

Technical Report and Preliminary Feasibility Study on Star Kimberlite

Recent Documents Issued with Respect to Star Kimberlite

- Press Release August 27, 2009 (www.shoregold.com)
- Technical Report and Preliminary Feasibility Study (169 page document with 27 page Summary) posted September 3, 2009 (www.sedar.com and www.shoregold.com, click on "Properties" on Shore website)

Rules Regarding Pre-feasibility Studies and Reserve Announcements

Under the securities regulators' rules (National Instrument 43-101), a pre-feasibility study (PFS) is defined as: "a comprehensive study of the viability of a mineral project that has advanced to a stage where... the pit configuration... has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve".

Thus, a PFS is comprehensive and assesses viability of advanced projects based on reasonable assumptions. A Technical Report in support of an initial Mineral Reserve Estimate must be authored by a "qualified person" who is independent of the company concerned, and, in this case, the PFS was also authored by the independent qualified person, P&E Mining Consultants Inc. P&E is an internationally recognized geological and mining consulting firm and was assisted by several other independent engineering firms.

Key Conclusions of the Star PFS

"Based on the results of the PFS including the discounted cash flow analyses, it is P&E's opinion that the PFS has demonstrated the potential of the Project to become a significant

diamond producer, and that the Project merits further assessment and should be advanced to a Feasibility Study ("FS") stage." (p. i, Summary, Technical Report and Preliminary Feasibility Study on the Star Diamond Project.)

"The Star Kimberlite is a significant diamond deposit with a Mineral Reserve Estimate in the Probable category, at \$5.08/tonne cut off, of 170,833,000 tonnes at an ore grade of 11.7 carats per hundred tonnes (equivalent to a value of \$31.04/tonne) taking projected mining dilution and mining losses into account." (p. ii, Summary, Technical Report and Preliminary Feasibility Study on the Star Diamond Project.)

Highlights:

- probable mineral reserve of 171,000,000 tonnes of diamond bearing kimberlite
- 11.7 carats per hundred tonnes
- 20 million carats of diamonds
- weighted average price of \$265 per carat (US\$225)
- 4 years construction
- 12 years to mine Star Kimberlite



Mining/Processing Method

(short video available at www.shoregold.com)

- open pit mining
- overall pit angle 25° (18° in overburden, 30° in ore and waste rock; ramp gradient 10%)
- processing plant with 14.6 million tonnes per annum capacity, to process 14.2 million tonnes per annum
- mining steps:
 - strip overburden sand and clay by excavators, trucks, loaders, bulldozers

- and scrapers, convey to overburden pile
- strip tills to expose kimberlite ore, by in-pit crushers and conveyors
- mine ore and waste rock using hydraulic excavator and trucks, put through sizers, then onto conveyors to processing plant ore stockpile/waste management area
- convey from ore stockpile to processing plant where diamonds separated out of kimberlite

Potential Timelines

- Late 2009 - early 2010, submission of Environmental Impact Statement to Saskatchewan Environment
- 2010 — Feasibility Study completion
 - corporate consideration whether to proceed to production
- 2010-2014 — mine and plant construction
- 2014 — production commences
 - 360 days/year
 - 40,000 tonnes/day processed, 14.2 million tonnes/year
- 2014-2026 — production

Costs

Operating costs	\$15.88/tonne processed
Capital costs	\$9.71/tonne processed
Total costs	\$25.59/tonne processed

Production Workforce Needs

- 500 employees/year during operation

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Recent Developments: Provincial Environmental Impact Assessment of Proposed Diamond Mining Underway

In response to Shore Gold's Star-Orion South Diamond Project Proposal, filed November 2008 on behalf of Shore and the FALC Joint Venture (Shore 60%, Newmont Mining 40%), the Environmental Assessment Branch of Saskatchewan Ministry of Environment published draft project specific guidelines for the preparation of an Environmental Impact Statement.

The draft guidelines were made available for public review and comment at www.environment.gov.sk.ca and are also available on the Shore website (www.shoregold.com) as well as at the offices of the City of Prince Albert, City of Melfort, Town of Nipawin, Village of Smeaton and RM of Torch River.

The project specific guidelines identify the issues the Ministry of Environment wishes to have addressed in the Environmental Impact Assessment, and include:

- environmental baseline information describing the present state of the environment, including soil, air, wildlife, vegetation and water quality
- description of planning, construction and operation phases
- environmental impacts of the proposed development, short-term and long-term, including potential cumulative environmental impacts
- plans to mitigate environmental effects, and to decommission and reclaim lands after mining activities cease
- environmental monitoring plans
- public involvement activities and comments
- timelines and project life span
- number of jobs estimated, skill requirements, opportunities for nearby centres and aboriginal people
- occupational health and safety considerations
- emergency plans
- confirmation of project footprint, i.e. one open pit or two; possibility of future developments
- waste management, water management, tailings management
- road and utility corridor options
- heritage resource impact assessment and mitigation plan, socio-economic issues
- traditional aboriginal land use issues

The timeline for comment on the draft project specific guidelines has been extended from August 17, 2009 to September 17, 2009 to allow issues of public concern about the assessment of the proposed project to be formally incorporated into the Environmental Impact Assessment (EIA) process.

The decision by EA Branch to extend the deadline was made to ensure First Nations and Métis communities have ample time to submit their comments. The Crown has a duty to consult with (and, if necessary, accommodate) First Nations and Métis people when contemplating allowing an activity which may impact the Aboriginal and treaty rights recognized under Section 35 of the Constitution, commonly understood to be the right to hunt, fish, trap and pursue other traditional activities on traditional territory.

Once the public comment period is over, the EA Branch will issue final PSGs. Shore will use the final PSGs to ensure that the EIA and corresponding Environmental Impact Statement (EIS) meet public and regulatory expectations. The extension granted by the MoE should not affect the timelines for Shore Gold's desktop studies, including feasibility studies and preparation of the EIS.

During the EIA process, Shore Gold will continue with its public engagement activities and will host a second round of Open Houses to build upon the initial round held in February of this year. It will complete the EIS for submission to the Crown which, once submitted, will be reviewed by the province and other regulators. The Crown will seek public comment and review of the EIS prior to making a ministerial decision about approving the Project.

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Resource Estimate Published on the Orion South Kimberlite

A National Instrument 43-101 compliant Mineral Resource estimate was released for the explored portion of the Orion South Kimberlite held by the Fort à la Corne Joint Venture (Shore Gold Inc. 60%; Newmont Mining 40%) on September 10, 2009. The Mineral Resource estimate includes Indicated Resources of 84 million tonnes at a grade of 13.83 carats per hundred tonnes ("cph") and Inferred Resources of 98 million tonnes at a grade of 12.83 cph. The Mineral Resource estimate was prepared by an independent Qualified Person from P&E Mining Consultants Inc., who also prepared the Mineral Reserve Estimate announced on the Star Kimberlite.

The resource estimate used data collected from 149 core holes (15,517 metres of kimberlite), 62 Large Diameter Drilling (LDD) holes (7,920 metres of kimberlite), bulk samples from underground bulk sampling (23,468 dry tonnes of

kimberlite) and LDD bulk sampling (9,580 processed tonnes).

The Canadian Institute of Mining and Metallurgy standards and securities commission rules require that a resource can only be declared on a mineral deposit which has "reasonable prospects of economic extraction". Therefore, the announcement of a mineral resource is an important milestone in the exploration of the Orion South Kimberlite. Further analysis and desktop study will proceed to move the project forward.

The Orion South Kimberlite is one of the largest diamond bearing kimberlites in the world, with a surface area of some 403 hectares.

Because Orion South ore could potentially be processed using the same plant as the nearby Star Kimberlite should it go into production, there may be cost efficiencies for both kimberlites in the future, enhancing economic feasibility.

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Second Quarter Financial Results Released

The unaudited financial results for the second quarter, ending June 30, 2009, were released by Shore on August 13, 2009, indicating a net loss of \$2.2 million. As Shore is currently an exploration company with no substantial revenue, it is normal to record a loss on operations. Exploration and desktop analysis occurring in advance of a production decision involve expenditures not matched or exceeded by revenue. Highlights of the second quarter included:

- working capital of \$19.0 million at June 30, 2009
- issued and outstanding shares of 199,904,242 at June 30, 2009
- a net loss of \$2.2 million, or one cent per share for the second quarter, and \$6.1 million



for the period January 1-June 30, 2009, or three cents per share

- the company continues to move forward, including work toward a full feasibility study on the Star Diamond Project and advancing work on Orion South exploration results.

The full press release is available at www.shoregold.com

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Water Quality - Collection of Aquatic Information

The protection and preservation of water quality and fish habitat in the area of the proposed Star-Orion South Diamond Project has always been paramount to Shore, and an assessment of impacts to these natural resources will comprise part of the Environmental Impact Assessment currently underway on the project. Because it is important to understand water quality, fish populations and fish habitat from both a public and regulatory perspective, Shore has been collecting aquatic information since 2004, in compliance with its exploration permitting conditions. In 2008, Shore contracted with Canada North Environmental Services of Saskatoon to undertake field studies, gathering data from the Saskatchewan River, English Creek, Caution Creek and the ravines near the proposed Star-Orion South Diamond Project into an Aquatic Baseline report. This report considers:

- hydrological and other characteristics of the local surface water bodies (limnological studies)
- measurements of depth, width and other physical characteristics of the channels
- water chemistry, sediment chemistry and fish tissue chemistry
- benthic (i.e. species living on or in the river bed) invertebrate community data
- fish communities
- spring and fall fish spawning habitat and
- aquatic habitat assessment for key fish species.

The report will provide information needed to predict potential impacts to the aquatic environment from development of the proposed Star-Orion South Project and will be part of the Environmental Impact Assessment. Highlights of the results include:

- naturally occurring high levels of aluminum, cadmium, copper, iron and arsenic in surface water;
- naturally occurring high levels of nickel, arsenic and vanadium in stream sediments;
- the presence of white sucker in the mouth of Duke Ravine near the Saskatchewan River and in the upper reaches of East Ravine;
- the presence of a number of species of small bodied fish (e.g. lake chub, northern redbelly dace, fathead minnow) in most of the Ravines;



- ten species of large-bodied fish and nine species of small-bodied fish were found in the Saskatchewan River. No sturgeon were found during these surveys;
- the presence of walleye and white sucker in the mouths of English Creek and East Ravine near the Saskatchewan River. Burbot was also found in the mouth of the East Ravine.

The complete baseline report will be reviewed by regulators and the public as part of the Environmental Impact Assessment process. It is anticipated that the federal Department of Fisheries and Oceans, the Provincial Fisheries Branch of the Ministry of Environment and other stakeholders will be involved in discussion and review of potential impacts of the Project, and the identification of appropriate mitigation strategies to reduce any identified negative impacts.

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Upcoming Events

DDAC Meeting

September 15, 2009
Nipawin Evergreen Centre
Nipawin, SK

MinExplo Expo 2009

October 8, 2009
Art Hauser Centre
Prince Albert, SK

Saskatchewan Geological Survey – “Open House” 2009

November 30 to December 2, 2009
Delta Bessborough Hotel
Saskatoon, SK





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