



**1st Quarter Report  
2008**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

For the quarter ended March 31, 2008

The following discussion and analysis is prepared by Management as of May 9, 2008 and should be read in conjunction with the unaudited consolidated financial statements for the period ended March 31, 2008 and audited financial statements for the year ended December 31, 2007 publicly available on SEDAR at [www.sedar.com](http://www.sedar.com). Shore Gold Inc. ("Shore", "SGF", or "the Company") prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless otherwise indicated.

### **Overview**

During the first quarter of 2008, the Company remained focused on the Fort à la Corne area of central Saskatchewan, with ongoing exploration of its 60 percent interest in the Fort à la Corne Joint Venture ("FALC-JV") while working towards estimating a Mineral Resource on its 100 percent owned Star Diamond Property. The FALC-JV participants are Kensington Resources Ltd. ("Kensington"), a wholly owned subsidiary of Shore, and Newmont Mining Corporation of Canada Limited ("Newmont") (40 percent). The main activity for the Star Diamond Property was the compilation and interpretation of data required to estimate a Mineral Resource. The FALC-JV concentrated on the sinking of a shaft on Orion South, large diameter ("LD") drilling on the Orion Kimberlite Cluster and sample processing. In addition, twenty-eight PQ sized core drill holes were completed on two kimberlites situated on the Buffalo Hills Joint Venture in Alberta (of which Shore holds a 22.5 percent interest).

### **Star Diamond Project Advanced Exploration Program**

The Star Diamond Project has now advanced from a capital intensive data gathering exercise to lower cost desk-top engineering studies and data analysis. The Company has collected all data required for the estimation of a Mineral Resource conforming to NI 43-101 and Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards and is awaiting the finalization of a NI 43-101 compatible resource estimation by an independent consultant. Completion of the resource estimate is required before a fully optimized, conceptual mine plan can be determined, operating and capital parameters set, and a financial model established. Based on current timelines the Company anticipates a Mineral Resource estimate to be defined within the second quarter of 2008, followed by a Mineral Reserve and a bankable feasibility study. The 2008 budget for the Star Diamond Project of \$7.0 million (100 percent Shore) includes all costs up to and including the delivery of a bankable feasibility study for the Star Diamond Project (See SGF News Release January 17, 2008).

## **FALC-JV Project Exploration Program**

In 2008, an aggressive work program has been set out for the FALC-JV Project, with a 2008 budget of \$86.8 million (See SGF News Release January 17, 2008), of which 60 percent will be funded by the Company. The primary focus for 2008 will be on the Orion Kimberlite Cluster, particularly Orion South where shaft sinking is currently underway from which an underground bulk sample will be collected. Significant work will also be completed on Orion North as well as the Taurus Kimberlite Cluster, which is the next area of interest for the FALC-JV. The Taurus Kimberlite Cluster lies to the west of the Orion Cluster and includes eight coalescing kimberlites that result in over six kilometres of contiguous kimberlite (See SGF News Release February 25, 2008). The Company has and will continue to release diamond results from the various bulk and LD drilling samples as they become available.

During the first quarter of 2008, the major activities on the FALC-JV property were the sinking of the shaft on Orion South, LD drilling and sample processing. In December 2007, the shaft sinking on Orion South intersected kimberlite at 102.6 metres below surface. As of May 9, 2008 the shaft has reached its final depth of 210 metres below surface. Once the shaft is completed, lateral drifting will commence. The well constrained geological model on Orion South enabled the sinking of the shaft in a central location to ensure ease of underground access to the north and south of the shaft to sample the Early Joli Fou 1 and 2 (EJF1 and EJF2) and Pense Kimberlite lithologies. The 2008 budget includes bulk sampling of Orion South to recover approximately 22,500 tonnes of EJF1, 22,500 tonnes of EJF2 and 15,750 tonnes of Pense Kimberlite. Kimberlite bulk samples will be batch processed through Shore's on-site dense media separator ("DMS") plant and the diamond results of these samples will be released as they become available.

The first two sets of diamond results from underground bulk sampling of Orion South were announced earlier in 2008 (See SGF News Release February 5, 2008 and SGF News Release March 4, 2008), with diamond recoveries totaling 363.08 carats from 2,144.86 dry tonnes processed for an average of 16.93 carats per hundred tonnes ("cpht"). The underground bulk sampling diamond results were from samples collected from the sinking of the shaft from depths of 101.9 metres to 148.6 metres. Included in these results is a 15.88 carat diamond, the largest diamond recovered to date from any of the Orion kimberlites located within the FALC-JV. This 15.88 carat diamond is a freshly broken fragment, suggesting that this stone came from a considerably larger diamond. These initial bulk sample diamond results confirm that kimberlite with elevated diamond grade (greater than 15 cpht) occurs at high levels in Orion South, in close proximity (some 2 metres) to the overlying glacial sediments. EJF kimberlite was not only intersected at shallower depths than in the Star Kimberlite shaft, but the EJF sampled to date shows higher grades than the EJF sampled in the shaft on the Company's Star Diamond Project. Existing LD drilling results suggest that the Pense will have a lower grade than the EJF but the EJF is the dominant lithology in Orion South, accounting for more than 60 percent of the total rock volume.

During the first quarter of 2008, the Company released an update on the Taurus Kimberlite Cluster. The Taurus Kimberlite Cluster lies to the west of the Orion Cluster and includes eight coalescing kimberlites (150, 118, 152, 218, 154, 155, 122 and 156) that result in over six kilometres of contiguous kimberlite (See SGF News Release February 25, 2008). Taurus Cluster kimberlites have been the targets of substantial core drilling (87 holes, 19,302 metres drilled, 8,140 metres of kimberlite intersected) by previous operators of the FALC-JV. Archival core samples from these historic drill programs have now been re-logged in detail by Shore geologists and extensive areas of coarse grained kimberlite have been identified in kimberlites 118, 122 and 150. These kimberlites are scheduled for LD drilling during 2008, due to their significant volumes of coarse kimberlite. Assuming positive diamond results from the 2008 LD drilling program, additional pattern core drilling will be proposed for 2009 on the Taurus Cluster to develop a detailed geological model for these kimberlites.

### **Buffalo Hills Joint Venture Exploration Program**

The Buffalo Hills Joint Venture participants are Shore (22.5 percent), Diamondex Resources Ltd. (“Diamondex”) (22.5 percent), EnCana Corporation (43 percent) and Pure Diamonds Exploration Inc. (12 percent). Diamondex has been appointed operator of the Buffalo Hills Joint Venture. Shore and Diamondex have the option to increase their combined interest in the joint venture to 72.5 percent by funding the next \$15 million of exploration expenditures before April 30, 2010.

Following the review of historical geological data by a technical team from Shore and Diamondex, a 2008 exploration program and budget of \$7 million was determined of which Shore will fund \$3.5 million (See SGF News Release January 17, 2008).

A winter drill program was carried out during the quarter on two (K14 and K252) of the six kimberlite bodies (K91, K225, K14, K252, K6 and K5) of the central corridor of the Buffalo Hills property slated for drilling in the year as part of the approved 2008 exploration drill program. In total twenty-eight PQ sized core drill holes were completed for a total of over 4,600 metres. In addition, drill pads and access roads were prepared to many of the remaining planned drill sites. Further drilling on the remaining priority bodies is expected to occur in the third quarter once the ground has dried out sufficiently after spring thaw. Diamondex has requested Shore to perform core logging and process mini-bulk samples (378.22 tonnes from K6 and K14) on behalf of the Buffalo Hills Joint Venture, which Shore carried out during the quarter. The concentrates from these mini-bulk samples have been sent to a third party to process final diamond recoveries.

## Financial Highlights

Selected financial information of the Company for the quarters ended March 31, 2008 and 2007 is summarized as follows:

	Three Months Ended March 31, 2008 \$	Three Months Ended March 31, 2007 \$
Revenues (millions)	0.6	1.3
Net income (loss) (millions)	(2.2)	(4.2)
Net income (loss) per share <sup>(1)</sup>	(0.01)	(0.02)
Total assets (millions)	816.8	784.7
Working capital (millions)	51.8	105.8

(1) Basic and diluted.

## Results of Operations

For the quarter ended March 31, 2008, the Company recorded a net loss of \$2.2 million or \$0.01 per share compared to a net loss of \$4.2 million or \$0.02 per share for the same period in 2007. The net loss in 2008 was primarily due to the fair value of stock-based compensation expensed during the quarter (\$1.9 million). The Company generated lower interest income for the first quarter of 2008 compared to the same period in 2007 which was the result of having less cash on hand after spending over \$63.6 million on exploration projects and acquisitions (22.5 percent interest in the Buffalo Hills Joint Venture) during the previous year as well as \$17 million in third-party asset-backed commercial paper (“ABCP”) being frozen since August of 2007. The net loss during the quarter ended March 31, 2007 was primarily due to the fair value of stock-based compensation expensed during the quarter (\$4.2 million).

### Revenues

The Company invested excess cash reserves in short-term deposits to maximize return while ensuring funds would be available for significant cash outflow requirements associated with the Company’s exploration projects. For the quarter ended March 31, 2008 the Company reported interest revenue of \$0.6 million as compared to \$1.3 million for the quarter ended March 31, 2007. The decreased interest income is primarily due to having less cash on hand after spending over \$63.6 million on exploration projects and acquisitions (22.5 percent interest in the Buffalo Hills Joint Venture) during the previous year as well as \$17 million in third-party asset-backed commercial paper (“ABCP”) being frozen since August of 2007.

### Expenses

Total operating costs for the quarter ended March 31, 2008 equaled \$2.9 million compared to \$5.3 million for the quarter ended March 31, 2007. This \$2.4 million decrease is largely attributed to the fair value of stock-based compensation that was expensed during the first quarter of 2008 (\$1.9 million) as compared to the first quarter of 2007 (\$4.2 million). Once the effect of accounting for stock-based compensation is

removed, the comparison between specific categories of expenses becomes more meaningful. The following discussion related to expense variances removes the effect of stock-based compensation for comparative purposes. Total operating costs for the Company decreased by \$0.1 million from the quarter ended March 31, 2007, primarily due to the higher proportion of activities on the FALC-JV during the quarter ended March 31, 2008. Costs associated with the FALC-JV are shared between Shore (60 percent) and Newmont (40 percent) while costs incurred for the Star Diamond Project are borne 100 percent by Shore.

### ***Investing***

Mineral properties additions totaled \$13.1 million this quarter compared to \$13.5 million for the quarter ended March 31, 2007. The additions represent approximately \$8.9 million on the FALC-JV Property, \$1.9 million on the Star Diamond Property and another \$2.3 million on other properties (which includes \$2.1 on the Buffalo Hills Joint Venture). The expenditures on the FALC-JV Property primarily related to the sinking of the shaft on Orion South, LD drilling and sample processing. The main activity for the Star Diamond Property was working towards estimating a Mineral Resource. The expenditures on the Buffalo Hills Joint Venture were primarily a progress payment made to the joint venture's operator, Diamondex.

### **Summary of Quarterly Results**

	<b>2008</b>	<b>2007</b>				<b>2006</b>		
	<b>Qtr 1</b>	<b>Qtr 4</b>	<b>Qtr 3</b>	<b>Qtr 2</b>	<b>Qtr 1</b>	<b>Qtr 4</b>	<b>Qtr 3</b>	<b>Qtr 2</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b> <sup>(1)</sup> (millions)	0.6	0.6	0.9	1.2	1.3	1.7	3.1	2.6
<b>Net income (loss)</b> <sup>(2)</sup> (millions)	(2.2)	12.4	(2.4)	1.7	(4.2)	(0.8)	(122.7)	45.6
<b>Net income (loss)/share</b> <sup>(3)</sup>	(0.01)	0.06	(0.01)	0.01	(0.02)	0.00	(0.70)	0.26
<b>Shares outstanding</b> <sup>(4)</sup> (millions)	182.7	182.7	177.5	177.3	177.3	176.8	176.4	176.1

- (1) *The higher revenue in the second quarter and third quarter of 2006 was the result of having increased cash balances from the closing of equity financings in the first and fourth quarters of 2005. The decline in interest revenue from the fourth quarter of 2006 to the fourth quarter of 2007 resulted from a reduction in the Company's investment base after completing acquisitions involving the FALC-JV and the Buffalo Hills Joint Venture, ABCP not accruing interest, declining interest rates and incurring exploration expenditures throughout this period.*
- (2) *The second and fourth quarters of 2007 as well as the second quarter of 2006 had net income as a result of future income tax recoveries after the federal government substantively enacted reduced corporate income tax rates. The net loss during the third quarter of 2007 primarily related to the \$2.0 million change in fair value of ABCP. The first quarters of 2008 and 2007 saw increases in operating costs primarily associated with the fair value of stock-based compensation granted during those quarters. In the third quarter of 2006, the Company disposed of a 40 percent interest in a mineral property which resulted in a loss recognized for accounting purposes of \$124.5 million net of a \$55.9 million income tax recovery.*
- (3) *Basic and diluted.*
- (4) *The Company completed a private placement financing on November 23, 2007 resulting in the issuance of 4.76 million flow-through common shares from treasury. Other changes in the number of shares outstanding are the result of option exercises in the respective periods.*

## Related Party Transactions

During the three-month period ended March 31, 2008, management and consulting fees of \$0.3 million (2007 – \$0.3 million) were paid to directors, officers and companies controlled by common directors. Of these fees, \$44 thousand (2007 – \$39 thousand) were capitalized as additions to mineral properties; \$161 thousand (2007 – \$114 thousand) were included in administration expense and \$112 thousand (2007 – \$131 thousand) were included in consulting and professional fees expense. The fair value of stock-based compensation related to directors and officers of the Company for the three-month period ended March 31, 2008 was \$1.8 million (2007 – \$4.4 million).

During the three-month period ended March 31, 2008, the Company charged \$18 thousand (2007 – \$112 thousand) to Wescan Goldfields Inc. for administration services and rental of equipment. Accounts receivable includes \$3 thousand (2007 – \$29 thousand) due from Wescan Goldfields Inc.

The above transactions were in the normal course of operations and are measured at an amount agreed to by the related parties. The fair value of stock-based compensation was determined using the Black-Scholes model.

## Liquidity

The Company does not currently operate any producing properties and, as such, is dependent upon the issuance of new equity to finance its ongoing obligations and advance its exploration properties. Until the Company's surplus cash is required to fund exploration or development activities it is invested in a variety of highly rated instruments.

At March 31, 2008 the Company held ABCP with a total par value of \$19.0 million, with repayment dates ranging from September 14, 2007 to October 15, 2007. During the month of August 2007, the ABCP market experienced liquidity problems. As a result, certain of the ABCP programs were unable to raise funds from new issuances and therefore were not able to refund maturing notes. Thus far, none of the ABCP held by the Company has been repaid. To address the liquidity issue, twenty of the ABCP conduits, which include the ABCP held by the Company, are currently subject to a proposal by the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper ("Investors Committee") which calls for the conversion of the ABCP into floating rate notes. On April 25, 2008, noteholders voted in favour of the Committee Restructuring Plan. Per the Committee Restructuring Plan, the Company would expect to receive the following floating rate notes:

<i>Master Asset Vehicle2 ("MAV2") Class A-1 Notes</i>	<i>\$7.5 million</i>
<i>MAV2 Class A-2 Notes</i>	<i>\$5.6 million</i>
<i>MAV2 Class B Notes</i>	<i>\$1.0 million</i>
<i>MAV2 Class C Notes</i>	<i>\$0.4 million</i>
<i>Master Asset Vehicle 3 Traditional Asset, Class 5 Notes</i>	<i>\$4.5 million<sup>1</sup></i>

- (1) *According to the Information Statement released on March 20, 2008 by the Investors Committee, a letter of intent has been provided by the seller to reacquire assets in Gemini Series A (constituting 93% of the traditional securitized assets in the trust) at par. As per the April 18, 2008 Monitor's Report, this reacquisition occurred on April 16, 2008. Based on this information, upon completion of the reacquisition, 99% of the underlying assets in Gemini Series A may be comprised of cash.*

As there is currently no active market for the ABCP held, the Company has assessed an "other than temporary impairment" and reduced the fair value of these investments by \$2.0 million in total. The Company reviewed its assumptions regarding the fair value calculation during the quarter ending March 31, 2008 and found the fair value not to be substantially different from the fair value previously determined. The amount and timing ultimately recovered by the Company may differ materially from this estimate. Management does not believe the events surrounding the liquidity of the ABCP will adversely affect its ability to meet financial obligations as they fall due.

### **Capital Resources and Outstanding Share Data**

As at March 31, 2008, the Company had working capital of \$51.8 million as compared to \$65.2 million at December 31, 2007 and \$105.8 million at March 31, 2007. At March 31, 2008 the Company had 182,709,242 shares issued and outstanding compared to 177,261,460 at March 31, 2007.

As at May 9, 2008, the Company had a total of 182,734,242 common shares issued and outstanding and a further 8,106,360 options outstanding at a weighted average exercise price of \$4.59. Approximately 3.6 million of these options are currently in-the-money and would add an additional \$9 million to the Company's capital if they were exercised.

### **Critical Accounting Estimates**

Shore's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles ("GAAP"). The Company's accounting policies are described in Note 2 to the annual audited consolidated financial statements. Certain policies involve critical accounting estimates because they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The uncertainties related to these areas could significantly impact the Company's results of operations, financial condition and cash flows.

A critical accounting estimate in determining the Company's financial results relates to the recoverability of the carried amounts of mineral properties. Management assesses carrying values of non-producing properties each time it issues financial statements and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed. The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary

financing to establish the existence of reserves and to complete the development of such reserves and the success of future operations. As at March 31, 2008, the Company has not yet determined whether any of its mineral properties contain economically recoverable reserves.

## **Accounting Changes**

### ***Financial Instruments – Presentation and Disclosure***

On January 1, 2008, the Company adopted Canadian Institute of Chartered Accountants (“CICA”) handbook sections relating to financial instrument presentation and disclosure. These sections are intended to enhance the users’ ability to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations.

The Company has supplied irrevocable standby letters of credit issued by a Canadian chartered bank. The Company has pledged \$1.2 million of short-term investments as security, all maturing July 2, 2008. These investments are recorded as restricted cash.

A significant portion of the Company’s receivables relate to amounts receivable from a participant of the Company’s joint operations. Management minimizes the credit risk associated with this concentration of receivables by ensuring that amounts receivable from this participant are current. In accordance with the joint venture agreement, the participating interest in the joint venture is security against amounts owed.

Until the Company’s surplus cash is required to fund exploration or development activities it is invested in a variety of highly rated, relatively risk-free instruments such as guaranteed investment certificates and Government of Canada treasury bills. The Company also holds ABCP with a par value of \$19.0 million (carrying value of \$17.0 million) with repayment dates ranging from September 14, 2007 to October 15, 2007. Thus far, none of the ABCP held by the Company has been repaid. This ABCP is currently subject to a proposal by the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper (“Investors Committee”) which calls for the conversion of the ABCP into floating rate notes with terms that will match the duration of the underlying assets (“Committee Restructuring Plan”). As part of the Committee Restructuring Plan, several major financial institutions have provided margin call facilities that would significantly reduce the risk of credit default on these investments. Management continually monitors the progress regarding the ultimate collectability of these investments. The consolidated financial statements of the Company reflect management’s best estimate of the fair value of these investments.

The carrying amount of the financial assets discussed above represents the Company's credit exposure for the period ended March 31, 2008.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing this risk is to ensure that it is invested in highly liquid assets to meet its obligations when due.

Management does not believe the events surrounding the liquidity of the ABCP will adversely affect its ability to meet financial obligations as they fall due.

Accounts payable and accrued liabilities are due within the current operating period.

#### ***Capital Disclosures***

On January 1, 2008, the Company adopted CICA accounting standards relating to capital disclosure. This additional disclosure includes information regarding an entity's objectives, policies and processes for managing capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholder's equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board of Directors.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company expects its current capital resources will be sufficient to carry out its exploration plans through its current operating period. The Company is not subject to externally imposed capital requirements, except as disclosed in the financial statements.

#### **Disclosure Controls and Procedures**

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities

legislation is recorded, processed, summarized and reported within the applicable time periods, and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

There have been no significant changes in the Company's disclosure controls during the quarter ended March 31, 2008 that could significantly affect disclosure controls subsequent to the date the Company carried out its evaluation.

### **Internal Controls over Financial Reporting Procedures**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no significant changes in internal controls over financial reporting during the quarter ended March 31, 2008 that could have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

### **Outlook**

As of May 9, 2008, the Company had approximately \$49.0 million in cash and cash equivalents and short-term investments. These funds will be used to complete the advanced exploration program on the Star Kimberlite, to fund the Company's portion of the FALC-JV and the Buffalo Hills Joint Venture exploration programs and general corporate matters. Cash and cash equivalents and short-term investments may also be used to fund various other exploration activities as well as acquisition and exploration of additional properties (as opportunities warrant). The advanced exploration program of the Star Kimberlite will be conducted in order to determine the project's viability under current economic conditions. This will entail desk-top engineering studies and data analysis which will integrate kimberlite tonnes and diamond data to define a Mineral Resource conforming to NI 43-101 and Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards. Based on current timelines the Company anticipates a Mineral Resource estimate to be defined within the second quarter of 2008, followed by a Mineral Reserve and a bankable feasibility study. The FALC-JV has similar objectives; however, based on the stage of current exploration programs on the Orion Cluster, a Mineral Resource estimate is not anticipated for any of the FALC-JV's diamondiferous kimberlite bodies until the end of 2009 or later.

### **Risks and Uncertainties**

The Company attempts to mitigate risks by identifying, assessing, reporting and managing risks of significance. The following are risks relating to the business of the

Company. This information is a summary only of risks currently facing the Company based on its stage of development. Additional risks and uncertainties not presently known may also impact the Company's operations. Management's view on risks facing the Company will evolve as the Company progresses in its stage of development.

***Risks Associated With an Exploration Stage Company***

The principal risks faced by the Company during the exploration stage involve: Shore's ability to obtain financing to further the exploration and development of mineral properties in which Shore holds interests; maintaining title to its property claims; obtaining the required permits from various federal, provincial and local governmental authorities; and the ultimate economic feasibility of any future development projects.

The further development and exploration of mineral properties in which Shore holds interests or which Shore acquires may depend upon Shore's ability to obtain financing through joint ventures, debt financing, equity financing or other means. The Company does not have sufficient funds to put any of its property interests into production from its own financial resources. There is no assurance that Shore will be successful in obtaining required financing as and when needed. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or joint ventures or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Shore's future cash flows, earnings, results of operations and financial condition. The relative prices of diamonds and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. To ensure that exploration procedures are being performed effectively and those results are interpreted and reported in a proper manner, management ensures that qualified individuals, service providers and external consultants are utilized in the verification and quality assurance of analytical results.

Title disputes could have adverse consequences to the Company. Managing these issues is an integral part of exploration, development and mining in Saskatchewan and Alberta and Shore is committed to managing these issues effectively. The Company has diligently investigated title to its claims in the Star, FALC-JV and Buffalo Hills Joint Venture Properties. However, no assurance can be given that title to these properties will not be challenged or impugned in the future by third parties or governments. Management maintains a database to monitor the status of the Company's claims to ensure all claims are in good standing.

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial and local governmental authorities. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations. The

























