the Audit Committee.

LEGAL PROCEEDINGS

The Company is not aware of any legal proceedings, actual or contemplated, to which the Company is a party or of which any of its property is the subject.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The interest of management of the Company and others in material transactions and transactions involving remuneration for services is disclosed under the heading "Related Party Transactions" in the Company's Management's Discussion and Analysis, December 31, 2007. See "Additional Information".

TRANSFER AGENTS AND REGISTRARS

The registrar and transfer agent for the common shares in Canada is Computershare Investor Services Inc. at its principal offices in Vancouver and Toronto.

MATERIAL CONTRACTS

Strategic Alliance Agreement

In conjunction with an investment in the Company by Hochschild Mining Holdings Ltd. (a wholly-owned subsidiary of Hochschild Mining plc) ("Hochschild"), the Company entered into a strategic alliance agreement (the "Strategic Alliance Agreement"). The Strategic Alliance Agreement will govern the parties with respect to various matters, including future dealings with securities and corporate opportunities. Set out below are certain of the principal terms of the Strategic Alliance Agreement.

- The Company will, subject to receiving shareholder approval for the Resolutions (as defined below) and compliance with applicable laws including the TSX requirements, use commercially reasonable efforts to complete a financing (the "Financing") on or before June 30, 2008 and in any event by December 31, 2008 to raise funds necessary to meet the general working capital requirements of the Company. The financing is required to include an issuance of common shares of the Company ("Shares") sufficient to permit Hochschild to own, directly or indirectly, or exercise control or direction over, 35% of the issued and outstanding Shares on a non-diluted basis provided that Hochschild may subscribe for a lesser amount of such Shares. The number of Shares the Company is required to make available to Hochschild pursuant to the Financing will be reduced if, when added to any Shares acquired by Hochschild pursuant to market purchases or private agreement purchases, the Shares issued to Hochschild pursuant to the Financing would result in Hochschild owning greater than 40% on a fully diluted basis.
- Hochschild has the right to nominate a number of the directors of the Board of Directors of the Company proportional to its holdings in the Company and the Company is obliged to call and hold a special meeting of its shareholders to approve: (i) the acquisition by Hochschild of the additional Shares contemplated by the Strategic Alliance Agreement; and (ii) termination of the Company's shareholder rights plan, (collectively the "Resolutions").
- Hochschild has a pre-emptive right with respect to issuances of securities by the Company, subject to certain exceptions, up to Hochschild's then interest in the Company on a fully-diluted basis.
- Hochschild will grant the Company a right of first refusal in respect of certain arm's length sales of greater than 10% of the then issued and outstanding Shares and with respect to corporate opportunities available to Hochschild; and the Company will grant Hochschild certain rights with respect to joint ventures and asset sales by the Company.

INTERESTS OF EXPERTS

Names of Experts

George Darling, P. Eng. (SRK), Michael Kociumbas, P. Geo. (Watts, Griffis and McOuat Limited), John R. Sullivan, P. Geo. (Watts, Griffis and McOuat Limited), James J. Lavigne, P. Geo. (Watts, Griffis and McOuat Limited), Alfred S. Hayden, P. Eng. (EHA Engineering Ltd.), Andrew S. Small, P. Eng. (AMEC Earth & Environmental Limited), Dave Butler, P. Eng. (V.B. Cook Co. Limited), Faramarz Kordgharachorloo, P. Eng. (B.H. Martin Consultants Ltd.), Robert A. Hall, P. Eng. (Mill-Ore Industries Inc.), and Paul R. Schmidt, P. Eng., PRS Associates, are the authors of the technical report with respect to the Company's Timmins West property, dated October 12, 2007 and prepared in accordance with National Instrument 43-101.

Deloitte & Touche LLP are the independent auditors of the Company.

Interests of Experts

To the knowledge of the Company, none of the experts holds, nor have any of them received, nor will any of them receive any securities or other property in the Company.

ADDITIONAL INFORMATION

Additional information on the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors which may be found on the Company's website at www.lsgold.com or under the Company's profile on SEDAR at www.sedar.com.

Additional financial information is included in the Company's Management's Discussion and Analysis, December 31, 2007, and the Company's audited consolidated financial statements for the year ended December 31, 2007 all of which are filed on SEDAR.

Schedule A

LAKE SHORE GOLD CORP.

(the "Company")

CHARTER OF THE AUDIT COMMITTEE

PURPOSE

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the shareholders and others, the systems of internal controls and management information systems established by management and the Company's internal and external audit process and monitoring compliance with the Company's legal and regulatory requirements with respect to its financial statements.

The Audit Committee is accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee is expected to maintain an open communication between the Company's external auditors and the Board.

The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board. Nothing in this Charter, however, is intended to or does confer on any member a higher standard of care or diligence than that which applies to the Directors as a whole.

The Audit Committee does not plan or perform audits or warrant the accuracy or completeness of the Company's financial statements or financial disclosure or compliance with generally accepted accounting procedures as these are the responsibility of management.

Procedural Matters

The Audit Committee:

- a. meets at least four times per year, either by telephone conference or in person;
- b. invites the Company's external auditors, the Chief Financial Officer, and such other persons as deemed appropriate by the Audit Committee to attend meetings of the Audit Committee;
- c. reports material decisions and actions of the Audit Committee to the Board, together with such recommendations as the Committee may deem appropriate;
- d. has the power to conduct or authorize investigations into any matter within the scope of its responsibilities;
- e. has the right to engage independent counsel and other advisors as it determines necessary to carry out its duties and the right to set the compensation for any advisors employed by the Audit Committee;

- f. has the right to communicate directly with the CFO and other members of management who have responsibility for the internal and external audit process, as well as to communicate directly with the internal and external auditors; and
- g. pre-approves non-audit services to be performed by the external auditors in accordance with the Committee's pre-approval policies and procedures, which pre-approval is subject to ratification by the Board. The Audit Committee may delegate certain pre-approval functions for non-audit services to one or more independent members of its Committee if it first adopts specific policies and procedures respecting same and provided such decisions are presented to the full Audit Committee for approval at its next meeting.

RESPONSIBILITIES

External Auditors

The Audit Committee has primary responsibility for the selection, appointment, dismissal, compensation and oversight of the external auditors, subject to the overall approval of the Board. For this purpose, the Audit Committee may consult with management.

The external auditors shall report directly to the Audit Committee.

Also, the Audit Committee:

- a. recommends to the Board:
 - i. whether the current external auditors should be nominated for reappointment for the ensuing year and if the current external auditors are not to be reappointed, select and recommend a suitable alternative for nomination; and
 - ii. the amount of compensation payable to the external auditors;
- b. resolves disagreements, if any, between management and the external auditors regarding financial reporting;
- c. provides the Board with such recommendations and reports with respect to the financial statements of the Company as it deems advisable;
- d. takes reasonable steps to confirm the independence of the external auditors, including but not limited to pre-approving any non-audit related services provided by the external auditors to the Company or the Company's subsidiaries, if any;
- e. confirms that the external auditors are a 'participating audit' firm for the purpose of National Instrument 52-108 *Auditor Oversight* and are in compliance with governing regulations;
- f. reviews and evaluates the performance of the external auditors; and
- g. reviews and approves the Company's hiring policy regarding partners, employees and former partners and employees of the Company's external auditors.

Audit and Review Process and Results

The Audit Committee has a duty to receive, review and make any inquiry regarding the completeness, accuracy and presentation of the Company's financial statements to ensure that the financial statements fairly present the financial position and risks of the organization and that they are prepared in accordance with generally accepted accounting principles. To accomplish this, the Audit Committee:

- a. considers the scope and general extent of the external auditors' review, including their engagement letter and major changes to the Company's auditing and accounting principles and practices;
- b. consults with management regarding the sufficiency of the Company's internal system of audit and financial controls, internal audit procedures and results of such audits;
- c. ensures the external auditors have full, unrestricted access to required information and have the cooperation of management;
- d. reviews with the external auditors the audit process and standards, as well as regulatory or Company-initiated changes in accounting practices and policies and the financial impact thereof, and selection or application of appropriate accounting principles;
- e. reviews with the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements;
- f. reviews the appropriateness and disclosure of any off-balance sheet matters;
- g. reviews disclosure of related-party transactions;
- h. receives and reviews with the external auditors, the external auditors' audit report and the audited financial statements;
- i. makes recommendations to the Board respecting approval of the audited financial statements;
- j. meets with the external auditors separately from management to review the integrity of the Company's financial reporting, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates, any significant disagreements or difficulties in obtaining information, adequacy of internal controls over financial reporting, adequacy of disclosure controls and procedures, and the degree of compliance by the Company with prior recommendations of the external auditors;
- k. directs management to implement such changes as the Audit Committee considers appropriate, subject to any required approvals of the Board arising out of the review; and

- I. meets at least annually with the external auditors, independent of management, and reports to the Board on such meetings.

Interim Financial Statements

The Audit Committee:

- a. reviews on an annual basis the Company's practice with respect to review of interim financial statements by the external auditors;
- b. conducts all such reviews and discussions with the external auditors and management as it deems appropriate;
- c. reviews the interim financial statements with the external auditors; and
- d. makes recommendations to the Board respecting approval of the interim financial statements.

Involvement with Management

The Audit Committee has primary responsibility for overseeing the actions of management in all aspects of financial management and reporting. The Audit Committee:

- a. reviews the Company's annual and interim financial statements, Management's Discussion and Analysis and earnings press releases, if any, before the Company publicly discloses this information;
- b. reviews all of the Company's public disclosure of financial information extracted from the Company's financial statements, if such financial statements have not previously been reviewed by the Committee, prior to such information being made public by the Company and for such purpose, the CFO assumes responsibility for providing the information to the Audit Committee for its review;
- c. reviews material financial risks with management, the plan that management has implemented to monitor and deal with such risks and the success of management in following the plan;
- d. consults annually and otherwise as required with the Company's CEO and CFO respecting the adequacy of the internal controls over financial reporting and disclosure controls and procedures and reviews any breaches or deficiencies;
- e. obtains such certifications of annual and interim filings by the CEO and CFO attesting to internal controls over financial reporting and disclosure controls and procedures as deemed advisable;
- f. reviews management's response to significant written reports and recommendations issued by the external auditors and the extent to which such recommendations have been implemented by management;
- g. reviews as required with management the annual financial statements, the quarterly financial statements, Management's Discussion and Analysis, Annual

- Information Forms, future-oriented financial information or pro-forma information and other financial disclosure in continuous disclosure documents;
- h. reviews with management the Company's compliance with applicable laws and regulations respecting financial reporting matters;
 - i. reviews with management proposed regulatory changes and their impact on the Company; and
 - j. reviews as required with management and approves disclosure of the Audit Committee Charter, and Audit Committee disclosure required in the Company's Annual Information Form, Information Circular and on the Company's website.

COMPOSITION

The Audit Committee is composed of three Directors, all of whom are Directors who are not officers or employees of the Company or any of its subsidiaries.

In addition, members of the Audit Committee meet the prescribed independence, financial literacy and experience requirements and have relevant skills and/or experience in the Committee's areas of responsibility as required by the securities laws applicable to the Company, including those of any stock exchange on which the Company's securities are traded.

Appointment of Committee Members

Members of the Committee are appointed or confirmed by the Board annually and hold office at the pleasure of the Board.

Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board fills any vacancy if the membership of the Committee is less than the minimum requirement number of Directors required for the Committee.

Committee Chair

The Board appoints a Chair for the Audit Committee.

STRUCTURE AND OPERATIONS

Absence of Committee Chair

If the Chair of a Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting will be chosen by the Committee to preside at the meeting.

Secretary of Committee

At each meeting the Committee appoints a secretary who need not be a director of the Company.

Meetings

The Chair of the Committee or the Chair of the Board or any two of its members may call a meeting of the Committee.

Quorum

A majority of the members appointed to the Committee constitutes a quorum.

Notice of Meetings

The Chair of the Committee arranges to provide notice of the time and place of every meeting in writing (including by facsimile) to each member of a Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. The Chair also ensures that an agenda for the meeting and all required materials for review by the members of the Committee are delivered to the members with sufficient time for their review, or that such requirement is waived.

Attendance of the Company's Officers at Meetings

The Chair of the Committee or any two members of the Committee may invite one or more officers of the Company to attend any meeting of the Committee.

Delegation

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee, management or, to the extent otherwise permitted by applicable plans, laws or regulations, to any other body or individual.

Procedure and Records

Subject to any statute or constating documents of the Company, the Committee determines its own procedures at meetings and may conduct meetings by telephone and will keep records of its proceedings.

COMPLAINTS

The Audit Committee has established procedures for:

- a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- b. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Complaints regarding accounting, internal accounting controls, or auditing matters may be submitted as outlined in the Company's Whistle Blower Policy – Accounting, Internal Controls or Auditing Matters. Complaints may be made anonymously and, if not made anonymously, the identity of the person submitting the complaint is kept confidential.

Upon receipt of a complaint, the Chair conducts or designate a member of the Audit Committee to conduct an initial investigation. The results of that initial investigation are brought before the Audit Committee for a determination of further investigation and action.

Records of complaints made and the resulting action or determination with respect to the complaint are documented and kept in the records of the Audit Committee for a period of three years.

The Audit Committee reviews the Whistle Blower Policy annually.

REPORTING AND ASSESSMENT

The Audit Committee reports to the Board of Directors.

The Audit Committee reviews its Charter and conducts an assessment of its performance, and the performance of the Committee Chair, on an annual basis. The Committee reports to the Corporate Governance and Nominating Committee the results of such review and assessment, including any recommendations for change (the "Committee Annual Report").

Effective date

This Charter was implemented by the Board in May 2007.