

## Further Milestones for Development Achieved: Feasibility Study, Technical Report and Updated Mineral Reserve Estimate

In the post-exploration phase, major steps required to achieve mine development include completion of a Feasibility Study, publication of a Technical Report and updated Mineral Reserve Estimate, environmental approval from provincial and federal authorities, financing arrangements and development permits from the provincial and federal governments. Therefore, the release of Feasibility Study results July 14, 2011, followed by the NI 43-101 compliant Technical Report and Mineral Reserve update August 26 providing the details and background information forming the basis of the Feasibility Study results represent significant milestones for the Star-Orion South Diamond Project.

The Feasibility Study, Technical Report and Mineral Reserve update are positive, despite taking a conservative approach to the economic model, confirming that a world-class diamond mine is feasible in central Saskatchewan.

The Feasibility Study was led by Shore personnel, working with independent mining processing and design consultants including P&E Mining Consultants Inc., Metso Minerals Industries Inc. and AECOM Canada Ltd. A number of other independent consulting firms and potential vendors also provided input.

The Feasibility Study presents an economic model which is within +/-15% accuracy, and used February 2011 pricebook Model prices, as determined by WWW International Diamond Consultants Ltd., plus 15%, for the cautious economic model used to arrive at Net Present Value (NPV) and Internal Rate of Return (IRR) projections.

Highlights of the Feasibility Study, Technical Report and Mineral Reserve update include:

- Probable Mineral Reserves of 279 million diluted tonnes of kimberlite;
- a weighted average grade of 12.3 carats per hundred tonnes of kimberlite;



Eric Cline, Vice-President, Corporate Affairs, Shore Gold and Earl Ermine, Chair, Sturgeon Lake Economic Development Committee review Open House information at Sturgeon Lake community hall.

- 34.4 million carats at a weighted average price of US \$242 per carat over the Life of Mine (LOM);
- LOM of 20 years after five years of construction;
- Base Case Net Present Value (NPV) of \$2.1 billion (using a 7% discount rate) for an Internal Rate of Return (IRR) of 16% before taxes and royalties and an after-taxes and royalties NPV of \$1.3 billion and an IRR of 14%;
- pre-production capital cost of \$1.9 billion with total capital costs of \$2.5 billion (including direct, indirect costs and contingency) over the LOM;
- initial capital cost payback period of 5.3 years.

The July 14 News Release and the August 26 Technical Report and Updated Mineral Reserve Estimate can be accessed at [www.shoregold.com](http://www.shoregold.com) and [www.sedar.com](http://www.sedar.com).

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## Sturgeon Lake Open House

Seven Shore staff members travelled to Sturgeon Lake First Nation on July 13, to meet with band elders and take part in another Star-Orion South Diamond Project Open House. Eric Cline, Vice-President, Corporate Affairs, gave a slide presentation to community elders summarizing the Star-Orion South Diamond Project Environmental Impact Statement. The elders expressed their thanks for the information and asked a variety of questions pertaining to the environment, archeology, jobs and other project related issues.

Later in the afternoon Shore staff were on hand at Sturgeon Lake's community hall to present the Open House to community members, to allow community members to become informed about the Project, and to answer questions about the Project. The Open House included four display stations featuring the topics of Geology, Mining and Processing, Environmental Monitoring, and Jobs and Economy. A scale model of



Left to right – Barry Kingfisher, Craig Bighead, Howard Bighead, Eric Bird, Joe Naytowhom, John Ermine, Robert Ermine, and Margaret Ermine relax at Star-Orion South Diamond Project Open House.

the site, an animated mining and processing simulation, and a computer generated fly-by of the proposed site were on display to help individuals visualize the proposed Diamond Project in the Fort à la Corne Forest. Sturgeon Lake is located approximately 25 kilometers northeast of Prince Albert. The poster boards and handouts from the Open Houses continue to be available for viewing online at [www.shoregold.com](http://www.shoregold.com); click on “Community”.

Study.

The price increases in 2011 reflect a trend toward higher prices since March 2008, a trend largely attributed to increased demand and shrinking supply projected for the years ahead.

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## DDAC Site Tour

On the 16th of August, 17 Diamond Development Advisory Committee (DDAC) members, guest Nadine Wilson, MLA for Saskatchewan Rivers, and six Shore staff participated in an informative and successful tour of Shore Gold’s Fort à la Corne site. Shore hired a bus to take staff and participants from two pick-up points into the site from Highway No. 6 via Division East Road. The trip was safe and enjoyable, despite some muddy roads due to rain the night before.

The group received a guided tour of site facilities, with Environment Manager Ethan Richardson providing explanations and answering questions. Jane Danoczi, Manager, Process Design, showed committee members around the pilot bulk sample processing plant and described what the new processing plant would look like if the Star-Orion South Diamond Project proceeded to the operations phase. A regular committee meeting was then held at the camp facilities and followed by a light lunch.

The tour concluded with a hike up Spy Hill, affording participants a view of the surrounding landscape. The view



Jane Danoczi, Manager, Process Design, showed Diamond Development Advisory Committee members around the pilot bulk sample processing plant.

allowed participants to put the placement and size of potential pits, processing plant and other facilities in context with the surrounding landscape. Everyone on the bus was in a very good mood after the meeting concluded, talking and laughing all the way back to their vehicles located at the pick-up points.

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## Rough Diamond Prices Continue to Rise

Valuation of diamond parcels from the Star and Orion South Kimberlites was recently conducted by WWW International Diamond Consultants Ltd., an industry-leading rough diamond valuation and consulting company. The valuation indicated parcel price percentage increases of 31-46% since February 2011. The economic model used in the Feasibility Study was based on February 2011 prices plus 15%, meaning that the economics of the Project would now be more positive than the already robust economics projected in the Feasibility



Diamond Development Advisory Committee members tour the Fort à la Corne site, August 16, 2011.

## Upcoming Events

Saskatchewan Geological Survey Open House

November 28-30, 2011

Delta Bessborough Hotel, Saskatoon, SK



### 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, statements relating to mineral reserve estimates, anticipated life of mine, NPV and IRR calculations, estimates of capital costs and payback periods, diamond prices and anticipated diamond price increases, and project economics.

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, the ability of the Company to obtain project financing, 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.

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