2007 Annual Report

Shore Gold Inc.

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Introduction

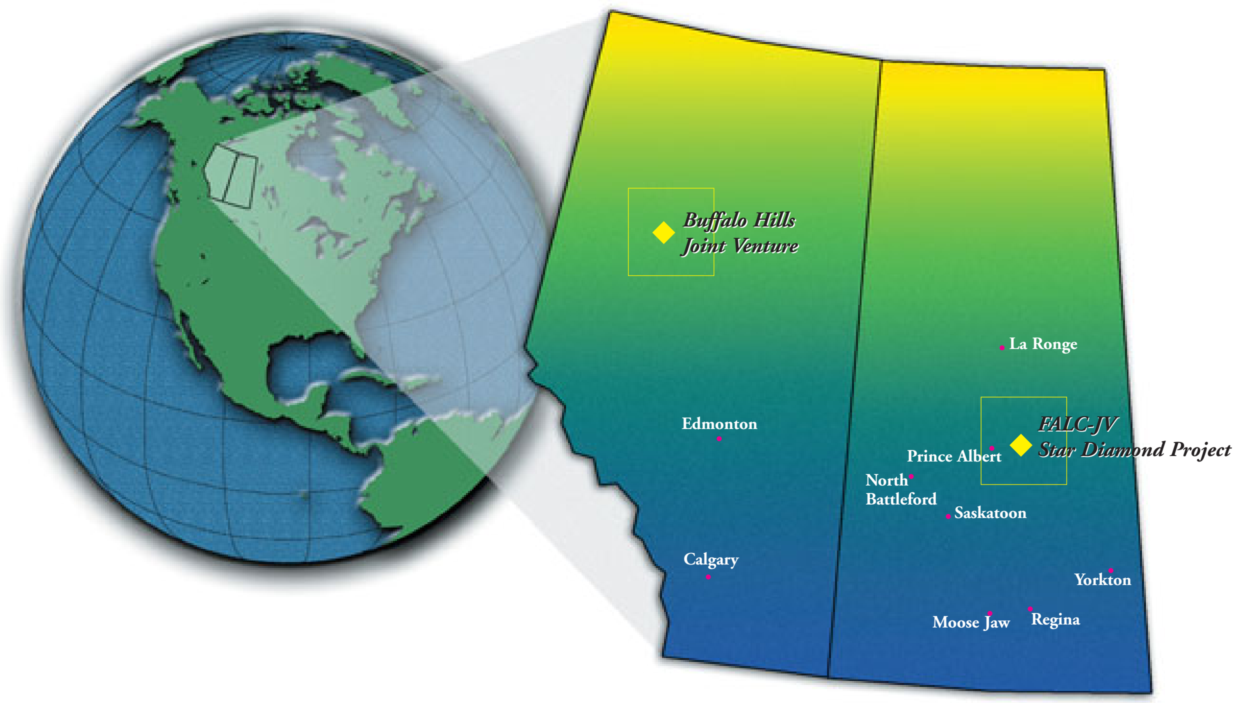
Shore Gold Inc. is a Canadian-based mineral exploration and development company with its head office in Saskatoon, Saskatchewan. The Company's mineral property portfolio consists of diamond properties: the most advanced being the Star Kimberlite deposit ("Star") and the Fort à la Corne Joint Venture ("FALC-JV").

The Company acquired a 22.5% interest in the Buffalo Hills Project in Alberta in the third quarter of 2007.

The Company continues to focus the majority of its financial and technical resources on Star and the FALC-JV. The Star Kimberlite is 100% owned by Shore Gold Inc. Shore holds a 60% ownership position in the FALC-JV and Newmont Mining Corporation of Canada Limited holds 40%. Both properties are situated in a burned portion of the Fort à la Corne forest, approximately 60 kilometres east of the city of Prince Albert.

The common shares of Shore Gold Inc. trade on the TSX under the trading symbol "SGF".

The Annual General and Special Meeting of the Shareholders of Shore Gold Inc. will be held in Saskatoon at the Sheraton Cavalier Hotel in the Centre Room at 10:00 a.m. on Wednesday, May 28th, 2008. Shareholders are encouraged to attend. Those unable to attend the meeting should complete the Form of Proxy included with the Shareholder Information Circular and forward it to Valiant Trust Company no later than 24 hours before the meeting.



Message to Shareholders

In 2007, Shore Gold Inc. made significant progress towards its long held goal of becoming a major force in the world diamond industry. Most significantly, data collection for the Star Diamond Project resource estimate was completed and geological models were developed for the Orion Cluster within the Fort à la Corne Joint Venture ("FALC-JV") properties. The Star resource estimate is scheduled to be upgraded to a mineral reserve by mid 2008 and we are committed to delivering a bankable feasibility study by the end of the year.

The recovery and processing of the 70,000 tonne underground bulk sample from Star was successfully completed and recovered over 10,000 carats, including a 49.5 carat stone which has been confirmed to be a fragment of a considerably larger stone estimated to be in excess of 100 carats. This is the largest stone recovered in Saskatchewan to date. The large diamond parcel recovered from the underground bulk sample was valued by WWW International Diamond Consultants at an overall modeled value of US $170 per carat, a 26 percent increase from 2006 estimates. This high diamond price is a function of the high proportion of white goods and the abundance of large stones. Some 3,000 stones are in excess of 0.5 carats which represents 45 percent of the diamond parcel by weight.

Within the FALC-JV, Shore and our Joint Venture partner, Newmont, focused exploration efforts on the very extensive Orion Kimberlite Cluster. Information from 2006 core drilling was integrated into geological models for Orion South, North and Centre. These Orion Kimberlites contain the largest contiguous volume of diamond bearing kimberlite on earth. Large diameter ("LD") drilling has confirmed the presence of macrodiamonds in both Orion South and Orion North. Initial LD drilling results combined with our experience at Star has shown that the LD drilling method of sampling typically underestimates diamond grade. Elevated grades and large stones associated with specific

Message to Shareholders (continued)

samples from the Orion Kimberlite Cluster strongly suggest that grades similar to Star can be anticipated at Orion. Detailed comparison of LD drilling results from Orion with Star results has given Shore and Newmont the incentive to proceed with shaft sinking on Orion South.

Shaft sinking on Orion South commenced in mid 2007 and kimberlite was reached beneath the overburden by year end. Recently released diamond results form the Orion shaft show an average grade of 16.93 carats per hundred tonne ("cpht") for the first 47 metres of kimberlite. Including the sample recovered from the shaft, we plan to collect some 65,000 tonnes in 2008 from three kimberlite units intersected in lateral drifts that will commence from the station at the 180-metre level. The information from core and LD drilling and underground bulk sampling will be integrated to estimate a mineral resource on Orion South. Encouraged by the initial LD drilling results from Orion North, we elected to drill an additional 15 LD holes in Orion North to further define the macrodiamond grade, as we see Orion North as a potential target for future shaft sinking.

Elsewhere within the FALC-JV we have commenced re-logging of archival core from what we now refer to as the Taurus Kimberlite Cluster. This deposit lies to the west of Orion. Taurus contains an enormous volume of kimberlite spanning over six kilometers, similar to Orion. Previous LD drilling by former operators of the FALC-JV have confirmed macrodiamonds and elevated grades within Taurus.

In the third quarter of 2007, Shore and Diamondex jointly acquired Stornoway's share of the Buffalo Hills Joint Venture in Alberta and agreed to a 2008 budget of $7 million with Diamondex as the operator. In addition to the processing of bulk sample material, a 14,000-metre pattern core drilling program on six of the kimberlites at Buffalo Hills is scheduled for 2008.

World financial markets in 2007 were unstable, with credit concerns and a slowing US economy. These issues have negatively impacted stock prices generally, including companies within the Canadian diamond industry. We have seen other Canadian diamond companies faced with going-concern issues while others have taken large write downs. I believe Shore has an opportunity to flourish under these conditions as we move our projects forward. A potential strengthening of the US dollar coupled with projected rising diamond prices due to demand from emerging markets and dwindling supply, will leave us well positioned to maximize our future value. Although these conditions are very favorable for our future, we anticipate releasing resource and reserve estimates during tougher economic times. I have been impressed by our team's ability to manage programs, stay on budget, and exceed program forecasts. The team has delivered results while continually adapting to changing circumstances and new challenges. I acknowledge Newmont for their confidence in our ability to manage the programs and the technical support they provided throughout this past year.

I am grateful for the support our investors have shown us. I look forward to 2008 when you, as shareholders, start to see quantifiable value with Star's resource and reserve estimates. I remain optimistic these results will translate into a higher share price as we move closer toward diamond production in Saskatchewan.

Kenneth E. MacNeill
President & Chief Executive Officer

OVERVIEW

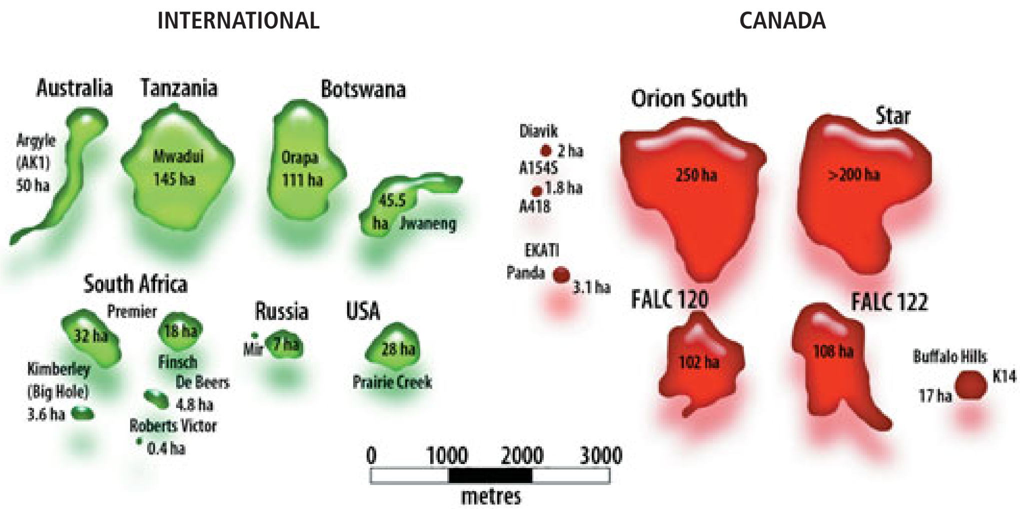
The Star Diamond Project and the Fort à la Corne Joint Venture ("FALC-JV") are located 60 kilometres east of Prince Albert, Saskatchewan, a major supply centre for central Saskatchewan. A paved highway, gravel grid road system, and an extensive network of forestry roads provide excellent year round access.

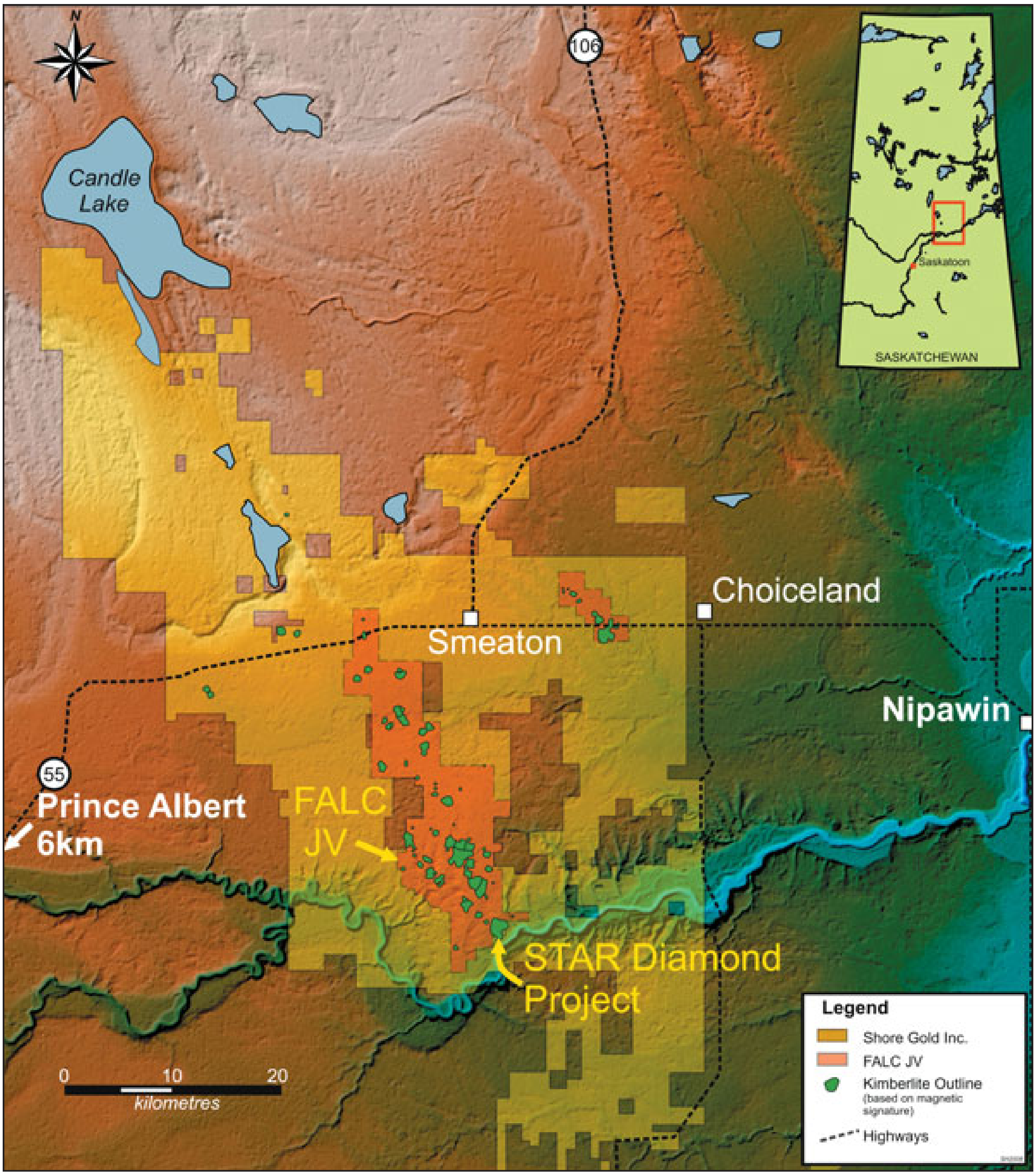
Shore has 100 percent ownership of 382 mineral dispositions (212,900 hectares) which include the 23 contiguous mineral dispositions (9,280 hectares) over the Star Diamond Project. The FALC-JV (Shore 60%, Newmont 40%) consists of 121 mineral dispositions (22,544 hectares).

The Buffalo Hills property lies in northern Alberta some 350 kilometers northwest of Edmonton and consists of 78 Metallic Industrial Mineral Permits ("MIMP") totaling 384,065 hectares. In addition, the Buffalo Hills Joint Venture includes a further 77,239 hectares contained in the Loon Lake and Swampy Lake properties.

During the past year Shore has completed the field work on the 100 percent owned Star Diamond Project and rapidly advanced the understanding and evaluation of the Orion Kimberlite Cluster within the adjacent FALC-JV. Both of these projects have year-round accessibility by road and are proximal to a hydroelectric power supply. The accessibility by road and the availability of hydroelectric power will significantly lower the operating costs of any potential future diamond mine in this region, particularly when compared to the remote Arctic locations of the present Canadian diamond mines (Ekati, Diavik, Snap Lake) and diamond exploration projects (Gaucho Kue and Renard).

The following graphic depicts how the Star Kimberlite and some of the FALC-JV kimberlites compare in size to various deposits around the world.





Fort à la Corne Diamond District claim area

GEOLOGICAL HISTORY


George Read
Senior V.P. of Exploration and Development

The formation of the Fort à la Corne kimberlites (Star and FALC-JV) occurred approximately 100 million years ago when alkaline volcanic rocks called kimberlites transported diamonds from the high temperature and pressure regimes of the earth's upper mantle to the surface of the crust. The kimberlites erupted violently at the earth's surface as volatile rich magmas with massive exsolution of carbon dioxide gas. An extensive field of kimberlite eruptions was emplaced in the Cretaceous period (100 million years ago) on the edge of the inland sea, the Western Interior Seaway - the sedimentary basin where the oil and gas deposits of Western Canada were formed. This expanding sea soon inundated the recently erupted kimberlites and buried them under marine mudstones. Normally the surface extruded kimberlite craters would be highly unstable under atmospheric conditions and the craters would weather rapidly and disappear; only the small underlying feeder pipes would remain. The highly resistant diamonds would be released into the streams and lakes of the regional sedimentary environment. However, in the case of the Fort à la Corne kimberlites (Star and FALC-JV) the early post eruption burial by marine mudstone ensured the preservation of the surface crater material, resulting in kimberlites of enormous areal extent which have potential for massive ore volumes.

The Fort à la Corne kimberlites, which are buried under approximately 100 metres of overburden, were discovered using a combination of airborne geophysics (magnetics) and core drilling. The initial discovery, which ultimately resulted in the FALC-JV, was made by Uranerz Exploration and Mining in August 1989. The claims over the Star Kimberlite were staked in late 1995 and, subsequent to airborne and ground geophysical surveys, the first kimberlite intersection was drilled in the fall of 1996.

Geochronology of crystalline basement xenoliths recovered from the Star Kimberlite and indicator mineral studies provide evidence that the craton beneath central Saskatchewan has the same thermal regime as the Slave Craton which hosts the Ekati and Diavik diamond mines. The Sask Craton has been defined as being highly prospective for diamondiferous kimberlites.

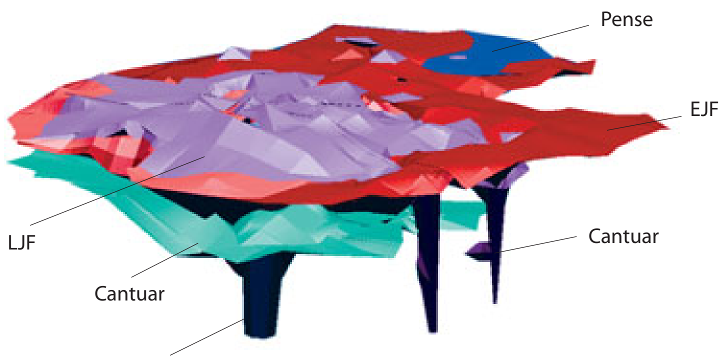
STAR DIAMOND PROJECT

Shore has 100 percent ownership of 23 contiguous mineral dispositions (9,280 hectares) over the Star Diamond Project. The investigation and evaluation of Star has enabled Shore geologists to develop a successful evaluation methodology for these very large, relatively low grade kimberlites. The evaluation methodology has three components: **1**. Core drilling (PQ 75 millimetre) to delineate the size and map the internal structure of the kimberlite; **2**. Underground bulk sampling to recover large parcels (3,000 carats or more) of macrodiamonds that are representative of run-of-mine production for accurate grade (carats per hundred tonne – cpht) and price estimates (US$ per carat), and **3**. Large diameter ("LD") drilling for the recovery of mini-bulk samples of kimberlite, away from the shaft and underground workings, which are used for grade and value modeling purposes that are essential to the estimation of a National Instrument ("NI") 43-101 compliant Mineral Resource. With the completion of these three components on Star in 2007, the Project has evolved to a desk-top engineering study which will integrate and interpret all information collected to initially estimate an NI 43-101 compliant Mineral Resource in early 2008. The Resource is scheduled to be upgraded to a Mineral Reserve by mid-2008 and it is anticipated that a full bankable feasibility study will be completed on Star by the end of 2008.

Core and LD drilling continued on Star and Star West (the portion of Star that falls within the FALC-JV) during the past year — see details in the table of drilling statistics (page 11). The detailed core logging information collected by Shore geologists has been combined with kimberlite whole rock geochemistry, downhole geophysical measurements and detailed kimberlite density measurements to define and map the kimberlite lithologies in three dimensions and build a geological model for Star.

Total 276 million tonnes kimberlite.

Potential economic lithologies:
- EJF: 163 million tonnes*
- Pense: 26 million tonnes*
- Cantuar: 23 million tonnes*
- MJF: 14 million tonnes*
- LJF: 30 million tonnes*
- KDF: 20 million tonnes* (not shown)



3D model of Star Kimberlite
*Conceptual in nature, not Resource

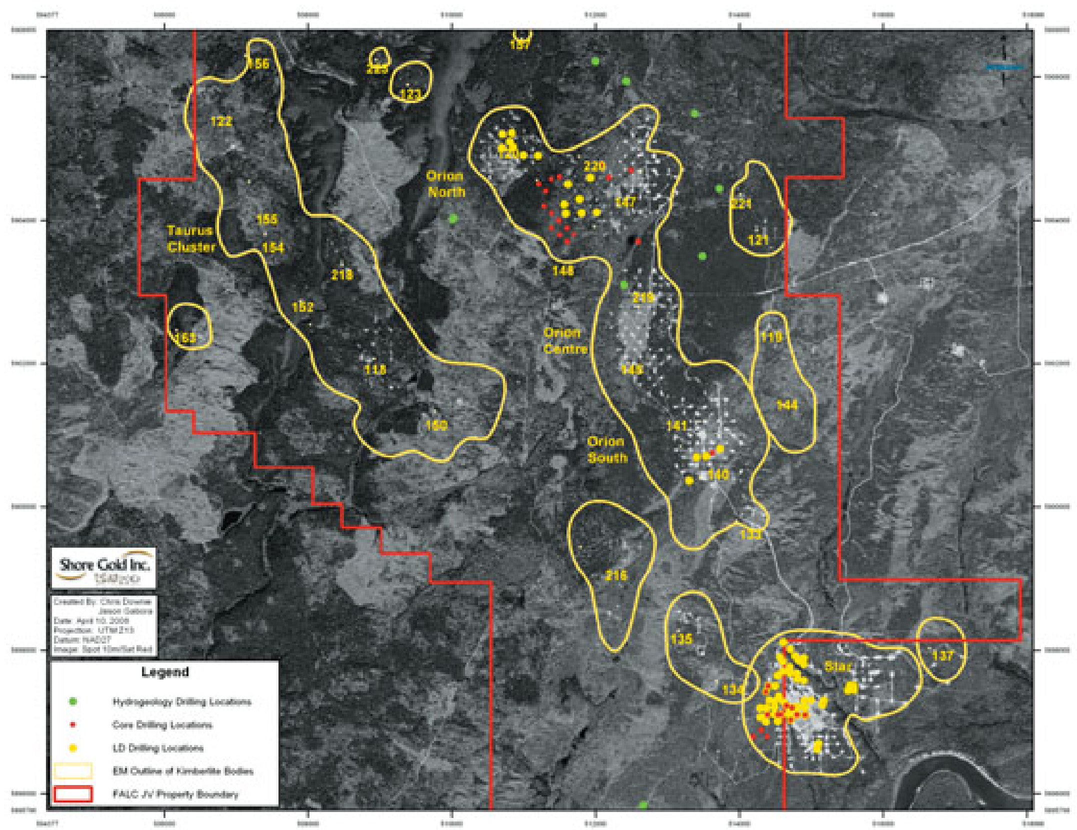
The present geological model indicates that Star contains 276 million tonnes of kimberlite in six major lithologies: Cantuar, Pense, Early Joli Fou ("EJF"), Mid Joli Fou ("MJF"), Late Joli Fou ("LJF") and Kimberlite Debris Flows ("KDF"). Diamond grade and value estimates from underground bulk sampling and LD drilling will be added to the geological model tonnage estimates in order to define a Mineral Resource for the Star Kimberlite.

Phase 1 of the underground bulk sampling on Star recovered a total of 25,408 tonnes of kimberlite from which 4,043 carats of diamonds were recovered while Phase 2 recovered 18,258 tonnes of kimberlite and 3,016 carats of diamonds. Phase 3 of the underground bulk sampling was completed in March 2007 and recovered 25,390 tonnes of kimberlite and 3,523 carats of diamonds. These are the tonnage and carat totals used in the resource calculation and differ slightly from the tonnage and carat totals reported in the Management's Discussion and Analysis section of this report as these values do not include clean-up samples which were significantly diluted with sand. Phase 3 of the underground bulk sample was completed and the shaft and underground operation were decommissioned in late April 2007. WWW International Diamond Consultants completed the valuation of the entire underground bulk sample diamond parcel in October 2007 and produced an overall modeled diamond price for Star of US$170 per carat. The 26 percent increase over the previous valuation (US$135 per carat) is attributed to a more statistically robust sample and rising diamond prices.

Rough diamonds from the Star Diamond Project

FORT À LA CORNE JOINT VENTURE

Shore is the operator and has a 60% interest in the FALC-JV, with the remaining 40% held by Newmont. The FALC-JV includes 121 mineral dispositions (22,544 hectares) covering in excess of 60 drill-confirmed kimberlites, most of which have been shown to contain diamonds. Shore and Newmont have aggressively targeted the Orion Kimberlite Cluster (North 147, 148, 220 and 120; Centre, 145 and 219; South 133, 140 and 141) which consists of over seven kilometres of contiguous kimberlite and has the potential to contain a significantly large ore volume. Geological models for the Orion Cluster presently suggest the following tonnages: Orion South 360–400 million tonnes, Orion Centre 150–167 million tonnes and Orion North 800–870 million tonnes. The details of core and LD drilling completed in 2007 are listed in the table of drilling statistics (page 11).



2007 Core Drilling, Large Diameter Drilling, and Hydrogeology Drilling


Orion South headframe

The geological model for Orion South has been well constrained by detailed geological logging of 133 pattern core holes, combined with whole rock geochemistry, downhole geophysics and density measurements. Early stage diamond results from LD drilling strongly suggest diamond populations within Orion South that are similar to Star and, thus, define Orion South as a target for shaft sinking and underground bulk sampling. The shaft will be sunk to a depth of 210 metres below surface and is currently at some 185 metres, where a station is under construction. Lateral drifts will be developed from this station. The well constrained geological model on Orion South facilitated the selection of the optimal location for a shaft that will permit access to the three dominant kimberlite lithologies in Orion South: Pense, EJF1 and EJF2. Present estimates suggest that these three kimberlite lithologies (Pense, EJF1 and EJF2) account for the majority of the substantial diamondiferous kimberlite within Orion South. The aim of this shaft sinking exercise is the recovery of large, representative diamond parcels, from each of the Orion South kimberlite lithologies, for diamond grade and price determinations.

The Taurus Cluster, to the west of Orion, with more than 6 kilometres of contiguous kimberlite, has the potential to host hundreds of millions of tonnes of kimberlite. The re-logging of archival core form the Taurus Cluster has identified substantial intersections of high interest, coarse grained macrocrystic kimberlite breccia that has the potential to host significant diamond populations, particularly in 122, 118 and 150. Similar kimberlite recovered from the Star Kimberlite has yielded grades as high as 36 cpht in underground bulk samples. Based on the kimberlite volume, five 225 metre LD drill holes on each of these three kimberlites were included in the 2008 FALC-JV budget. Our present understanding of the Taurus Cluster suggests large volumes of diamondiferous kimberlite which will be the target of the 2008 LD drilling program.


Bauer BG-36 1.2 metre Large Diameter Drill

Drilling Statistics Table - Large Diametre Drill

Table of Drilling Statistics Year	Drilling Type	Kimberlite	# of Holes Completed	Total Drilling (metres)	Total Kimberlite Intersected (metres)	Diameter
2007	LD	Orion North 120 (FALC-JV)	7	2,034.20	1,007.43	1.2 m RC
2007	LD	Orion North 148 (FALC-JV)	7	1,104.34	693.30	1.2 m RC
2007 Orion North Total			14	3,138.54	1,700.73	
2007	LD	Orion South (FALC-JV)	4	1,029.70	622.32	1.2 m RC
2007	LD	Star West (FALC-JV)	15	3,595.12	1,885.89	1.2 m RC
2007 Total JV Drilling			33	7,763.36	4,208.94	
2007	LD	Star East (Shore)	34	6,899.16	2,726.95	1.2 m RC
2007 Total Shore Drilling			34	6,899.16	2,726.95	
2007 Total Drilling			67	14,662.52	6,935.89	

Drilling Statistics Table - Core and Rotary Drilling

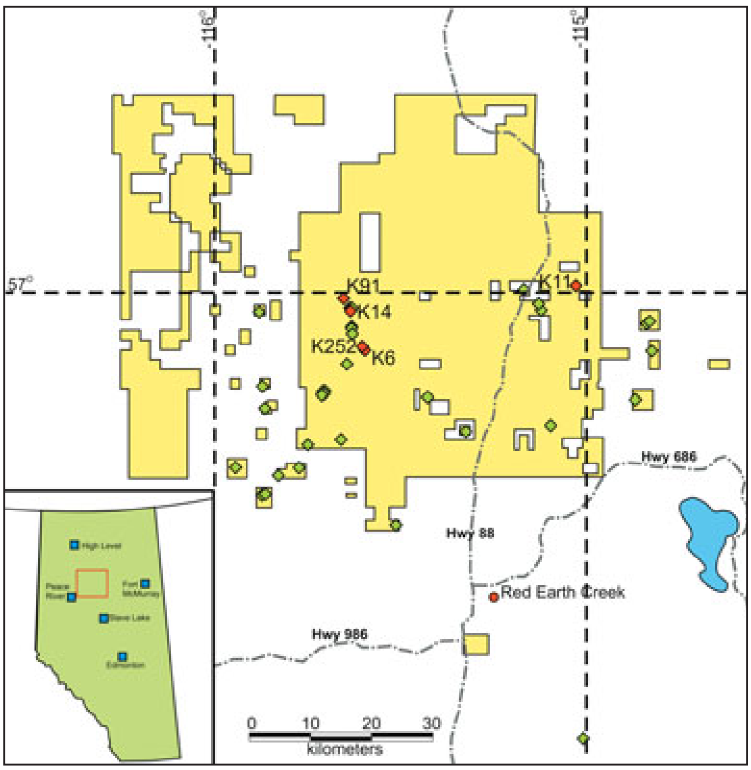
Table of Drilling Statistics Year	Drilling Type	Kimberlite	# of Holes Completed	Total Drilling (metres)	Total Kimberlite Intersected (metres)	Diameter
2007	Core	Orion North 147 (FALC-JV)	3	657.45	264.32	PQ
2007	Core	Orion North 148 (FALC-JV)	13	2,647.60	786.38	PQ
2007 Total for Orion North JV Drilling			16	3,305.05	1,050.70	
2007	Freeze Drilling (Rotary)	Orion South 141 (FALC-JV)	20	2,546.37	499.81	N/A
2007	Core	Orion South 141 (FALC-JV)	1	241.21	139.06	PQ
2007 Total for Orion South JV Drilling			21	2,787.58	638.87	
2007	Core	Star West (FALC-JV)	7	1,621.64	491.86	PQ
2007 Total for Star West JV Drilling			7	1,621.64	491.86	
2007	Core	Shore Exploration	21	4,979.15	626.95	PQ
2007 Total for Shore Exploration Core Drilling			21	4,979.15	626.95	
2007	Core	Star	7	1,891.10	930.67	PQ
2007 Total for Star Core Drilling			7	1,891.10	930.67	
2007 Grand Total for Shore Core Drilling			28	6,870.31	1,557.62	
2007	Core	Orion North/Star West/Regional	8	1,086.66	0 (Sedimentary Geotech)	PQ
2007 Total for Hydrology Core Drilling			8	1,086.66	0	
2007	Rotary	Regional Piezometers	4	830.80	0	7 7/8"
2007	Rotary	Orion North (FALC-JV)	4	716.00	0	7 7/8"
2007	Rotary	Star West (FALC-JV)	7	1,570.35	0	7 7/8"
2007 Total for Hydrology Rotary Drilling			15	3,117.15	0	
2007 Total Core Drilling			60	13,124.81	3,239.24	
2007 Total Rotary Drilling			35	5,663.52	499.81	

BUFFALO HILLS JOINT VENTURE

In July, 2007 Shore jointly with Diamondex Resources Limited (“Diamondex”) acquired a 45% interest in the Buffalo Hills Joint Venture (“BH-JV”) and has the option of increasing its joint position to 72.5% by funding exploration expenditures to $15 million by April 2010. Diamondex is the operator of the BH-JV which also includes EnCana Corporation (43%) and Pure Diamonds Exploration Inc. (12%).

The property is situated in the Early Proterozoic Buffalo Head Terrane which is overlain by three Cretaceous aged sedimentary formations of marine and non-marine sequences of sandstone, siltstone and shale. Intruded through the Cretaceous sediments, in a similar manner to the Fort à la Corne kimberlites, are 38 kimberlites which are believed to be aged in the range of 86–88 million years old. Of the 38 kimberlites, 26 are regarded as diamond bearing and range in area from less than 1 hectare to 47 hectares. The kimberlites outcrop in part while some have undergone some glacial disturbance with the deposition of glacial till over the top. The till can be over 100 meters thick in some parts.

Since the acquisition of the interest in the property from Stornoway Diamond Corporation, Diamondex, as operator, undertook ground geophysical surveys over several targets during the fall of 2007. A $7 million exploration program (Shore 50% contributor) will be undertaken during 2008. The focus of the 2008 program will be to complete a core drill program over seven of the kimberlite bodies considered as being of “high interest”. This will lead to the development of geological models which will guide the targeting of kimberlite bodies for mini-bulk sampling in the latter part of 2008 and into 2009. Shore will undertake geological logging of drill core and the processing of bulk sample material previously collected by Ashton.



Buffalo Hills claim area

CUTTING AND POLISHING EXERCISE

In early 2007, Shore selected 44 diamonds, weighing some 200 carats, from the Star bulk sample parcel for a cutting and polishing ("C&P") exercise. The stones selected for the exercise included a spectrum of colour from top white to yellow, brown and grey, and generally more challenging shapes. No sawables were included in the C&P parcel. The C&P for the lower quality goods was completed at two manufacturing centres in Antwerp, Belgium and the higher quality goods were processed in Perth, Australia. The C&P exercise was a great success and proved that a high quality polished product can be produced from Saskatchewan diamonds.

Cut and polished diamonds from the Star Diamond Project

Management's Discussion & Analysis

The following discussion and analysis is prepared by Management as of March 20, 2008 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007. Shore Gold Inc. ("Shore" 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 2007, 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 Project. 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 activities for the Star Diamond Project included the completion of Phase 3 bulk sampling followed by shaft decommissioning and diamond valuation for the complete Star Kimberlite underground bulk sampling program, large diameter ("LD") drilling and sample processing. The FALC-JV concentrated on the commencement of the sinking of a shaft on Orion South, bulk sampling on Star West (the portion of the Star Kimberlite within the FALC-JV), LD drilling on Orion South and Orion North and Star West and sample processing.

On July 24, 2007, the Company completed a transaction to purchase an interest in the Buffalo Hills Project ("Buffalo Hills") located in northern Alberta (See SGF News Release July 24, 2007). The Buffalo Hills area is the third largest known district of significant diamond-bearing kimberlites in Canada after Lac de Gras in the Northwest Territories and Fort à la Corne in Saskatchewan.

Star Diamond Project Advanced Exploration Program

Shore's underground bulk sampling program of the Star Kimberlite, which commenced in 2003, was completed in April 2007 (See SGF News Release April 24, 2007). In total, three phases of underground bulk sampling were performed on the Star Kimberlite, resulting in 71,956 tonnes of kimberlite being processed. This processed kimberlite produced 82,390 diamonds (+0.85 millimetre) weighing a total of 10,843 carats.

During the year, the Company announced the results from the final four sets of batches from Phase 3 of the underground bulk sampling of the Star Kimberlite (See SGF News Releases dated March 30, June 27, August 13 and October 4, 2007). Included in these results were the two largest diamonds recovered in Saskatchewan to date (See Figure 1), at 49.50 and 22.56 carats, respectively. These diamonds were recovered from the Cantuar lithology located within Star West. The 49.50 carat diamond appears to be a fragment of a considerably larger stone, whose crystal shape and fresh breakage surfaces suggest that less than 50 percent of the original stone was recovered.

Figure 1: Largest Diamonds Recovered in Saskatchewan to Date

The recovery of these large diamonds confirms the statistical modeling by Shore geologists which had suggested diamonds in excess of 100 carats occur in the Star diamond population. Typically, the bulk of the diamond value lies in the stones that are greater than one carat in size. Examination of diamond size frequency statistics from Cantuar also shows that this lithology has an even greater proportion of plus one carat diamonds (44 percent of carats recovered to date are greater than one carat) than the promising Early Joli Fou lithology (31 percent to date).

On November 5, 2007, the Company announced valuation results for the complete Star Kimberlite underground bulk sampling diamond parcel (See SGF News Release November 5, 2007). An overall modeled price estimate of US$170 per carat was determined by WWW International Diamond Consultants Limited, who together with their aboriginal partners ADG through Diamonds International Canada ("DICAN"), are the valuators to the Federal Government of Canada for the Canadian diamond mines in the Northwest Territories and Nunavut. The modeled price of US$170 per carat is a twenty-six percent increase over the previously announced valuation exercise that was performed at the end of Phase 2. The valuation exercise incorporated the five principal kimberlite lithologies within the Star Kimberlite: Cantuar, Pense, Early Joli Fou ("EJF"), Mid Joli Fou ("MJF") and Late Joli Fou ("LJF"). Diamond parcels recovered from these individual lithologies have been valued to determine modeled diamond prices that will be used in the Mineral Reserve calculation for the Star Kimberlite. MJF and LJF diamonds were combined during original mining due to the small sample size. The following table summarizes the results of the valuation exercise as well as identifies the estimated percentage of potential carats from each lithology.

Valuation results for the complete Star Kimberlite underground bulk sampling diamond parcel

Kimberlite Lithology	Carats	Parcel Price (US$/Carat)	Model Price (US$/Carat)	Minimum Price (US$/Carat)	Maximum Price (US$/Carat)	Estimated Percentage Carats of Deposit (2)
Cantuar	1,126.32	$166	$300	$241	$383	12%
Pense	1,410.73	$69	$97	$83	$115	9%
EJF	7,123.10	$99	$160	$132	$194	77%
MJF / LJF	80.09	$74	$99	$70	$138	2%
Total	**9,740.24** (1)	**$105**	**$170**	**$140**	**$208**	**100%**

(1) *Diamonds from mixed EJF-Cantuar material and surface stockpile clean-up have not been included in the diamond populations used for the determination of these modeled prices to ensure the integrity of the parcels and the accuracy of the modeled prices.*

(2) *These percentages are roughly calculated using the tonnes for each lithology defined by the geological model and diamond grades defined by the underground bulk samples. These carat percentages are subject to change with the estimation of a Mineral Resource for the Star Kimberlite, scheduled to be released for the first quarter of 2008.*

Figure 2: Some of the diamonds collected from the Star Kimberlite underground bulk sample

During 2007, LD drill rigs completed forty-nine LD holes on the Star Kimberlite, including fifteen on Star West. Many of these LD holes are located in close proximity to the decommissioned Star underground workings, an area that could not be sampled earlier due to safety reasons while the underground bulk sampling was still in progress. To date, a total of eighty-eight LD holes have been drilled on the Star Kimberlite, including fifteen on Star West. LD drilling uses Bauer BG36 rigs to drill 1.20 metre diameter holes to depths up to 300 metres below surface.

The 2007 LD drilling on the Star Kimberlite was the final sample collection process required for estimating a Mineral Resource as defined by Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The Star Diamond Project has now advanced from a capital intensive data gathering exercise (underground bulk sampling, core drilling and large diameter drilling) to lower cost desk-top engineering studies and data analysis. The Company anticipates a Mineral Resource estimate for the Star Kimberlite to be defined by the end of the first quarter of 2008.

As of December 31, 2007, Shore's on-site processing plant had completed the processing of all LD drilling samples from the Star Kimberlite. The processing plant is currently processing samples from the Orion South shaft as well as samples from the ongoing LD drilling program on Orion North. The concentrates (as recovered from the on-site processing plant) are sent to third parties to process final diamond recoveries.

Star Diamond Project [1] Summary of 2007 (Actuals to Budget)

Description	2007 Actuals ($M)	2007 Budget ($M)	Variance ($M)	2007 Actual	2007 Budget	Variance
LD Drilling	$12.4	$14.3	1.9	34 holes	20 holes	+14 holes
Underground sampling	2.4	1.5	(0.9)	6,339t	1,800t	+4,539t
Core drilling	0.5	-	(0.5)	1,891m	0m	+1,891m
Processing	3.0	4.1	1.1	19,058t	19,035t	+23t
Other [2]	7.5	7.5	-			
Total	$25.8	$27.4	$1.6			

(1) Does not include Star West.

(2) "Other" includes hydrogeological, geology, scoping studies, geotechnical, valuation, warehousing, capital and other costs.

Overall, exploration expenditures on the Company's Star Diamond Project program during 2007 were $1.6 million under budget, even though additional LD drilling, underground bulk sampling and core drilling were performed in the year.

The 2008 programs for the Star Kimberlite are proceeding as planned. The Star Diamond Project has now advanced from a capital intensive data gathering exercise to lower cost desk-top engineering studies and data analysis. Shore's 2008 budget of $7.9 million (See SGF News Release January 17, 2008) includes all costs up to and including the delivery of a bankable feasibility study for the Star Diamond Project. This budget also includes amounts for exploration drilling of other kimberlite targets contained within Shore's 100 percent mineral claims.

FALC-JV Project Exploration Program

During 2007, the Company announced geological estimates for Orion South (between 360 and 400 million tonnes of diamondiferous kimberlite) and Orion Centre (between 150 and 167 million tonnes of diamondiferous kimberlite) (See SGF News Releases dated March 2, 2007 and November 2, 2007). These estimates completed the geological modeling of the FALC-JV's Orion Kimberlite Cluster, which is now estimated to contain between 1.3 and 1.5 billion tonnes of kimberlite (including the geological estimate for Orion North of between 800 and 870 million tonnes, which was announced in 2006) and is the world's largest known accumulation of contiguous diamondiferous kimberlite. The tonnage estimates are conceptual in nature and are not mineral resources as there has not been sufficient exploration carried out to date to define mineral resources on these properties. Presently, it is uncertain if further exploration will result in any of these properties being delineated as a mineral resource. This tonnage estimate for the Orion Cluster does not include other kimberlites located within the claims of the FALC-JV such as the Taurus Kimberlite Cluster, which is the next area of interest for the FALC-JV program. 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). Refer to Figure 3 below for a diagram of FALC-JV and Shore Gold Inc. properties.

During 2007, the major activities on the FALC-JV Project were the commencement of the sinking of a shaft on Orion South, LD drilling programs on Orion South, Orion North and Star West, the processing of samples from the LD drill programs and the underground bulk sampling from Star West.

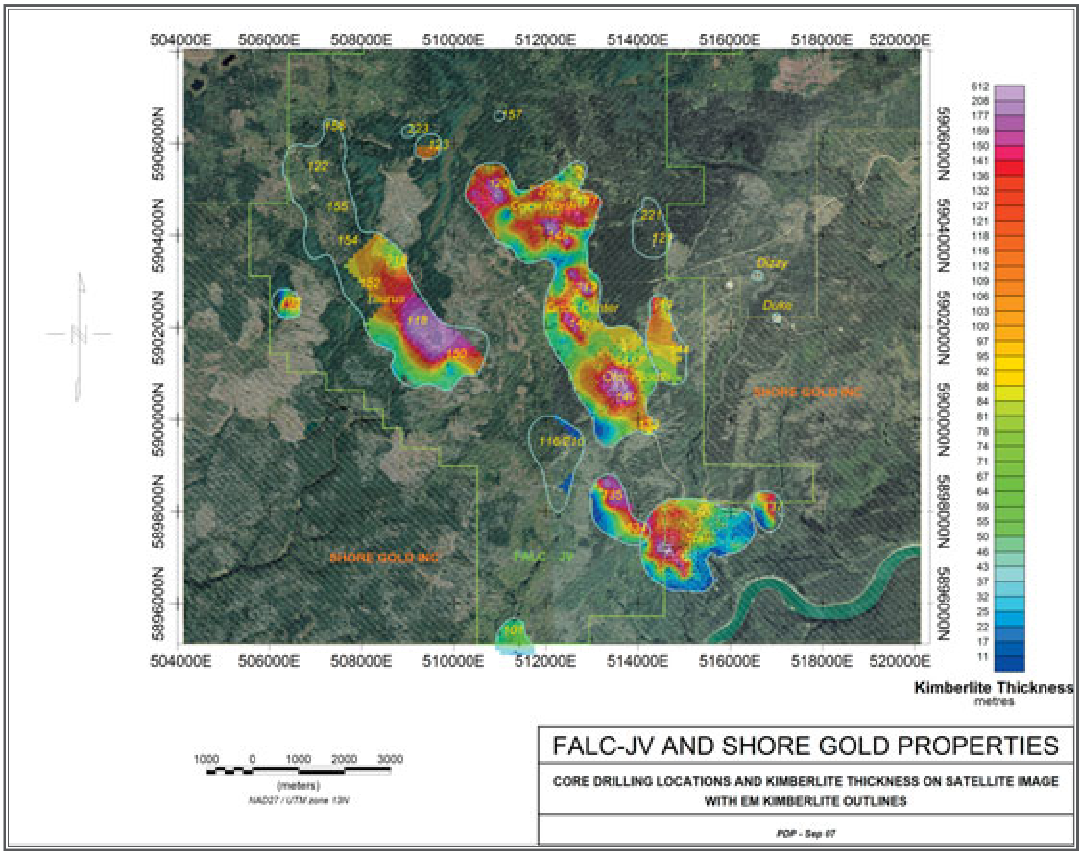


Figure 3: FALC-JV and Shore Gold Inc. Properties

Orion South

In July of 2007, the final diamond results from a four-hole LD drilling program on the Orion South Kimberlite were announced. A total of 78.22 carats were recovered from the processing of 1,448.05 dry tonnes of kimberlite from this LD drilling (See SGF News Release June 25, 2007). Kimberlite with elevated grades (7.00 to 28.50 carats per hundred tonnes ("cpht")) was encountered at various depths in all four holes. This four-hole program targeted the Pense lithology (estimated to be 112-124 million tonnes), since previous drill programs had targeted the EJF lithology (estimated to be 176-196 million tonnes).

The elevated grades found in the Pense lithology, along with the significant estimated volumes of EJF and Pense diamond bearing kimberlite, justified the next phase of exploration on Orion South. On October 17, 2007, the Company announced that the FALC-JV participants approved the sinking of a shaft for underground bulk sampling of Orion South (See SGF News Release October 17, 2007). The shaft will enable the collection of bulk samples from the three predominant kimberlite phases within Orion South (EJF-1, EJF-2 and Pense). Shaft sinking currently underway on Orion South intersected kimberlite at 102.6 metres below surface on December 29, 2007 and is currently at a depth of some 185 metres below surface. The shaft will reach a depth of 210 metres below surface and current scheduling suggests this depth will be attained in the second quarter of 2008.

The first two sets of diamond results from underground bulk sampling of Orion South were announced in early 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 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.

Orion North

The final diamond results from the twenty-hole LD program drilled at Orion North between October 2006 and March of 2007 were announced in June (See SGF News Release June 7, 2007). Diamonds totaling 318.98 carats were recovered from the processing of 7,301.36 tonnes of kimberlite from the twenty LD holes drilled. Five of these twenty holes were centred on Kimberlite 120 in the northwestern part of Orion North, with the remaining fifteen holes targeting deep intersections of kimberlite within the 147-148 Kimberlite Complex that forms the eastern part of Orion North. The LD drilling results have indicated that Kimberlite 120 and the central part of the 147-148 Kimberlite Complex are two areas of high interest within Orion North.

Shore's geologists performed diamond size frequency analysis on the Orion North LD drilling macrodiamond data as a comparison with the available Star Kimberlite LD drilling macrodiamond size frequency data. The diamond size frequency distributions from Kimberlite 120 and from the 147-148 Kimberlite Complex appear to be similar to the diamond size frequency distribution of the Star Kimberlite. Based on this and previously gathered data, additional LD drilling was performed in early 2008. The results from LD drilling will be released as they become available. The LD drilling method of sampling provides an indication of the presence of macrodiamonds but the true grade can only be accurately estimated through a large underground bulk sampling exercise.

FALC-JV Summary of 2007 (1) (Actuals to Budget)

Description	2007 Actuals ($M)	2007 Budget ($M)	Variance ($M)	2007 Actual	2007 Budget	Variance
LD Drilling	$20.5	$19.3	$(1.2)	33 holes	25 holes	+8 holes
Underground sampling	0.3	0.3	-	1,471t	600t	+871t
Shaft sinking (2)	6.2	6.6	0.4	108m	233m	-125m
Core and freeze drilling	2.0	2.2	0.2	9,367m	6,000m	+3,367m
Processing	2.5	2.0	(0.5)	8,467t	6,515t	+1,952t
Other (3)	14.2	15.8	1.6			
Total	$45.7	$46.2	$0.5			

(1) Costs are on a 100% basis and includes costs relating to Star West.
(2) Commencement of shaft sinking on Orion South.
(3) "Other" includes hydrogeological, geology, scoping studies, geotechnical, valuation, warehousing, capital and other costs.

Overall, the FALC-JV program was $0.5 million under budget for 2007, even though additional LD drilling and underground bulk sampling was performed in the year. Also contributing to this variance was the commencement of the sinking of a shaft later in the year. Shore's share of the 2007 FALC-JV expenditures was $27.4 million.

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 $35.3 million will be funded by joint venture partner Newmont. 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 results of carats and stone size from the various bulk and LD drilling samples as they become available.

Buffalo Hills Acquisition

On July 24, 2007, Shore and Diamondex Resources Ltd. ("Diamondex") completed a transaction with Ashton Diamonds (Canada) Inc. and Ashton Mining of Canada Inc. (collectively, "Ashton") (wholly owned subsidiaries of Stornoway Diamond Corporation) to acquire Ashton's 45 percent interest in the Buffalo Hills Property in northern Alberta for a total consideration of $17.5 million. Under the agreement Shore paid $8.75 million in cash and Diamondex paid $6.25 million in cash and issued Ashton 6,031,363 of its common shares with a value of $2.5 million. Pursuant to the acquisition, Shore and Diamondex each acquired a 22.5 percent interest in the Buffalo Hills Joint Venture, in which EnCana Corporation holds a 43 percent interest and Pure Diamonds Exploration Inc. holds the remaining 12 percent interest. 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 recently announced of which Shore will fund $3.5 million (See SGF News Release January 17, 2008). The Buffalo Hills Joint Venture program for 2008 includes 14,000 metres of PQ (75 millimetre) core drilling on the kimberlites of the central corridor of the Buffalo Hills property.

The Buffalo Hills Project, located approximately 400 kilometres northwest of Edmonton, is the third largest known district of significant diamond-bearing kimberlites in Canada after Lac de Gras in the Northwest Territories and Fort à la Corne in Saskatchewan. To date, a total of 38 kimberlites have been discovered in the region, 26 of which are diamondiferous and four of which are exposed in outcrop. These known kimberlite pipes range up to 47 hectares in surface area. Samples larger than 10 tonnes have been collected from 5 of these bodies, 3 of which have returned a diamond content greater than 10 cpht. A 22.8 tonne sample collected from K252 in 2001 returned a diamond content of 55 cpht, the highest for the district determined to date. Shore and Diamondex believe the kimberlites in the Buffalo Hills region show the characteristic large tonnage, low grade and attractive diamond populations found in other regions that have either delivered significant economic rewards or are presently the subject of advanced exploration. From the information reviewed to date, similarities to the Company's more advanced projects in central Saskatchewan are evident. While Shore's primary focus will continue to be the Fort à la Corne region in Saskatchewan, the Company sees an opportunity to benefit from its association with Diamondex and their operatorship of Buffalo Hills.

Selected Annual Information

Selected financial information of the Company for each of the last 3 fiscal years is summarized as follows:

	2007	**2006**	**2005**
Revenues ($millions)	4.0	9.5	3.4
Net income (loss) ($millions)	7.5	(77.5)	(8.5)
Net income (loss) per share (1)	0.04	(0.44)	(0.08)
Total assets ($millions)	819.1	787.5	946.9
Working capital ($millions)	65.2	118.1	252.6

(1) Basic and diluted.

Results of Operations

For the year ended December 31, 2007, the Company recorded net income of $7.5 million or $0.04 per share compared to a net loss of $77.5 million, or $0.44 per share for 2006. This net income was due to the $16.0 million future income tax recovery that was recorded during the year ended December 31, 2007 resulting primarily from the federal government substantively enacting a decrease in corporate income tax rates. This was offset by the fair value of stock-based compensation expensed during the year ($5.2 million) and the $2.0 million impairment in fair value of third-party asset-backed commercial paper ("ABCP") held by the Company. The loss for the year ended December 31, 2006 primarily related to the loss recognized for accounting purposes on the sale of a 40 percent interest of the FALC-JV to Newmont of $124.5 million (net of a $55.9 million future income tax recovery), offset by an additional future income tax recovery of $44.9 million resulting from decreases to the federal and provincial income tax rates. The Company generated lower interest income for 2007 compared to 2006 which was the outcome of having less cash on hand after incurring on-going exploration expenditures on the Fort à la Corne projects, the acquisition of a 22.5 percent interest in the Buffalo Hills Joint Venture as well as the 17.755 percent acquisition of the FALC-JV during the third quarter of 2006.

Revenues

For the year ended December 31, 2007 the Company reported interest and other revenue of $4.0 million as compared to $9.5 million for the year ended December 31, 2006. The $5.5 million decrease in revenue from 2006 is the result of having less cash on hand after incurring on-going exploration expenditures on the Fort à la Corne projects, the acquisition of an interest in the Buffalo Hills Joint Venture as well as the acquisition of a portion of the FALC-JV in the fall of 2006.

Expenses

Total operating costs for the year ended December 31, 2007 were $10.2 million compared to $6.3 million for the year ended December 31, 2006. This represents an increase of $3.9 million or 62 percent. This increase can generally be explained due to the fair value of stock-based compensation that was expensed during 2007 from the issuance of stock options. The fair value of the options expensed during 2007 was $5.2 million compared to $0.6 million for 2006. Once the effect of accounting for stock-based compensation is removed, the specific categories of expenses become more comparable period over period. After removing the effect of accounting for stock-based compensation, expenses for the year decreased by $0.7 million. The following discussion relates to the expense variances, and removes the effect of stock-based compensation for comparative purposes.

Administration expense remained consistent with 2006 at $2.7 million. Consulting and professional fees decreased by $0.5 million from $2.0 million in 2006 to $1.5 million in 2007 primarily as a result of the legal fees incurred in 2006 associated with defending the claim filed against the Company, and its wholly owned subsidiary, Kensington, by De Beers Canada Inc. Corporate development expenditures decreased by $0.2 million from $0.7 million in 2006 to $0.5 million in 2007 as a result of fewer activities during the year.

Income taxes

Income tax recoveries were $16.0 million in 2007 compared to a recovery of almost $100 million in 2006. The future income tax recovery that was recorded during the year ended December 31, 2007 resulted from the federal government substantively enacting a decrease in corporate income tax rates. The large recovery in 2006 was the result of two major events. Firstly, the loss recognized for accounting purposes on the disposition of the 40 percent interest in the FALC-JV of $180.4 million resulted in the reversal of taxable temporary differences of $55.9 million. The second major event was the federal and provincial governments substantively enacting a decrease in the corporate income tax rates resulting in a future income tax recovery of $44.9 million.

Investing

Mineral property additions for 2007 totaled $63.6 million compared to $155.7 million in 2006. The 2007 additions represent approximately $25.8 million on the Star Diamond Project (2006 – $55.5 million), $27.4 million for the Company's percentage share of costs related to the FALC-JV Project (2006 – $23.1 million in additions and $77.1 million for the purchase of the additional 17.755 percent interest in the FALC-JV) and $10.4 million on other properties, which includes the $8.75 million acquisition of a 22.5 percent interest in the Buffalo Hills Joint Venture. The expenditures on the Star Project related to components of the advanced exploration study; predominantly LD drilling, completion of the underground bulk sampling program, core drilling and the ongoing sample processing. The expenditures on the FALC-JV Project primarily related to LD drilling, preparation for and commencement of the shaft sinking on Orion South, sample processing and hydrogeological investigations.

Financing

On November 23, 2007, the Company announced the successful closing of the private placement of 4.76 million Flow-Through Common Shares of the Company for gross proceeds of $30 million which will be used by Shore to incur Canadian exploration expenses prior to December 31, 2008 (See SGF News Release November 23, 2007).

During the year ended December 31, 2007, there were 1.2 million options exercised (2006 - 2.3 million options and 3.9 million warrant and broker warrants); resulting in additional cash flow from financing activities of $2.5 million (2006 - $19.2 million). All warrant and broker warrants that were exercised during 2006 were the result of the combination between Shore and Kensington on October 28, 2005.

Summary of Quarterly Results

	2007				2006			
	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Revenues (1) ($millions)	0.6	0.9	1.2	1.3	1.7	3.1	2.6	2.1
Net income (loss) (2) ($millions)	12.4	(2.4)	1.7	(4.2)	(0.8)	(122.7)	45.6	0.4
Net income (loss) per share (3)	0.06	(0.01)	0.01	(0.02)	0.00	(0.70)	0.26	0.00
Shares outstanding (4) (millions)	182.7	177.5	177.3	177.3	176.8	176.4	176.1	172.6

(1) *The increasing trend in revenue from the first quarter of 2006 to the 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 the 17.755 percent FALC-JV acquisition for $77.1 million and incurring on-going exploration expenditures throughout 2006 and 2007.*

(2) *The second and fourth quarters of 2007 had net income as a result of future income tax recoveries after the federal government substantively enacted reduced corporate income tax rates. The first quarter of 2007 saw increases in operating costs primarily associated with the fair value of stock-based compensation granted during the respective quarters. Interest revenue from cash reserves generated earnings from operations in the first and second quarters of 2006. In addition, the second quarter of 2006 had significant income as a result of a future income tax recovery after the federal and provincial governments substantively enacted reduced corporate income tax rates. 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 warrant and option exercises in the respective periods.*

Fourth Quarter Results

For the quarter ended December 31, 2007, the Company recorded net income of $12.4 million or $0.06 per share compared to a net loss of $0.8 million or $0.00 per share for the same period in 2006. The net income in 2007 was due to the $13.9 million future income tax recovery that was recorded during the quarter resulting from the federal government enacting a decrease in corporate income tax rates. The Company generated lower interest income for the fourth quarter of 2007 compared to the same period in 2006, which was the result of having less cash on hand after the acquisition of an interest in the Buffalo Hills Joint Venture during the third quarter of 2007 and significant expenditures on the exploration projects in the Fort à la Corne region since December 31, 2006.

The Company generated $0.6 million in interest and other revenue during the fourth quarter of 2007 compared to $1.7 million for the corresponding period in 2006.

Total operating costs for the quarter ended December 31, 2007 were $2.1 million, compared to $2.4 million for the quarter ended December 31, 2006. Removing the effect of stock-based compensation, costs decreased by $0.2 million from the same period in 2006, primarily due to lower consulting and professional fees as a result of fewer activities and as a result of hiring in-house counsel.

During the fourth quarter of 2007 the Company incurred $8.4 million (2006 - $6.1 million) in mineral property additions related to the Star Diamond Project, $5.2 million (2006 - $10.3 million) for the Company's 60 percent share of costs related to the FALC-JV Project and incurred $0.2 million on other properties, which includes the Buffalo Hills Joint Venture. The expenditures on the Star Diamond Project related to components of the advanced exploration study; predominantly LD drilling and the ongoing sample processing. The expenditures on the FALC-JV Project primarily related to the shaft sinking on Orion South, LD drilling and sample processing.

During the quarter, the Company closed the private placement of 4.76 million Flow-Through Common Shares for gross proceeds of $30 million.

Related Party Transactions

During the year ended December 31, 2007, management and consulting fees of $1.7 million (2006 - $1.9 million) were paid to directors, officers and companies controlled by common directors and officers; $0.2 million (2006 - $0.4 million) of these fees were capitalized as additions to mineral properties; $0.7 million (2006 - $0.8 million) were included as administration expense and $0.7 million (2006 - $0.7 million) were included as consulting and professional fees expense. The fair value of stock-based compensation related to directors and officers of the Company for the year ended December 31, 2007 was $6.5 million (2006 - $0.4 million).

During the year ended December 31, 2007, the Company charged $0.3 million (2006 - $0.5 million) to Wescan for rent of office space, administration services, and rental of equipment.

The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and 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 December 31, 2007 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. Thus far, none of the ABCP held by the Company has been repaid. All of the ABCP purchased by the Company were rated as R1 (high) by DBRS.

During the month of August, 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. To address the liquidity issue, twenty of the ABCP conduits, which include the ABCP held by the Company, are currently subject to a long-term proposal which calls for the conversion of the ABCP into floating rate notes with terms that will match the duration of the underlying assets. As a result of this long-term proposal, the ABCP has been classified as a long-term investment on the Company's financial statements. Management does not believe the events surrounding the liquidity of the ABCP will adversely affect plans regarding the 2008 year.

As there is currently no active market for the ABCP held, the Company assessed an "other than temporary impairment" and reduced the fair value of these investments by $2.0 million. At December 31, 2007, the fair value of the ABCP was determined by using a probability-weighted discounted cash flow approach. Several assumptions were used in determining the fair value including estimated weighted average of cash flows recovered (which factored in costs of the proposed restructuring), timing of cash flows based on the underlying assets of the trusts (four to seven years), interest rates (4.3 percent to 4.7 percent), and applicable discount rates (5.4 to 5.5 percent, comprised of risk-free rates of 3.8 to 3.9 percent and an estimated 1.6 percent premium). The amount and timing ultimately recovered by the Company may differ materially from this estimate.

ABCP Overview			Shore Amounts		
Name of Trust Held by Shore	**Description of Assets[1]**	**Notes to be Issued Per Proposed Restructuring Plan**	**Par Value Amount**	**Impairment Percentage Recorded in 2007**	**Estimated Fair Value**
Aurora Trust *(Series A)*	Synthetic assets (94%); Traditional securitized assets (6%)	Pooled floating rate note[2]	$ 4.5	10.4%	$ 4.0
Gemini Trust *(Series A)*	Traditional securitized assets	Floating rate note[3]	4.5	6.5%	4.2
Symphony Trust *(Series A)*	Synthetic assets (93%); Traditional securitized assets (7%)	Pooled floating rate note[2]	10.0	12.5%	8.8
Total			**$ 19.0**	**10.6%**	**$ 17.0**

1. *Based on assets held by the trusts as per DBRS (DBRS November 6, 2007 newsletter).*
2. *Under the proposed restructuring, floating rate notes ("Pooled Notes") will be issued to noteholders in exchange for their existing ABCP, with maturities of the Pooled Notes based upon the maturities of the underlying pooled assets (expected to be an average of seven years). The Pan-Canadian Investors Committee for Third-Party Structured Asset-Backed Commercial Paper ("Investors Committee") believes that ABCP trusts such as Aurora and Symphony have assets of the highest credit quality. In creating the Pooled Trusts, investors will receive Pooled Notes that reflect the relative contribution of the existing pooled assets associated with the ABCP held by them in the trusts that are participating in the Pooled Notes. In order to enhance liquidity of the Pooled Notes, most investors will receive a senior and a subordinated Pooled Note in exchange for their existing ABCP of the Pooled Trusts. For those investors who receive senior and subordinated Pooled Notes, this relative contribution is reflected in the mix of senior and subordinated notes they receive. The Investors Committee expects that the senior Pooled Note will receive AAA ratings, while the subordinated Pooled Notes are not expected to be rated. Based on the composition of assets held by the Aurora and Symphony trusts, it is anticipated that the Company should primarily be issued senior Pooled Notes.*
3. *Gemini is supported solely by traditional securitized (non-synthetic) assets and will be restructured separately from other trusts, maintaining its separate assets. Noteholders such as Shore will receive floating rate notes with maturities based upon the maturity of the underlying assets, but the notes will amortize and be repaid in part, from time to time, as assets mature or value can be realized through asset sales. The floating rate note will have an interest rate based upon amounts available from the trust's traditional securitized assets. The Investors Committee believes that ABCP trusts such as Gemini have assets of the highest credit quality.*

This proposed restructuring is subject to the approval of all investors.

The Company currently has the financial resources to finance all programs included in the 2008 budget (See SGF News Release January 17, 2008), including the completion of a bankable feasibility study of the Star Kimberlite by the end of 2008. During 2007, a private placement of 4.76 million Flow-Through Common Shares was completed by the Company for gross proceeds of $30 million. In addition, options were exercised during 2007 resulting in additional cash flow from financing activities of $2.5 million. These funds will allow the Company to complete the 2008 program regardless of the ABCP outcome. If a bankable feasibility study were to be successful, additional capital resources would be required to begin construction and development of a commercial diamond mine.

The Company's contractual obligations are as follows:
(Canadian dollars in millions)

	Payment due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Lease of premises	**$ 1.3**	**$ 0.4**	**$ 0.9**	**$ -**	**$ -**
Operating lease obligations	**0.1**	**0.1**	**-**	**-**	**-**
Drill contracts	**14.6**	**4.7**	**9.9**	**-**	**-**
Total	**$ 16.0**	**$ 5.2**	**$ 10.8**	**$ -**	**$ -**

The Company is committed to spend $25.8 million of qualifying Canadian Exploration Expenses as defined by the *Canadian Income Tax Act* prior to December 31, 2008.

Capital Resources and Outstanding Share Data

As at December 31, 2007, the Company had working capital of $65.2 million as compared to $118.1 million at December 31, 2006 and $252.6 million at December 31, 2005. During the year ended December 31, 2007, a private placement of 4.76 million Flow-Through Common Shares was completed by the Company for gross proceeds of $30.0 million. Also during the year ended December 31, 2007, there were 1.2 million options (2006 - 6.2 million warrants, broker warrants and options) exercised; resulting in additional cash flow from financing activities of $2.5 million (2006 - $19.2 million). All warrant and broker warrants that were exercised during 2006 were the result of the combination between Shore and Kensington on October 28, 2005.

As at March 20, 2008, the Company had a total of 182,684,242 common shares issued and outstanding and a further 8,181,360 options outstanding at a weighted average exercise price of $4.58. The majority of these options are in-the-money and would add an additional $10.2 million to the Company's capital if all the options 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 consolidated financial statements. Certain of these 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.

Management considers the following polices to be the most critical in understanding the judgments and estimates that are involved in preparing the Company's consolidated financial statements.

Mineral properties
Subject to compliance with provincial mineral regulations, the Company holds the right to explore for and develop mineral resources on various Crown property dispositions within the Province of Saskatchewan. These rights are classified as mineral properties for financial statement purposes.

All costs related to the acquisition, exploration, stripping and development of mineral properties are capitalized until the date commercial production is achieved. Upon commencement of commercial production from a property, the related accumulated costs will be amortized using the unit of production method over estimated recoverable reserves. Interest on debt associated with the acquisition of mineral properties would be capitalized until commencement of commercial production. There have been no interest costs capitalized to date.

Management assesses carrying values of non-producing properties quarterly 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. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date and calculated fair values of properties acquired, less write-downs, losses and recoveries, and does not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditures are required and proceeds exceed costs, the excess proceeds are reported as a gain.

Asset retirement obligations
The fair value of liabilities for asset retirement obligations are recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the mineral property and then amortized over its estimated useful life. The fair value of the asset retirement obligations is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligations. Changes in the obligations due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligations due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related asset.

Stock-based compensation plans
Options granted under the share option plan are accounted for using the fair value method. Under this method, the fair value of stock options granted is measured at estimated fair value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

Future income taxes
Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is recognized in earnings in the period which includes the enactment date. Future income tax assets and liabilities are recorded in the financial statements if realization is considered more likely than not. The valuation of future income taxes is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated recoverable amount.

Fair value of financial instruments
Financial instruments are initially recorded at fair value. The fair values of cash and cash equivalents, short-term investments, receivables and payables and accrued liabilities approximate their recorded amounts due to their short-term nature. As there is currently no active market for the Company's long-term investments (comprised of ABCP with a par value of $19 million), the fair value of these investments are periodically assessed by management. Any "other than temporary impairments" of these long-term investments are then recognized in the consolidated statement of income.

New Accounting Pronouncements

Financial instruments and comprehensive income

On January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ("CICA") handbook sections relating to financial instruments and comprehensive income. These adoptions had no impact on the Company's opening deficit. The Company had no "other comprehensive income or loss" transactions during the year ended December 31, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

Effective January 1, 2008, the Company will adopt new 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 implementation of this guidance is not expected to have a material impact on the Company's financial position and results of operations.

Capital disclosures

During 2007, the CICA issued new accounting standards relating to capital disclosure. This additional disclosure will include quantitative and qualitative information regarding an entity's objectives, policies and processes for managing capital. This Section is applicable for the Company's fiscal year beginning January 1, 2008 and is not expected to have a material impact on the Company's financial disclosures.

Disclosure Controls and Internal Controls Over Financial Reporting

Management has evaluated, under the supervision and with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), the effectiveness of the Company's disclosure controls and procedures and assessed the design of the Company's internal controls over financial reporting as of December 31, 2007, pursuant to the certification requirements of Multilateral Instrument 52-109. Based on their evaluation, management has concluded that all required disclosures for the year ended December 31, 2007 were made in accordance with the regulations, and that the Company's disclosure controls and procedures at that date were effective to ensure that all required disclosures are made and financial reporting is reliable.

Management is aware that given the few number of employees involved in the design of internal controls over financial reporting that in-house expertise to deal with complex taxation, accounting and reporting issues may not always be sufficient. The Company obtains outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues, which is common with companies of a similar size. Due to the size of the Company, management also acknowledges there is lack of segregation of duties within some of the Company's processes. In response, appropriate compensating controls have been implemented to management's satisfaction.

There have been no significant changes to the Company's internal control over financial reporting during the most recent period that would have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

As of March 20, 2008, the Company had approximately $56 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 and to fund the Company's portion of the FALC-JV and Buffalo Hills exploration programs. Amounts budgeted for these three principal projects for 2008 are: Star Diamond Project $7.0 million (100 percent Shore), FALC-JV $86.8 million (of which 60 percent will be funded by the Company) and Buffalo Hills Joint Venture $3.5 million (which represents Shore's 50 percent cost share). Also budgeted for 2008 is $0.9 million for exploration drilling of other kimberlite targets contained within Shore's mineral claims. 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 first quarter of 2008, followed by a Mineral Reserve by mid-2008 and a bankable feasibility study by the end of 2008. 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 approximately 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 or territorial 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 resource 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 there are qualified individuals, service providers and external consultants 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 or territorial 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 Company utilizes qualified individuals, service providers and external consultants and maintains constant communications with governmental authorities to ensure that the Company is in compliance with all applicable rules and regulations.

All of Shore's resource interests are currently in the exploration stage and are without a known body of commercial ore. The exploration, development and production of precious metals and gems are capital-intensive, subject to the normal risks and capital expenditure requirements associated with mining operations. While the rewards can be substantial if commercial quantities of minerals or gems are found, there can be no assurance that

Shore's past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production which is attempted will be profitable.

Credit Risk

Until the Company's surplus cash is required to fund exploration or development activities it is invested in a variety of highly rated instruments. The Company currently holds approximately $56 million in relatively risk-free investments such as guaranteed investment certificates and Government of Canada treasury bills. The Company also holds ABCP with a par value of $19 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 long-term proposal which calls for the conversion of the ABCP into floating rate notes with terms that will match the duration of the underlying assets. Management does not believe that the events surrounding the liquidity of this ABCP will adversely affect its plans regarding the 2008 year. Due to the nature of the ABCP (a significant component is based on collateral debt obligations), credit risk is significant. However, the Investment Committee is working towards an agreement with several major financial institutions 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.

Technical Information

All technical information in this report has been prepared under the supervision of George Read, Senior Vice-President Exploration and Development, Professional Geoscientist in the Provinces of Saskatchewan and British Columbia, who is the Company's "Qualified Person" under the definition of NI 43-101.

Caution Regarding Forward-looking Information

From time to time, Shore makes written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of Securities legislation in Canada and the United States Private Securities Litigation Reform Act of 1995. Shore may make such statements in press releases, in other filings with Canadian regulators or the United States Securities and Exchange Commission, in reports to shareholders or in other communications. These forward-looking statements include, among others, statements with respect to Shore's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar nature are intended to identify forward-looking statements. In particular, statements regarding Shore's future operations, future exploration and development activities or the anticipated results of Shore's advanced evaluation study or other development plans contain forward-looking statements.

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 partner; 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, annual and interim MD&A and short form prospectus, 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. Shore does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by Shore or on our behalf.

Additional Information

Additional information related to the Company, including the latest available Annual Information Form, is available on SEDAR at www.sedar.com.

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Shore Gold Inc. are the responsibility of management and have been approved by the Board of Directors.

Management, in conformity with Canadian generally accepted accounting principles, has prepared the consolidated financial statements. The consolidated financial statements include some amounts that are based on best estimates and judgments.

The management of the Company, in furtherance of the integrity and objectivity of data in the consolidated financial statements, has developed and maintains a system of internal accounting controls. Management believes the internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of consolidated financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its audit committee, consisting entirely of outside directors. The audit committee reviewed the Company's annual consolidated financial statements and recommended their approval to the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

The shareholders' auditors, KPMG LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards, have examined these consolidated financial statements and their independent professional opinion on the fairness of the consolidated financial statements is attached.

Harvey J. Bay, CMA
Chief Financial Officer & Chief Operating Officer

Saskatoon, Saskatchewan
March 20, 2008

Auditors' Report

To the Shareholders of Shore Gold Inc.:

We have audited the consolidated balance sheets of Shore Gold Inc. as at December 31, 2007 and 2006 and the consolidated statements of income (loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Canada
March 20, 2008

Consolidated Balance Sheets

		December 31, 2007 (in thousands)		December 31, 2006 (in thousands)
Assets				
Current assets:				
Cash and cash equivalents	$	32,250	$	64,962
Short-term investments		38,274		57,632
Receivables (note 3)		4,704		7,240
Prepaids		118		153
		75,346		129,987
Investments (note 4)		16,979		-
Mineral properties (note 5)		723,098		653,538
Investment in Wescan Goldfields Inc. (note 7)		2,296		2,537
Property and equipment (note 8)		1,338		1,478
	$	819,057	$	787,540
Liabilities & Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 9)	$	9,790	$	11,713
Current portion of asset retirement obligations (note 10)		342		158
		10,132		11,871
Asset retirement obligations (note 10)		1,334		293
Future income tax liability (note 11)		103,853		117,309
Shareholders' equity:				
Share capital (note 12)		768,252		733,467
Contributed surplus (note 12(f))		22,596		19,209
Deficit		(87,110)		(94,609)
		703,738		658,067
	$	819,057	$	787,540

Commitments (note 15)

On behalf of the Board:

James R. Rothwell
Chairman of the Board

Arnie E. Hillier
Chairman of the Audit Committee

See accompanying notes to financial statements

Consolidated Statements of Income (Loss) and Deficit

For the years ended December 31

	2007 (in thousands)	2006 (in thousands)
Revenue		
Interest and other income	$ 3,979	$ 9,463
Expenses		
Administration	6,453	3,275
Consulting and professional fees	2,819	2,022
Corporate development	584	692
Amortization and accretion	312	272
	10,168	6,261
Income (loss) before the under noted items	(6,189)	3,202
Impairment in fair value of third-party asset-backed commercial paper (note 4)	(2,021)	-
Loss on sale of property interest (note 6)	-	(180,439)
Investment in Wescan Goldfields Inc. (note 7)	(241)	275
Net loss before income taxes	(8,451)	(176,962)
Income tax recovery (note 11)	15,950	99,498
Net and comprehensive income (loss)	7,499	(77,464)
Deficit, beginning of period	(94,609)	(17,145)
Deficit, end of period	$ (87,110)	$ (94,609)
Net income (loss) per share		
Basic and diluted (note 13)	0.04	(0.44)
Weighted average number of shares outstanding (000's)	177,891	174,820

See accompanying notes to financial statements

Consolidated Statements of Cash Flows

For the years ended December 31

		2007 (in thousands)		2006 (in thousands)
Cash provided by (used in):				
Operations:				
Net income (loss)	$	7,499	$	(77,464)
Non-cash items:				
Amortization and accretion		312		272
Impairment in fair value of third-party asset-backed commercial paper (note 4)		2,021		-
Loss on sale of property interest (note 6)		-		180,439
Investment in Wescan Goldfields Inc. (note 7)		241		(275)
Future income tax recovery (note 11)		(15,941)		(99,494)
Fair value of stock options expensed (note 12)		5,170		625
Net change in non-cash operating working capital items:				
Prepaids		35		435
Receivables		22		-
Accounts payable and accrued liabilities		389		62
		(252)		4,600
Investing:				
Mineral properties (note 5)		(63,567)		(325,986)
Proceeds on sale of mineral properties (note 6)		-		170,315
Investment in Wescan Goldfields Inc. (note 7)		-		(1,050)
Property and equipment		(99)		(915)
Redemption (purchase) of short-term investments		19,358		(57,632)
Net change in non-cash investing working capital items:				
Receivables		2,514		(2,080)
Reclassification of third-party asset-backed commercial paper (note 4)		(19,000)		-
Accounts payable and accrued liabilities		(2,312)		(3,126)
		(63,106)		(220,474)
Financing:				
Issue of common shares (net of issue costs)		30,646		19,159
		30,646		19,159
Decrease in cash and cash equivalents		(32,712)		(196,715)
Cash and cash equivalents, beginning of period		64,962		261,677
Cash and cash equivalents, end of period	$	32,250	$	64,962
Cash and cash equivalents consists of:				
Cash	$	2,232	$	3,243
Commercial paper		-		61,565
Guaranteed investment certificates		400		-
Treasury bills		29,618		154
	$	32,250	$	64,962

See accompanying notes to financial statements

For the years ended December 31, 2007 and 2006

Shore Gold Inc.
(A Development Stage Enterprise)
(In thousands of Canadian dollars except per share amounts or as otherwise noted)

1. Nature of operations

Shore Gold Inc. was incorporated under the Canada Business Corporations Act on April 29, 1985. Shore Gold Inc. and its subsidiaries (collectively, “Shore” or “the Company”) are engaged primarily in the exploration for and the development, mining and sale of precious metals and gems. Substantially all of the Company’s efforts are devoted to the exploration and development of its mineral properties. The Company has not earned significant revenue and is therefore considered to be in the development stage with respect to its current mineral property holdings.

2. Accounting policies

a) Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Areas of significance requiring the use of management estimates include the determination of the recoverability of capitalized mineral exploration costs and investments, the determination of asset retirement obligations, the determination of stock-based compensation costs, the determination of other than temporary impairments on investments, and the determination of future income tax assets and liabilities. Actual amounts could differ from those estimates.

A summary of significant accounting policies are as follows:

Consolidation principles

The consolidated financial statements include the accounts of the Company and its subsidiaries. Interests in joint operations are accounted for by the proportionate consolidation method.

Cash and cash equivalents

Cash and cash equivalents include cash, and investments that, upon acquisition, have an initial term to maturity of three months or less. Cash and cash equivalents are designated as held-for-trading (“HFT”) and are carried at fair value.

Short-term investments

Short-term investments include highly liquid interest-bearing investments with maturities within twelve months. Short-term investments are designated as held-to-maturity (“HTM”) and are carried at amortized cost.

Mineral properties

Subject to compliance with provincial mineral regulations, the Company holds the right to explore for and develop mineral resources on various Crown property dispositions within the Province of Saskatchewan. The Company is also a party to various joint operations with companies that hold similar rights in Saskatchewan and Alberta. These rights are classified as mineral properties for financial statement purposes.

All costs related to the acquisition, exploration, stripping and development of mineral properties are capitalized until the date commercial production is achieved. Upon commencement of commercial production from a property, the related accumulated costs will be amortized using the unit of production method over estimated recoverable reserves. Interest on debt associated with the acquisition of mineral properties would be capitalized until commencement of commercial production. There have been no interest costs capitalized to date. Management assesses carrying values of non-producing properties quarterly 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.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditures are required and proceeds exceed costs, the excess proceeds are reported as a gain.

Asset retirement obligations

The fair value of liabilities for asset retirement obligations is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the mineral property and then amortized over its estimated useful life once commercial production is achieved. The fair value of the asset retirement obligations is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligations. Changes in the obligations due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligations due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related asset.

Investments

Investments relate to third-party asset-backed commercial paper ("ABCP"). These investments were initially designated as HTM but have been reclassified as available-for-sale ("AFS") and are carried at fair value with unrealized gains or losses recognized in other comprehensive income. Other than temporary impairments in fair value are then recognized in the consolidated statement of income.

Equity investments

Investments in companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. Under this method, the Company includes its proportionate equity interest of earnings or losses of such companies. If the Company's interest in the investment is diluted from various equity transactions of the investee company, a dilution gain or loss is recognized to reflect the fair market value change of the portion of the investment that had been diluted.

Property and equipment

Property and equipment purchases are recorded at cost and are amortized using the declining balance method except for leasehold improvements, which are amortized on a straight-line basis over a term equal to the remaining life of the current lease agreement plus one renewal term or the estimated useful lives. Annual amortization rates are as follows:

Automotive equipment	30%
Building	10%
Computer equipment	30%
Computer software	100%
Furniture and equipment	20%

Future income taxes

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is recognized in earnings in the period which includes the enactment date. Future income tax assets and liabilities are recorded in the financial statements if realization is considered more likely than not. The valuation of future income taxes is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated recoverable amount.

Flow-through shares

The Company finances a portion of its exploration activities through the issue of flow-through shares. The Company renounces the deductions to investors and accordingly records share issue costs related to the future tax liability of the temporary difference arising from the renunciation. As a result, share capital is reduced and future income tax liabilities are increased by the estimated tax benefits when renounced by the Company to the investors, except to the extent that the Company has unused tax benefits on loss carry forwards and tax pools in excess of book values available for deduction against which a valuation allowance has been provided. In these circumstances, the future tax liability reduces the valuation allowance, if any, and the reduction is recognized in earnings.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds received on exercise of options and warrants would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

Stock-based compensation

The Company has a share option plan that is described in note 12(d).

Options granted under the share option plan are accounted for using the fair value method. Under this method, the fair value of stock options granted is measured at estimated fair value at the grant date and recognized over the vesting period. When forfeiture occurs during the period in which a stock option vests, no further amounts are recognized. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

b) Recently adopted accounting standards

Financial instruments

On January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ("CICA") handbook sections relating to financial instruments and comprehensive income. These adoptions had no impact on the Company's opening deficit. The Company had no "other comprehensive income or loss" transactions during the year ended December 31, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The standards require that all financial assets be classified either as HFT, AFS, HTM, or loans and receivables. The standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as HTM, and AFS financial assets that do not have quoted market prices in an active market.

Except as disclosed, the fair value of assets and liabilities approximate their recorded amounts.

c) New accounting pronouncements

Financial instruments and comprehensive income

Effective January 1, 2008, the Company will adopt new 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 implementation of this guidance is not expected to have a material impact on the Company's financial position and results of operations.

Capital disclosures

During 2007, the CICA issued new accounting standards relating to capital disclosure. This additional disclosure will include quantitative and qualitative information regarding an entity's objectives, policies and processes for managing capital. This Section is applicable for the Company's fiscal year beginning January 1, 2008 and is not expected to have a material impact on the Company's financial disclosures.

3. Receivables

At December 31, accounts receivable consisted of the following:

	2007	2006
Newmont Mining Corporation of Canada Limited	$1,945	$4,628
Fuel tax rebate	1,410	1,210
Goods and services tax refunds	1,119	1,266
Other	230	136
	$4,704	$7,240

4. Investments

At December 31, 2007 the Company held ABCP with a total par value of $19 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. All of the ABCP purchased by the Company were rated as R1 (high) by Dominion Bond Rating Service ("DBRS").

During the month of August, 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. To address the liquidity issue, twenty of the ABCP conduits, which include the ABCP held by the Company, are currently subject to a long-term proposal which calls for the conversion of the ABCP into floating rate notes with terms that will match the duration of the underlying assets. As a result of this long-term proposal, the ABCP has been classified as a long-term investment on the Company's financial statements. Management does not believe the events surrounding the liquidity of the ABCP will adversely affect the Company's plans regarding the year 2008.

As there is currently no active market for the ABCP held, the Company assessed an "other than temporary impairment" and reduced the fair value of these investments by $2.0 million. At December 31, 2007, the fair value of the ABCP was determined by using a probability-weighted discounted cash flow approach. Several assumptions were used in determining the fair value including: estimated weighted average of cash flows recovered (which factored in costs of the proposed restructuring), timing of cash flows based on the underlying assets of the trusts (four to seven years), interest rates (4.3 percent to 4.7 percent), and applicable discount rates (5.4 to 5.5 percent, comprised of risk-free rates of 3.8 to 3.9 percent and an estimated 1.6 percent premium). The amount and timing ultimately recovered by the Company may differ materially from this estimate. Due to the nature of the ABCP (a significant component is comprised of collateral debt obligations), credit risk is significant. However, the Investment Committee is working towards an agreement with several major financial institutions that would reduce the risk of credit default on these investments.

ABCP Overview			**Shore Amounts**		
Name of Trust Held by Shore	Description of Assets[1]	Notes to be Issued Per Proposed Restructuring Plan	Par Value Amount	Impairment Percentage Recorded in 2007	Estimated Fair Value
Aurora Trust *(Series A)*	Synthetic assets (94%); Traditional securitized assets (6%)	Pooled floating rate note[2]	$ 4.5	10.4%	$ 4.0
Gemini Trust *(Series A)*	Traditional securitized assets	Floating rate note[3]	4.5	6.5%	4.2
Symphony Trust *(Series A)*	Synthetic assets (93%); Traditional securitized assets (7%)	Pooled floating rate note[2]	10.0	12.5%	8.8
Total			$ 19.0	10.6%	$ 17.0

1. Based on assets held by the trusts as per DBRS (DBRS November 6, 2007 newsletter).

2. Under the proposed restructuring, floating rate notes ("Pooled Notes") will be issued to noteholders in exchange for their existing ABCP, with maturities of the Pooled Notes based upon the maturities of the underlying pooled assets (expected to be an average of seven years). The Pan-Canadian Investors Committee for Third-Party Structured Asset-Backed Commercial Paper ("Investors Committee") believes that ABCP trusts such as Aurora and Symphony have assets of the highest credit quality. In creating the Pooled Trusts, investors will receive Pooled Notes that reflect the relative contribution of the existing pooled assets associated with the ABCP held by them in the trusts that are participating in the Pooled Notes. In order to enhance liquidity of the Pooled Notes, most investors will receive a senior and a subordinated Pooled Note in exchange for their existing ABCP of the Pooled Trusts. For those investors who receive senior and subordinated Pooled Notes, this relative contribution is reflected in the mix of senior and subordinated notes they receive. The Investors Committee expects that the senior Pooled Note will receive AAA ratings, while the subordinated Pooled Notes are not expected to be rated. Based on the composition of assets held by the Aurora and Symphony trusts, it is anticipated that the Company should primarily be issued senior Pooled Notes.

3. Gemini is supported solely by traditional securitized (non-synthetic) assets and will be restructured separately from other trusts, maintaining its separate assets. Noteholders such as Shore will receive floating rate notes with maturities based upon the maturity of the underlying assets, but the notes will amortize and be repaid in part, from time to time, as assets mature or value can be realized through asset sales. The floating rate note will have an interest rate based upon amounts available from the trust's traditional securitized assets. The Investors Committee believes that ABCP trusts such as Gemini have assets of the highest credit quality.

5. Mineral properties

Mineral properties are made up of the following:

	Star Property (a)	Fort à la Corne Property (b)	Other Diamond Properties (c)	Total
Balance, December 31, 2005	$ 75,673	$ 601,646	$ 103	$ 677,422
Expenditures during 2006				
Acquisition & staking	140	247,387	-	247,527
Less carrying value of 40% share of property interest (note 6)	-	(350,754)	-	(350,754)
Exploration	55,772	23,128	-	78,900
Asset retirement obligations	247	196	-	443
Balance, December 31, 2006	$ 131,832	$ 521,603	$ 103	$ 653,538
Expenditures during 2007				
Acquisition & staking	(8)	-	8,917	8,909
Exploration	29,911	28,141	1,449	59,501
Asset retirement obligations	535	615	-	1,150
Balance, December 31, 2007	$ 162,270	$ 550,359	$ 10,469	$ 723,098

The recoverability of the amounts for mineral properties is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to establish the existence of reserves, to complete the development of such reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date and calculated fair values of properties acquired, less write-downs, losses and recoveries, and does not necessarily reflect present or future values.

a) Star Property

At December 31, 2007, the Company held a 100% interest in the Star Property, consisting of certain mineral dispositions located in the Fort à la Corne kimberlite field approximately 60 kilometres east of Prince Albert, Saskatchewan. The majority of expenditures incurred by the Company over the past two years have been on exploring this property, including bulk sampling and the commencement of an advanced evaluation study. A 3% net profit interest exists on the property. This interest can be purchased back by the Company for $1 million if paid within 90 days of a production decision being made on the property.

b) Fort à la Corne Property

The Company, through its wholly owned subsidiary, Kensington Resources Ltd. ("Kensington") holds a 60% interest in certain mineral claims in the Fort à la Corne area of Saskatchewan. Newmont Mining Corporation of Canada Limited ("Newmont") holds the remaining 40% interest in the property known as the Fort à la Corne Joint Venture ("FALC-JV"). The current structure was a result of a purchase and sale of property interests as described in Note 6 to these financial statements.

c) Other Diamond Properties

At December 31, 2007 the Company held a 100% interest in additional diamond properties located northwest of the Fort à la Corne kimberlite field including the Foxford/Birchbark and Weirdale properties.

On July 24, 2007, Shore and Diamondex Resources Ltd. ("Diamondex") completed a transaction with Ashton Mining of Canada Inc. ("Ashton") to purchase Ashton's 45% interest in the Buffalo Hills property in north central Alberta for total consideration of $17.5 million (Shore's share is $8.75 million). Diamondex has assumed operatorship of the project and Shore and Diamondex will have the option to increase their collective interest to 72.5% by funding the next $15 million of exploration expenditures before April 30, 2010.

6. Purchase and sale of property interest

On September 29, 2006, Shore, through its 100% owned subsidiary Kensington completed a series of transactions to affect the purchase of the remaining participating interest in the FALC-JV for $247.4 million (including transactions costs of $1.4 million). Concurrent to these transactions, the Company also sold a 40% interest in the property for $170.4 million to Newmont (of which $0.1 million was assigned to net identifiable assets). As a result of these transactions, the Company increased its ownership interest in the Fort à la Corne Property by 17.755% to 60% for $77.1 million. The purchase price forms part of the mineral property and the sale transaction was accounted for as follows:

Proceeds on sale of property interest	$	170,315
Less carrying value of 40% share of property interest		350,754
Loss on sale of property interest before future income tax recovery	$	(180,439)
Future income tax recovery		55,936
Net loss on sale of property interest	$	(124,503)

The carrying value of the FALC-JV is based on actual costs and the fair values of acquiring the property that have been accumulated since the merger with Kensington. The loss resulting from the 40% sale of the property is not indicative of present or future values of the Fort à la Corne Property.

7. Investment in Wescan Goldfields Inc.

At December 31, 2007, Shore and its subsidiaries held 11,474,086 (2006 – 11,474,086) shares of Wescan Goldfields Inc. ("Wescan"). As a result of an equity financing and various option and warrant exercises during 2007, Shore's interest in Wescan was diluted by approximately 1.2% (2006 – 3.0%). The dilution of the Company's interest in Wescan resulted in a gain of $9 (2006 - $308). In 2006, Shore acquired an additional 3 million units from Wescan through a private placement for $0.35 per unit. Each unit consisted of one common share and one-half purchase warrant. Each full warrant was exercisable at $0.45 per warrant. These warrants expired on December 19, 2007. As a result, the Company wrote down its investment in Wescan by the fair value of the warrants as determined using a Black-Scholes model. Shore has accounted for its interest in Wescan on an equity basis. During the year, Shore's weighted average investment in Wescan was 18.9% (2006 – 17.2%).

The change in the investment is summarized as follows:

Balance – December 31, 2005	$ 1,212
Investment – private placement (3 million units)	1,050
Gain on dilution in equity investment	308
Share of losses	(33)
Balance – December 31, 2006	$ 2,537
Gain on dilution in equity investment	9
Fair value of warrants expired	(52)
Share of losses	(198)
Balance – December 31, 2007	$ 2,296

Wescan is publicly traded on the TSX Venture exchange. The trading value of the Company's equity interest in Wescan at December 31, 2007 was $2.8 million (2006 – $5.2 million).

8. Property and equipment

Property and equipment is made up of the following:

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Automotive equipment	$ 38	$ 23	$ 15	$ 22
Buildings	275	47	228	272
Computer equipment	224	112	112	98
Computer software	7	7	-	-
Furniture & equipment	822	284	538	609
Leasehold improvements	621	176	445	477
	$ 1,987	$ 649	$ 1,338	$ 1,478

9. Accounts payable and accrued liabilities

At December 31, accounts payable and accrued liabilities consisted of the following:

	2007	2006
Trade payables	$ 8,084	$ 10,133
Accrued liabilities	1,706	1,580
	$ 9,790	$ 11,713

10. Asset retirement obligations

The Company's asset retirement obligations consist of reclamation costs predominately relating to exploration drill pads and related access roads on both the Star and the FALC-JV properties. A summary of the asset retirement obligations is as follows:

	Star Property	FALC-JV Property	Total 2007	Total 2006
Asset retirement obligations, beginning of year	$ 255	$ 196	$ 451	$ -
Liabilities incurred	539	659	1,198	443
Liabilities settled	(4)	(44)	(48)	-
Accretion expense	41	34	75	8
Asset retirement obligations, end of year	831	845	1,676	451
Less: current portion	-	(342)	(342)	(158)
Asset retirement obligations	$ 831	$ 503	$ 1,334	$ 293

The Company provides letters of credit as security for these obligations.

The Company estimates its total undiscounted future reclamation costs to be $1.8 million. The key assumptions on which the carrying amount of the asset retirement obligations is based are: an expected timing of payment of the cash flows is over the next five years and discount rates of 5.0% for both the Star and FALC-JV properties.

11. Income taxes

The significant components of future income tax assets and liabilities at December 31, are as follows:

	2007	2006
Future income tax assets		
Non-capital loss carry forwards	$ 6,882	$ 6,594
Share issue costs	1,904	2,751
Investments	146	-
Valuation allowance	(108)	-
Future income tax asset	8,824	9,345
Future income tax liabilities		
Investments	$ -	$ (184)
Mineral properties	(112,677)	(126,470)
Future income tax liabilities	(112,677)	(126,654)
Net future income tax liability	$ (103,853)	$ (117,309)

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

	2007	2006
Loss before income taxes	$ 8,451	$ 176,962
Combined federal and provincial tax rate	35.6%	39.6%
Expected tax recovery	(3,010)	(70,077)
Increase (decrease) in taxes resulting from:		
Non-deductible stock option expenses	1,841	248
Other non-deductible amounts	452	47
Non-taxable dilution gain	(1)	(54)
Effect of change in effective tax rates	(15,340)	(29,662)
Change in valuation allowance	108	-
Provision for income tax recovery	$ (15,950)	$ (99,498)
Provision for income tax recovery comprised of:		
Future income tax recovery	$ (15,941)	$ (99,494)
Current income tax recovery	(9)	(4)
Provision for income tax recovery	$ (15,950)	$ (99,498)

At December 31, 2007, the Company had operating losses for income tax purposes approximating $25 million available to reduce taxes in future years and expire over the period to the year 2027. A summary of these tax loss expirations is as follows:

Year	
2008	$ 719
2009	1,841
2010	2,248
Thereafter	20,682
Total	$ 25,490

12. Share capital

Authorized

The authorized share capital of the Company consists of unlimited common shares.

The common shares of the Company are entitled to dividends pro-rated when declared by the Board of Directors and to one vote per share at meetings of the shareholders of the Company. Upon dissolution or any other distribution of assets, the shareholders are entitled to receive a pro-rata share of such distribution.

Issued and outstanding

	2007			2006		
	Common Shares	Warrants	Amount	Common Shares	Warrants	Amount
Balance - beginning of year	176,762	-	$ 733,467	170,515	5,434	$ 692,985
Flow-through shares issued (a)	4,762	-	30,001	-	-	-
Warrants exercised/expired (b)	-	-	-	3,466	(5,434)	24,778
Broker warrants exercised (c)	-	-	-	429	-	2,909
Options exercised (d)	1,160	-	6,110	2,352	-	12,795
Issue costs, net of tax	-	-	(1,326)	-	-	-
Balance - end of year	182,684	-	$ 768,252	176,762	-	$ 733,467

a) Flow-through shares

During November of 2007 the Company issued, through a private placement, 4,762,000 flow-through shares for gross proceeds of $30.0 million.

b) Warrants

On certain issues of common shares, the Company attached warrants to the common shares entitling the holder to acquire additional common shares of the Company. On August 15, 2005 Shore and Kensington announced the signing of a definitive agreement (the "Combination Agreement") to merge the two companies. As part of the merger with Kensington each outstanding warrant of Kensington became a warrant of the Company. At October 28, 2005 there were 5,434,358 warrants of Kensington which entitled the holder to 0.64 shares of Shore for a total of 3,477,989 shares of Shore being issued upon exercise. All remaining warrants were exercised or expired during 2006.

c) Broker warrants and broker unit warrants

On certain issuances of common shares, the Company granted either broker unit warrants or broker warrants as partial consideration to the agent for services associated to such share issues. As part of the merger with Kensington each outstanding broker warrant of Kensington became a broker warrant of the Company. At October 28, 2005 there were 543,579 broker warrants and attached underlying warrants of 162,000 of Kensington which entitled the holder to 347,890 and 103,680 shares of Shore being issued upon exercise, respectively. All remaining broker warrants were exercised during 2006.

d) Share option plan

The Company has established a share option plan whereby options may be granted to directors, officers, employees and service providers to purchase common shares of the Company. The Company's shareholders approved amendments to the share option plan on May 30, 2007 at the Company's Annual General Meeting. The plan was amended from a 10% rolling plan to a fixed maximum plan such that the aggregate number of shares reserved for issuance under this plan, and any other security based compensation arrangement of the Corporation, shall not, at the time of the stock option grant, exceed 15,768,360 shares. Consistent with the previous plan, options granted have an exercise price of not less than the closing price quoted on the Toronto Stock Exchange for the common shares of Shore on the trading day prior to the date on which the option is granted. Certain options vest immediately while others vest six to twelve months after grant date and have expiration dates of 5 years from the date of the grant of the options.

During 2007, the Company granted 2,995,000 (2006 - 639,000) options to officers, directors, service providers and employees. The fair value of these options was determined using the Black-Scholes option-pricing model with the following assumptions:

	2007	2006
Number of options granted (in thousands)	2,995	639
Average strike price	$ 5.00	$ 5.52
Expected dividend	-	-
Expected volatility	58.99%	58.32%
Risk-free interest rate	4.10%	4.09%
Expected life of options (in years)	5.00	5.00
Weighted average grant date fair values (in thousands)	$ 8,030	$ 1,895

The fair value of the options granted during 2007, using the Black-Scholes option-pricing model was $8.0 million (2006 - $1.9 million). The fair value attributable to options that were granted and vested during the year was $7.0 million (2006 - $1.1 million). Of this amount, $1.9 million (2006 - $0.4 million) was capitalized as an addition to mineral properties and $5.2 million (2006 - $0.6 million) was expensed with a corresponding increase of $7.0 million (2006 - $1.1 million) to contributed surplus.

For options outstanding (in thousands) at December 31, 2007 and 2006, weighted average exercise prices are as follows:

	Options		Average Price
Balance - December 31, 2005	7,901	$	3.52
Granted	639		5.52
Exercised	(2,352)		1.93
Expired/forfeited	(458)		6.86
Balance - December 31, 2006	5,730	$	4.12
Granted	2,995		5.00
Exercised	(1,160)		2.12
Expired/forfeited	(262)		6.57
Balance - December 31, 2007	7,303	$	4.71

For options outstanding and exercisable at December 31, 2007, the range of exercise prices, weighted average exercise price and the weighted average remaining contractual life is as follows:

	Outstanding			Exercisable	
Option Price Per Share	Options December 31, 2007	Weighted Average Exercise Price	Weighted Average Remaining Life	Options December 31, 2007	Weighted Average Exercise Price
$0.00 – 0.99	500	$0.76	0.38 years	500	$0.76
$1.00 – 1.99	821	1.80	1.63 years	821	1.80
$2.00 – 2.99	105	2.98	2.91 years	105	2.98
$3.00 – 3.99	1,321	3.04	3.83 years	546	3.09
$4.00 – 4.99	866	4.58	3.46 years	591	4.63
$5.00 – 5.99	462	5.41	3.49 years	437	5.38
$6.00 – 6.99	1,693	6.19	3.95 years	1,571	6.19
$7.00 – 7.99	1,510	7.34	2.86 years	1,510	7.34
$8.00 – 8.99	25	8.06	4.14 years	12	8.06
	7,303	$4.71	3.10 years	6,093	$4.90

e) Shareholder protection rights plan

The directors of the Company approved a shareholder protection rights plan ("Rights Plan") on January 19, 2005. In the event a bid to acquire control of the Company is made, the Rights Plan is designed to give the directors of the Company time to consider alternatives to allow shareholders to receive full and fair value for their shares. In the event that a bid, other than a permitted bid, is made, shareholders become entitled to exercise rights to acquire common shares of the Company at 50 percent of market value. This would significantly dilute the value of the bidder's holdings.

f) Contributed surplus

The fair value of certain stock options, warrants and broker warrants have been valued using the Black-Scholes option-pricing model. The fair value on the grant of these securities is added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the security is removed from contributed surplus and added to share capital. A summary of the contributed surplus activity is as follows:

	2007	2006
Balance – beginning of year	$ 19,209	$ 39,466
Fair value of options vested	7,037	1,066
Less: amounts related to options exercised	(3,650)	(8,263)
Less: amounts related to warrants exercised	-	(11,622)
Less: amounts related to broker warrants exercised	-	(1,438)
Balance – end of year	$ 22,596	$ 19,209

13. Per share amounts

Basic income (loss) per common share is computed by dividing net income (loss) applicable to common shares by the weighted average number of common shares issued and outstanding for the relevant period. The Company uses the treasury-stock method for calculating diluted earnings per share. Diluted net income (loss) per common share is computed by dividing net income (loss) applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued. The calculation of income (loss) per share amounts is based on the following:

	2007	2006
Numerator:		
Income (loss) applicable to common shares	$ 7,499	$ (77,463)
Denominator:		
Weighted average common shares outstanding	177,891	174,820
Dilutive effect of stock options	1,651	-
Weighted average common shares outstanding - diluted	179,542	174,820
Basic and diluted income (loss) per common share	$ 0.04	$ (0.44)

Excluded from the calculation of diluted loss per common share for 2007 were 3,915,000 options which were out-of-the-money at December 31, 2007. Excluded from the calculation of diluted loss per common share for 2006 were the effects of outstanding options as the effect on basic loss per share would be anti-dilutive.

14. Related party transactions

During the year ended December 31, 2007, management and consulting fees of $1.7 million (2006 - $1.9 million) were paid to directors, officers and companies controlled by common directors and officers; $0.2 million (2006 - $0.4 million) of these fees were capitalized as additions to mineral properties; $0.7 million (2006 - $0.8 million) were included as administration expense and $0.7 million (2006 - $0.7 million) were included as consulting and professional fees expense. The fair value of stock-based compensation related to directors and officers of the Company for the year ended December 31, 2007 was $6.5 million (2006 - $0.4 million).

During the year ended December 31, 2007, the Company charged $0.3 million (2006 - $0.5 million) to Wescan Goldfields Inc. for rent of office space, administration services, and rental of equipment.

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

15. Commitments

As at December 31, 2007, the Company is committed to operating leases for office space, various equipment and drilling services as follows:

Year		
2008	$	5,227
2009		5,309
2010		5,365
2011		95
2012		-
Thereafter		-
Total	$	15,996

The Company is committed to spend $25.8 million of qualifying Canadian Exploration Expenses as defined by the *Canadian Income Tax Act* prior to December 31, 2008.

16. Comparative Figures

Certain prior years' balances have been reclassified to conform to the current financial statement presentation.

Directors & Officers

Kenneth E. MacNeill
President, CEO & Director

Harvey J. Bay
Chief Operating Officer,
Chief Financial Officer & Director

James R. Rothwell
Non-Executive Chairman

Robert A. McCallum
Director

Arnie E. Hillier
Director

A. Neil McMillan
Director

Brian M. Menell
Director

William E. Stanley
Director

George H. Read
Senior Vice-President, Exploration & Development

Pieter I. Du Plessis
Vice-President, Exploration

Terri L. Uhrich
Corporate Secretary

Eric H. Cline
Vice-President, Corporate Affairs

Duane D. DeRosier
Vice-President, Administration

Corporate Information

The Annual General and Special Meeting of the Shareholders of Shore Gold Inc. will be held in Saskatoon at the Sheraton Cavalier Hotel in the Centre Room at 10:00 a.m. on Wednesday, May 28th, 2008. Shareholders are encouraged to attend.

Head Office
300 - 224 4th Avenue South
Saskatoon, SK
Canada S7K 5M5
Telephone: 306-664-2202
Fax: 306-664-7181

E-mail
shoregold@shoregold.com

Website
www.shoregold.com

Exchange Listing
TSX

Trading Symbol
SGF

Auditors
KPMG LLP
Saskatoon, Saskatchewan

Solicitors
Bennett Jones LLP
Calgary, Alberta

Bank
Canadian Western Bank
Saskatoon, Saskatchewan

Transfer Agent
Valiant Trust Company
Calgary, Alberta

Shore Gold Inc.

300 - 224 4th Avenue South • Saskatoon, SK • Canada S7K 5M5
Telephone: 306-664-2202 • Fax: 306-664-7181
www.shoregold.com
shoregold@shoregold.com

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