

Major Step Toward Development: Shore Files Environmental Impact Statement

Having carried out over six years of environmental studies in the Fort à la Corne forest where the Star and Orion South kimberlites are located, Shore Gold Inc. ("Shore") filed an Environmental Impact Statement ("EIS") with Saskatchewan's Ministry of Environment, the lead agency for environmental review of the project, working jointly with the Canadian Environmental Assessment Agency, on December 22, 2010.

The EIS describes how open pit diamond mining is proposed to be done in the Fort à la Corne forest, the effects mining could have on all aspects of the environment and methods proposed to protect the environment.

Filing of the EIS is an important milestone for Shore, because it enables provincial and federal regulators to review the proposed development and decide if it should receive environmental approval. In the event of approval, governments will prescribe conditions under which development could proceed.

The EIS builds on the baseline environmental studies assessing the current state of all aspects of the present environment in the Fort à la Corne forest, e.g. soil, air and water conditions, wildlife and fish populations and human and socio-economic conditions in the region.

The EIS also documents several years of public engagement activities undertaken by Shore with local communities, stakeholders and First Nations and Métis people.

Public Input to Continue to be Sought

In reviewing the EIS and considering approval of the Star-Orion South Diamond Project, the provincial and federal authorities will invite input from the public and consult with First Nations and Métis people who have used the territory for traditional activities such as hunting, trapping and berry gathering.

Shore's Environment Manager Ethan Richardson describes the information gathered on the environment as comprehensive. "We have coordinated a very vigorous examination of all facets of the environment, and suggest ways to ensure the environment is protected as we move forward," he said. "Any activity we undertake will be as approved by government, in consultation with the public," he added.

George Read, Shore's Senior Vice President Exploration and Development, stated: "We believe any development must proceed with respect for the environment and in consultation with communities. The submission of the EIS is a significant milestone in the company's continued efforts to establish Saskatchewan's first diamond mine."

Timing of Review

The review by provincial and federal authorities will run concurrently, and is expected to continue throughout 2011 and into 2012. The province has jurisdiction over most aspects of the project, while federal officials will conduct a Comprehensive Review of the EIS with particular focus on matters under federal regulation such as fish habitat, water diversions and water crossings. Both governments will make the results of their preliminary reviews available to the public for review and comment prior to making any decisions.

Public Access to the EIS

The EIS, consisting of 4,386 pages including appendices, will be released for public viewing and posted on both the Saskatchewan Ministry of Environment and Shore websites once the document has been preliminarily reviewed and, if necessary, amended as may be required by the Ministry. It is anticipated this will occur in the first and second quarters of 2011. In the meantime, an Executive Summary can be viewed on the company's website: www.shoregold.com.

2011 Budget: Final Feasibility Study Underway

Shore's 2011 budget was approved and released last week. It provides for a final Feasibility Study, expected to be completed by the end of the second quarter. This would represent another important milestone for the prospect of diamond mining in Saskatchewan. The Feasibility Study will cover the Star-Orion South Diamond Project, which encompasses combined properties of both the Fort à la Corne Joint Venture (Shore 66%; Newmont Mining Corporation of Canada 34%) and Shore's wholly owned Star Kimberlite. The study will be reviewed and, if positive, could lead to a production decision.



Participants, Shore consultants and staff at the Star-Orion South Diamond Project Environmental Interests Workshop, Prince Albert October 26, 2010.

* * *

Community Meetings Underway to Introduce EIS

As part of the environmental assessment process initiated by Shore's submission on December 22, 2010 of its Environmental Impact Statement (EIS) for the Star-Orion South Project, company representatives will be travelling to various First Nations, Métis and other communities neighbouring the Fort à la Corne site to provide summary presentations of the EIS.

First Nations and Métis Engagement



(Left to right), Chief Burns, James Smith Cree Nation; Ethan Richardson, Environment Manager, Shore; Julia Ewing, Director Community Relations, Shore; Chief Sanderson, Chakastaypasin Band of the Cree; Eric Cline, Vice-President Corporate Affairs, Shore; Chief Head, Peter Chapman First Nation; at the presentation of the Star-Orion South Diamond Project Environmental Impact Statement documents. (Prince Albert, January 28, 2011)

The Ministry of Environment's Environmental Assessment Branch and the Canadian Environmental Assessment Agency (CCEA) asked Shore to distribute the EIS directly to Aboriginal parties who have asserted to government that the Project is taking place on their traditional territories. By January 28, 2011, the paper and digital copies of the EIS were distributed; this began a 45-day technical review period during which First Nations and Métis may provide their initial views, if any, regarding:

- the adequacy of the EIS to meet the requirements of the Project Specific Guidelines;
- any other concerns regarding adequacy of the EIS; and
- the potential impacts of the Project on Aboriginal communities' rights and traditional uses.

This process provides an initial opportunity to provide comment, but comments and feedback can be submitted at other times during the process as well.

Representatives from the Ministry of Environment and CEAA are intending to be in attendance at the meetings. The "kick off" meetings will be considered part of provincial and federal efforts to consult with First Nations and Métis communities potentially impacted by the Project. The government will determine, based on comments received during the technical

Caution regarding Forward-Looking Statements

This newsletter contains forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "guidance", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook. In particular, statements regarding Shore's future operations, future exploration and development activities or other development plans constitute forward-looking statements. Forward-looking statements in this newsletter include, but are not limited to, the timing and scheduling of the EIA meetings and regulatory approvals, impacts of diamond prices to the project economics and the ability of the company to negotiate agreements with Aboriginal groups.

All forward-looking statements and information are based on Shore's current beliefs as well as assumptions made by and information currently available to Shore concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration, development and mining activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, developments in world diamond markets, changes in diamond valuations, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of Shore or its joint venture partners, the effects of competition in the markets in which Shore operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the additional risks described in Shore's most recently filed Annual Information Form and annual and interim MD&A, and Shore's anticipation of and success in managing the foregoing risks.

Shore cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Shore, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities legislation, Shore does not undertake to update any forward-looking statement that may be contained herein.

review period, the EIS to be complete, or may direct Shore to submit revisions to the EIS.

Public Engagement

The Diamond Development Advisory Committee will be holding its regular meeting in Prince Albert on February 8, 2011, and Shore will be introducing the EIS to regional communities at that meeting. Shore's Environment Manager, Ethan Richardson, will provide an introduction and overview of the EIS, and Committee members will have an opportunity to ask technical questions, seek clarification or request additional information. Further opportunities for public input will be presented as the review process continues.

* * *

Third-Quarter Financial Results Released

Financial results for the quarter ending September 30, 2010 were released November 10. Highlights included:

- working capital of \$21.7 million at September 30, 2010;
- diamond price increases of 11% to 19%, and improvement to the long-term outlook for the diamond market, improving Star-Orion South Project economics.

* * *

Shore and Wahpeton Dakota Nation Sign MOU

Shore and Wahpeton Dakota Nation ("Wahpeton Dakota") signed a Memorandum of Understanding ("MOU") on January 19, 2011. The parties agree to hold discussions concerning education and training, employment, and business opportunities for members of Wahpeton Dakota. Such discussions could lead to an Impact Benefit Agreement between Shore and Wahpeton Dakota concerning specific ways to involve the First Nation's members in the

project.

Eric Cline, Shore's Vice President Corporate Affairs, said it was the hope of the company to involve First Nations and Métis people in the region in diamond mining activity. "We look forward to working with Wahpeton Dakota and other First Nations and Métis Regions to accomplish that," he said.

Wahpeton Dakota Nation reserve lands are located approximately 15 km northwest of Prince Albert.

The signing of the recent MOU brings to four the number of MOUs negotiated by Shore. In addition to the MOU executed by Wahpeton Dakota, MOUs have been arrived at with Sturgeon Lake First Nation, Métis Nation – Saskatchewan ("MNS") Eastern Region II and MNS Western Region II.

In addition, Shore has signed Information Gathering Agreements with Sturgeon Lake First Nation, MNS Eastern Region II, MNS Western Region II, Red Earth Cree Nation, James Smith Cree Nation, Chakastaypasin Band of the Cree and Peter Chapman First Nation.

* * *



Chief Cy Standing, Wahpeton Dakota Nation and Eric Cline, Vice-President Corporate Affairs, Shore shake hands after the signing of the Memorandum of Understanding. (January 19, 2011)

Upcoming Events

Diamond Development Advisory Committee Meeting

Tuesday, February 8, 2011

City Hall, Prince Albert, SK