Shore Gold Inc.

3rd Quarter Report
2008

MANAGEMENT'S DISCUSSION & ANALYSIS
For the quarter ended September 30, 2008

The following discussion and analysis is prepared by Management as of November 5, 2008 and should be read in conjunction with the unaudited consolidated financial statements for the period ended September 30, 2008 and audited financial statements for the year ended December 31, 2007 available on SEDAR at www.sedar.com. Shore Gold Inc. ("Shore", "SGF", or "the Company") prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless otherwise indicated.

Overview

During the third quarter of 2008, the Company remained focused on the Fort à la Corne area of central Saskatchewan, with the ongoing exploration of the Star Diamond Project and Shore's 60 percent interest in the Fort à la Corne Joint Venture ("FALC-JV"). 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 were the ongoing desk-top engineering studies and data analysis required to convert the Mineral Resource to a Mineral Reserve and a feasibility study conforming to NI 43-101 and Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards. Work on the FALC-JV concentrated on underground bulk sampling and large diameter ("LD") drilling as well as sample processing.

In order to allow certain of the Fort à la Corne projects to move forward, the Company announced the submission of a project proposal for a joint Star-Orion South Diamond Project (See SGF News Release November 3, 2008). The project proposal is the first step in the Environmental Impact Assessment (EIA) process and initiates discussion about the implications of the project with regulators and the public.

Star Diamond Project Advanced Exploration Program

The Company continues to assess the Star Diamond Project Advanced Exploration Program. This primarily involves desk-top engineering studies and data analysis required to convert the Mineral Resource to a Mineral Reserve and a feasibility study conforming to NI 43-101 and CIM standards. In early June, the Company announced the completion of the NI 43-101, risk adjusted, Mineral Resource estimate for the explored portion of the Star Kimberlite (See SGF News Release June 9, 2008). The Mineral Resource estimate, as prepared by independent Qualified Persons from AMEC Americas Limited ("AMEC"), includes Indicated Resources of 122.7 million tonnes at a grade of 13.6 carats per hundred tonnes ("cpht") for a total of approximately 17 million carats and Inferred Resources of 30.3 million tonnes at a grade of 13.1 cpht. Shore commissioned the NI 43-101 Mineral Resource estimate for the Star and Star West (the portion of the Star

Kimberlite within the FALC-JV) properties pursuant to its obligation under NI 43-101 to prepare and file a Technical Report and as such, the Technical Report (See SGF News Release July 22, 2008) is the sole responsibility of Shore. The Technical Report can be viewed on the Company's website (www.shoregold.com) or on SEDAR (www.sedar.com).

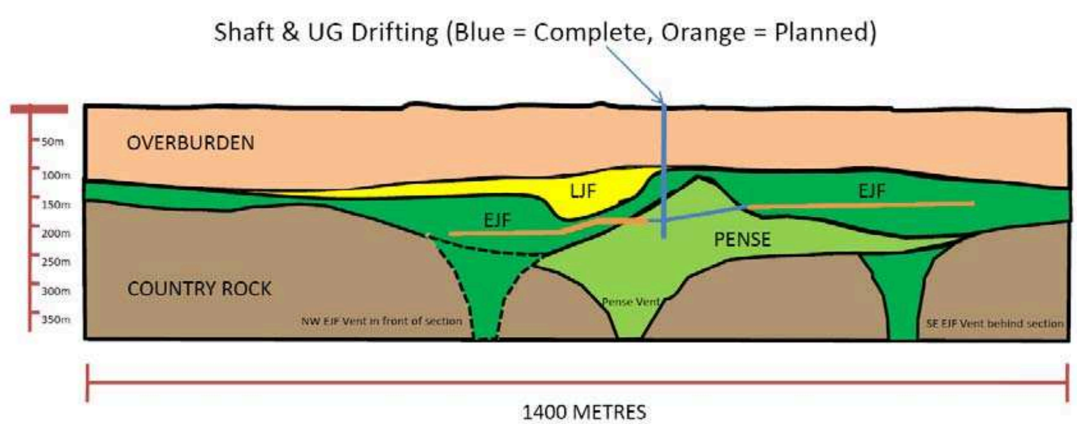
During the third quarter, the Company drilled eight additional LD holes on the Star Kimberlite (including three LD drill holes on Star West). Results from these LD drill holes are awaited and will be incorporated into the desk-top engineering studies and data analysis currently in progress. In total, 1,368.8 metres of LD drilling was performed, with a total of 306.2 metres of kimberlite intersected.

FALC-JV Project Exploration Program

During the third quarter of 2008, the major activities on the FALC-JV Project were the continuing underground bulk sampling on Orion South, LD drilling and sample processing.

The Company recently announced an updated geological model for the Orion South Kimberlite, which forms the southern part of the Orion Kimberlite Cluster within the FALC-JV (See SGF News Release October 21, 2008). This updated model has resulted in a significant tonnage increase for the Early Joli Fou (EJF) Kimberlite, the EJF being the target lithology for diamonds in Orion South. This update is the result of the recent integration of 2008 core drilling data into the Orion South geological model. While the total estimated tonnage has decreased to between 333 and 375 million tonnes (previously estimated to be between 360 and 400 million tonnes), the EJF tonnage estimate has increased to between 210 and 234 million tonnes (previously estimated to be between 176 and 196 million tonnes). The primary goal of the underground bulk sampling program on Orion South is to collect 5,000 carats from the EJF for valuation purposes (see figure 1).

Figure 1: Orion South North-South Cross Section View



As seen in Figure 1, underground bulk sampling is well underway with results of this progress being recently released. During October, the fourth set of diamond results from the underground bulk sampling of Orion South was announced (See SGF News Release October 24, 2008). Total diamond recoveries were 288.36 carats from 5,673.82 dry tonnes processed, or 5.08 cpht. Included in these results was a 45.95 carat diamond which is a fragment of a larger stone and is the largest diamond recovered from the Orion Cluster to date. All fifteen kimberlite batches included in this set of results were from the Pense Kimberlite which generally has a lower diamond grade than the EJF (see SGF News Release October 21, 2008). Drifting through this Pense material was necessary to access the target EJF Kimberlite located to the south and north of the shaft. A substantial amount of this fine grained Pense material had to be excavated to develop the necessary underground infrastructure for future bulk sampling of EJF Kimberlite. The occurrence of the 45.95 carat stone within the Pense Kimberlite confirms the prospects of coarser grained parts of this kimberlite lithology and the large stone potential of Orion South.

The fifth set of diamond results from the underground bulk sampling of Orion South was also announced during October (See SGF News Release October 29, 2008). Total diamond recoveries were 330.54 carats from 2,809.11 dry tonnes processed. All batches reported were collected during lateral drifting between 150 and 200 metres from the shaft station at 186 metres below surface. Three kimberlite lithologies comprising this set of results included Pense Kimberlite, a transitional zone of mixed EJF and Pense Kimberlite and EJF Kimberlite. The batches comprised of only EJF Kimberlite averaged 17.39 cpht. These grades compare favourably with the EJF grade encountered at higher levels in the shaft (See SGF News Releases of February 5 and March 4, 2008).

In addition to the underground development, LD drilling continued on Orion South and Taurus during the third quarter of 2008. Shore anticipates the completion of the FALC-JV's current LD drilling programs by late January 2009. The drilling during this time will focus on the Taurus Kimberlite cluster to allow for future evaluation. As well, additional LD drilling is expected to be performed on Orion South which, in combination with the underground bulk sampling results, is expected to fulfill the necessary requirements for a resource definition on this body. The anticipated completion of the LD drilling program in the FALC-JV is a major milestone in the evaluation of these large diamondiferous kimberlites. While the numerous kimberlites within the FALC-JV will require additional LD drilling further into the future, it is the present focus to evaluate the Star and Orion South Kimberlites to the point where a production decision can be made.

Buffalo Hills Joint Venture Exploration Program

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

Following the review of historical geological data by a technical team from Shore and Diamondex, a 2008 exploration program was agreed upon. The budget for the program was $7 million, of which Shore will fund $3.5 million (See SGF News Release January 17, 2008). To the end of September, approximately $5 million of these budgeted expenditures have been incurred.

Program expenditures to date have been comprised of a winter drill program completed during the first quarter of 2008 on two (K14 and K252) of the six kimberlite bodies (K91, K225, K14, K252, K6 and K5) of the central corridor of the Buffalo Hills property. A summer drill program was then completed on the K6 body during the second and third quarters from which thirteen holes (2,173 metres) were completed. To date, the 2008 drilling on the Buffalo Hills central corridor has resulted in a total of 41 PQ (75 millimetre) drill holes (6,818 metres) having been completed. Also during the third quarter, Shore, on behalf of the Buffalo Hills Joint Venture, completed logging of more than 1,600 metres of drill core from the 2008 Buffalo Hills drilling program. This work resulted in the development of a preliminary three dimensional model for the K14 Kimberlite which recognised six different eruptive phases. Other models on the K252 and the K6 Kimberlites are still being developed.

Further exploration expenditures were incurred processing bulk sample material collected by the previous operator. A total of 27.42 carats was recovered from 368.89 tonnes of the K6 and K14 Kimberlites, producing average grades of 7.0 cpht and 8.1 cpht respectively. However, further bulk sampling will need to be undertaken to gain a true representative sample now that a geological model has been established for the K14 Kimberlite.

Financial Highlights

Selected financial information of the Company for the quarters ended September 30, 2008 and 2007 is summarized as follows:

	Three Months Ended September 30, 2008 $	**Three Months Ended September 30, 2007 $**	**Nine Months Ended September 30, 2008 $**	**Nine Months Ended September 30, 2007 $**
Revenues (millions)	**0.3**	**0.9**	**1.4**	**3.4**
Net income (loss) (millions)	**(0.8)**	**(2.4)**	**(5.8)**	**(4.8)**
Net income (loss) per share (1)	**(0.00)**	**(0.01)**	**(0.03)**	**(0.03)**
Total assets (millions)	**814.5**	**785.1**	**814.5**	**785.1**
Working capital (millions)	**27.3**	**50.8**	**27.3**	**50.8**

(1) Basic and diluted.

Third Quarter
Results of Operations

For the quarter ended September 30, 2008, the Company recorded a net loss of $0.8 million or $0.00 per share compared to a net loss of $2.4 million or $0.01 per share for the same period in 2007. The loss for the quarter ended September 30, 2008 was due to ongoing operating costs incurred by the Company exceeding interest revenue earned on cash and cash equivalents and short-term investments during the period. The net loss for the third quarter of 2007 was primarily due to the $2.0 million impairment in fair value of Canadian third party asset-backed commercial paper ("ABCP") held by the Company.

Revenues

The Company invested excess cash reserves in short-term deposits to maximize return while ensuring funds would be available for significant cash outflow requirements associated with the Company's exploration projects. For the quarter ended September 30, 2008 the Company reported interest and other revenue of $0.3 million as compared to $0.9 million for the quarter ended September 30, 2007. The decrease in interest income between these two periods is primarily due to having less cash on hand due to exploration expenditures incurred, the acquisition of a 22.5 percent interest in the Buffalo Hills Joint Venture, as well as the Company's investment in ABCP being frozen since August of 2007.

Expenses

Total operating costs for the quarter ended September 30, 2008 were $1.3 million, a decrease of $0.1 million from the quarter ended September 30, 2007. However, once the effect of accounting for stock-based compensation is removed from the comparison, operating expenses were relatively consistent at $1.1 million and $1.0 million, for the quarters ended September 30, 2008 and 2007 respectively. Of these expenses incurred during the quarters ended September 30, 2008 and September 30, 2007, $0.8 million were administration expenses with the remaining expenditures comprised of consulting and professional fees, corporate development and amortization and accretion.

Investing

Additions to mineral properties totaled $12.8 million for the quarter ended September 30, 2008 compared to $23.2 million for the quarter ended September 30, 2007. The additions represent $9.3 million on the FALC-JV Project, $3.0 million on the Star Diamond Project and $0.5 million on other properties, including the Buffalo Hills Joint Venture. The expenditures on the FALC-JV Project primarily related to underground bulk sampling on Orion South, LD drilling and sample processing. The main activities for the Star Diamond Project was the ongoing desk-top engineering studies and data analysis required to convert the Mineral Resource to a Mineral Reserve and a feasibility study conforming to NI 43-101 and CIM standards as well as additional LD drilling. The expenditures on the remaining properties were predominantly related to core drilling programs. The expenditures for the quarter ended September 30, 2007 included the acquisition of a 22.5% interest in the Buffalo Hills Joint Venture for $8.75 million.

Financing

No financing activities occurred during the quarter.

Year to Date

Results of Operations

For the nine-month period ended September 30, 2008, the Company recorded a net loss of $5.8 million or $0.03 per share compared to a net loss of $4.8 million or $0.03 per share for the same period in 2007. The loss during the first nine months of 2008 was primarily due to the $2.7 million in fair value of stock-based compensation that was expensed, as well as the $2.0 million impairment in fair value of ABCP held by the Company that was recorded during the second quarter of 2008. The Company also generated lower interest income for the nine-month period of 2008 compared to the same period in 2007 which also contributed to the nine-month loss. The net loss for the nine-month period ended September 30, 2007 was due to the fair value of stock-based compensation expensed during the period ($4.8 million) and a $2.0 million impairment in fair value of ABCP held by the Company. This was offset by an income tax recovery of $1.9 million recognized during the second quarter of 2007 after the federal government enacted a reduction to income tax rates.

Revenues

The Company invested excess cash reserves in short-term deposits to maximize return while ensuring funds would be available for significant cash outflow requirements associated with the Company's exploration projects. For the nine-month period ended September 30, 2008 the Company reported interest and other revenue of $1.4 million compared to $3.4 million for the nine-month period ended September 30, 2007. The decrease in interest income between these two periods is primarily due to having less cash on hand due to exploration expenditures incurred, the acquisition of a 22.5 percent interest in the Buffalo Hills Joint Venture, as well as the Company's investment in ABCP being frozen since August of 2007.

Expenses

Total operating costs for the nine-month period ended September 30, 2008 were $5.9 million compared to $8.2 million for the nine-month period ended September 30, 2007. This $2.3 million decrease is largely attributed to the fair value of stock-based compensation that was expensed during the nine-month period ended September 30, 2007

($4.8 million) as compared to the same period in 2008 ($2.7 million). Once the effect of stock-based compensation is removed from the comparative periods, total operating costs for the Company decreased by $0.2 million to $3.2 million compared to $3.4 million for the nine-month period ended September 30, 2007. The decrease is primarily due to the higher proportion of activities on the FALC-JV during 2008. Costs associated with the FALC-JV are shared between Shore (60 percent) and Newmont (40 percent) while costs incurred for the Star Diamond Project are borne 100 percent by Shore.

Investing

Additions to mineral properties totaled $36.9 million for the nine-month period ended September 30, 2008 compared to $49.8 million for the nine-month period ended September 30, 2007. The 2008 additions represented approximately $27.8 million on the FALC-JV Project, $6.3 million on the Star Diamond Project, $2.6 million on the Buffalo Hills Joint Venture and $0.2 million on other properties. The expenditures on the FALC-JV Project primarily related to the completion of the shaft and commencement of underground bulk sampling on Orion South, LD drilling and sample processing. The main activities for the Star Diamond Project were the completion of the Mineral Resource estimate, the ongoing desk-top engineering studies and data analysis required to convert the Mineral Resource to a Mineral Reserve and a feasibility study conforming to NI 43-101 and CIM standards as well as additional LD drilling performed in the third quarter. The expenditures on the remaining properties were predominantly related to core and exploration drilling programs.

Financing

The exercise of 0.6 million options for the nine-month period ended September 30, 2008 resulted in additional cash flow from financing activities of $0.5 million.

Summary of Quarterly Results

	2008			2007				2006
	Qtr 3 $	Qtr 2 $	Qtr 1 $	Qtr 4 $	Qtr 3 $	Qtr 2 $	Qtr 1 $	Qtr 4 $
Revenues (1) (millions)	$0.3	0.4	0.7	0.6	0.9	1.2	1.3	1.7
Net income (loss) (2) (millions)	(0.8)	(2.8)	(2.2)	12.4	(2.4)	1.7	(4.2)	(0.8)
Net income (loss)/share (3)	(0.00)	(0.02)	(0.01)	0.06	(0.01)	0.01	(0.02)	0.00
Shares outstanding (4) (millions)	183.2	183.2	182.7	182.7	177.5	177.3	177.3	176.8

(1) The decline in interest revenue from the fourth quarter of 2006 to the third quarter of 2008 resulted from a reduction in the Company's investment base after completing acquisitions involving the FALC-JV and the Buffalo Hills Joint Venture, ABCP not accruing interest, declining interest rates and incurring exploration expenditures throughout this period.

(2) The second and fourth quarters of 2007 had net income as a result of future income tax recoveries after the federal government substantively enacted reduced corporate income tax rates. The net loss during the second quarter of 2008 and the third quarter of 2007 primarily related to changes in fair value of the Company's ABCP. The first quarters of 2008 and 2007 saw increases in operating costs primarily associated with the fair value of stock-based compensation granted during those quarters.

(3) Basic and diluted.

(4) The Company completed a private placement financing on November 23, 2007 resulting in the issuance of 4.76 million flow-through common shares from treasury. Other changes in the number of shares outstanding are the result of option exercises in the respective periods.

Related Party Transactions

Messrs. Kenneth E. MacNeill (President and Chief Executive Officer), Harvey J. Bay (Chief Financial Officer and Chief Operating Officer), George H. Read (Senior Vice-President of Exploration and Development) and Pieter Du Plessis (Vice-President of Exploration), through their respective consulting companies, hold management and consulting contracts with the Company. As of April 1, 2008, Messrs. MacNeill, Bay, Read and Du Plessis's monthly contracted fee is $30 thousand (previously $27 thousand), $23 thousand (previously $21 thousand), $18 thousand (previously $16 thousand), and $16 thousand (previously $15 thousand), respectively. During the nine-month period ended September 30, 2008, management and consulting fees of $0.8 million (2007 – $0.7 million) were paid to companies controlled by these officers. Of these fees, $0.1 million (2007 – $0.1 million) were capitalized as additions to mineral properties; $0.3 million (2007 – $0.3 million) were included in administration expense and $0.4 million (2007 – $0.3 million) were included in consulting and professional fees expense.

During the nine-month period ended September 30, 2008, the Company charged $49 thousand (2007 – $314 thousand) to Wescan Goldfields Inc. for administration services and rental of equipment. Accounts receivable includes $10 thousand (2007 – $2 thousand) due from Wescan Goldfields Inc.

The above transactions were in the normal course of operations and are measured at an amount agreed to by the related parties.

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 September 30, 2008 the Company also held ABCP with a total par value of $19 million, with repayment dates ranging from September 14, 2007 to October 15, 2007. During the month of August 2007, the ABCP market experienced liquidity problems. As a result, certain of the ABCP programs were unable to raise funds from new issuances and therefore were not able to refund maturing notes. Thus far, none of the ABCP held by the Company has been repaid. To address the liquidity issue, twenty of the ABCP conduits, which include the ABCP held by the Company, are currently subject to a proposal by the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper ("Investors Committee Restructuring Plan") which calls for the conversion of the ABCP into floating rate notes. On April 25, 2008, noteholders voted in favour of the Investors Committee Restructuring Plan. As of November 5, 2008, the Company has not received these new notes. The Investors Committee has now commenced the process for implementation of the restructuring with a view of completing implementation by the end of November 2008. Per the Investors Committee Restructuring Plan, the Company expects to receive the following floating rate notes:

	Dollars ($millions)	Percent
Master Asset Vehicle2 ("MAV2") Class A-1 Notes	$7.5	39.5%
MAV2 Class A-2 Notes	$5.6	29.4%
MAV2 Class B Notes	$1.0	5.3%
MAV2 Class C Notes	$0.4	2.1%
Master Asset Vehicle 3 ("MAV3") Traditional Asset, Class 5 Notes	$4.5 [1]	23.7%
Total	**$19.0**	**100.0%**

(1) MAV3, Class 5 Tracking Notes (comprised of Gemini Series A) will be supported by traditional securitized (non-synthetic) assets and, per the Investors Committee Restructuring Plan, will be restructured separately from other trusts, maintaining its separate assets. According to the April 18, 2008 Monitor's Report, on April 16, 2008 HSBC Canada repurchased assets from Gemini Series A (constituting 93% of the traditional securitized assets in this trust). As a result, the Company estimates that, after this transaction, approximately 99% of the underlying assets in Gemini Series A are comprised of cash.

There is currently no active market for the ABCP held by the Company. The Company reviewed its assumptions regarding the fair value calculation during the quarter ending September 30, 2008 and found the fair value not to be substantially different from the fair value previously determined factoring in available data regarding market conditions for such investments. The timing and amount ultimately recovered by the Company may differ materially from this estimate. Management does not believe the events surrounding the liquidity of the ABCP will adversely affect its ability to meet financial obligations as they fall due.

On November 4, 2008, the Company announced that it has entered into an agreement for the private placement of 16.67 million Flow-Through Common Shares of the Company for gross proceeds of $12.5 million which will be used by Shore to incur Canadian exploration expenses prior to December 31, 2009 (See SGF News Release November 4, 2008).

Capital Resources and Outstanding Share Data

As at September 30, 2008, the Company had working capital of $27.3 million as compared to $65.2 million at December 31, 2007 and $50.8 million at September 30, 2007. At September 30, 2008 the Company had 183,234,242 shares issued and outstanding compared to 177,509,460 at September 30, 2007.

As at November 5, 2008, the Company had a total of 183,234,242 common shares issued and outstanding and a further 7,806,360 options outstanding at a weighted average exercise price of $4.79. No options are currently in-the-money.

Critical Accounting Estimates

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

A critical accounting estimate in determining the Company's financial results relates to the recoverability of the carried amounts of mineral properties. Management assesses carrying values of non-producing properties each time it issues financial statements and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed. The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to establish the existence of reserves and to complete the development of such reserves and the success of future operations. As at September 30, 2008, the Company has not yet determined whether any of its mineral properties contain economically recoverable reserves.

Accounting Changes

Financial Instruments – Presentation and Disclosure

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

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

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

The Company has supplied irrevocable standby letters of credit issued by a Canadian chartered bank, of which the majority is related to asset retirement obligations. The Company has pledged $1.8 million of short-term investments as security. These investments are recorded as restricted cash.

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

Until the Company's surplus cash is required to fund exploration or development activities it is invested in a variety of highly rated, relatively risk-free instruments such as guaranteed investment certificates and Government of Canada treasury bills. The Company also holds ABCP with a par value of $19.0 million (carrying value of $14.9 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 the Investors Committee Restructuring Plan which calls for the conversion of the ABCP into floating rate notes with terms that will match the duration of the underlying assets. As part of the Investors Committee Restructuring Plan, several major financial institutions have provided margin call facilities that would significantly reduce the risk of credit default on these investments. Management continually monitors the progress regarding the ultimate collectability of these investments. The consolidated financial statements of the Company reflect management's best estimate of the fair value of these investments.

The carrying amount of the financial assets discussed above represents the Company's exposure to credit risk for the period ended September 30, 2008.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing this risk is to ensure that it is invested in highly liquid assets to meet its obligations when due. Management does not believe the events surrounding the liquidity of the ABCP will adversely affect its ability to meet financial obligations.

The Company expects its current capital resources will be sufficient to carry out its exploration plans through its current operating period. The Company is currently working on finalizing 2009 exploration plans. Based on these plans, the Company anticipates that it will be able to fund next year's budget.

The Company does not currently operate any producing properties and as such, is dependent upon the issuance of new equity to advance its exploration properties. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. 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.

Capital Disclosures

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

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

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

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

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

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

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for public accountable companies to convert from Canadian GAAP to IFRS. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, this new standard will apply to the Company effective for the fiscal year commencing January 1, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods, and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

There have been no significant changes in the Company's disclosure controls during the quarter ended September 30, 2008 that could significantly affect disclosure controls subsequent to the date the Company carried out its evaluation.

Internal Controls over Financial Reporting Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.
There have been no significant changes to internal controls over financial reporting during the quarter ended September 30, 2008 that could have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Outlook

As of November 5, 2008, the Company had approximately $21.4 million in cash and cash equivalents and short-term investments. These funds will be used to complete the Star Diamond Project Advanced Exploration Program, to fund the Company's portion of the FALC-JV and the Buffalo Hills Joint Venture exploration programs and general corporate matters. Cash and cash equivalents and short-term investments may also be used to fund various other exploration activities as well as acquisition and exploration of additional properties (as opportunities warrant). The work currently underway on the Star Kimberlite is the assessment of the Star Diamond Project Advanced Exploration Program. This primarily entails desk-top engineering studies and data analysis to convert the Mineral Resource to a Mineral Reserve and a feasibility study conforming to NI 43-101 and CIM standards. 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 kimberlites until late in 2009. It is the present focus to evaluate the Star and Orion South Kimberlites to the point where a production decision can be made.

Risks and Uncertainties

The Company attempts to mitigate risks by identifying, assessing, reporting and managing risks of significance. The following are risks relating to the business of the Company. This information is a summary only of risks currently facing the Company based on its stage of development. Additional risks and uncertainties not presently known may also impact the Company's operations. Management's view on risks facing the Company will evolve as the Company progresses in its stage of development.

Risks Associated With an Exploration Stage Company

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

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

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

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

Technical Information

All technical information in this report has been prepared under the supervision of George Read, Senior Vice-President of 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 the Ontario Securities Act 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 import 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 exploration 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 partners; the effects of competition in the markets in which Shore operates; the impact of changes in the laws and regulations regulating mining exploration and development; judicial or regulatory judgments and legal proceedings; operational and infrastructure risks and the additional risks described in Shore's most recently filed Annual Information Form, 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. Unless otherwise required by applicable securities laws, Shore does not undertake to update any written forward-looking statements 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

SHORE GOLD INC.
Unaudited Interim Consolidated Financial Statements

For the Nine-Month Period Ended
September 30, 2008

Notice to Reader

Management has compiled the unaudited consolidated financial statements of Shore Gold Inc. for the nine-month period ended September 30, 2008 (along with the comparative interim period in 2007). The Corporation's external auditors have not reviewed these statements.

Shore Gold Inc.
(A Development Stage Entity)
Consolidated Balance Sheets

	September 30, 2008 (in thousands)	December 31, 2007 (in thousands)
Assets		
Current assets:		
Cash and cash equivalents	$ 16,976	$ 31,854
Short-term investments	10,110	38,274
Restricted cash	1,807	396
Receivables	5,994	4,704
Prepaids	189	118
	35,076	75,346
Investments (note 4)	14,944	16,979
Mineral properties (note 5)	761,257	723,098
Investment in Wescan Goldfields Inc. (note 6)	2,091	2,296
Property and equipment	1,138	1,338
	$ 814,506	$ 819,057
Liabilities & Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,457	$ 9,790
Current portion of asset retirement obligations	329	342
	7,786	10,132
Asset retirement obligations	1,477	1,334
Future income tax liability	111,410	103,853
Shareholders' equity:		
Share capital (note 7)	760,952	768,252
Contributed surplus (note 7)	25,829	22,596
Deficit	(92,948)	(87,110)
	693,833	703,738
	$ 814,506	$ 819,057

See accompanying notes to financial statements

Shore Gold Inc.
(A Development Stage Entity)
Consolidated Statements of Loss and Deficit

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008 (in thousands)	2007 (in thousands)	2008 (in thousands)	2007 (in thousands)
Revenue				
Interest and other income	$ 307	$ 896	$ 1,399	$ 3,408
Expenses				
Administration	1,002	946	4,104	5,335
Consulting and professional fees	98	279	1,099	2,187
Corporate development	43	116	252	416
Amortization and accretion	156	79	395	226
	1,299	1,420	5,850	8,164
Loss before the under noted items	(992)	(524)	(4,451)	(4,756)
Impairment in fair value of third-party asset-backed commercial paper (note 4)	-	(2,021)	(2,035)	(2,021)
Loss from Wescan Goldfields Inc.	(96)	(3)	(206)	(135)
Net loss before income taxes	(1,088)	(2,548)	(6,692)	(6,912)
Income tax recovery	240	169	854	2,068
Net and comprehensive loss	(848)	(2,379)	(5,838)	(4,844)
Deficit, beginning of period	(92,100)	(97,074)	(87,110)	(94,609)
Deficit, end of period	$ (92,948)	$ (99,453)	$ (92,948)	$ (99,453)
Net loss per share				
Basic and diluted	(0.00)	(0.01)	(0.03)	(0.03)
Weighted average number of shares outstanding (000's)	183,234	177,440	182,957	177,259

See accompanying notes to financial statements

Shore Gold Inc.
(A Development Stage Entity)
Consolidated Statements of Cash Flows

	Three Months Ended September 30, 2008 (in thousands)	Three Months Ended September 30, 2007 (in thousands)	Nine Months Ended September 30, 2008 (in thousands)	Nine Months Ended September 30, 2007 (in thousands)
Cash provided by (used in):				
Operations:				
Net loss	$ (848)	$ (2,379)	$ (5,838)	$ (4,844)
Non-cash items:				
Amortization and accretion	156	79	395	226
Impairment in fair value of third-party asset-backed commercial paper (note 4)	-	2,021	2,035	2,021
Share of loss in Wescan Goldfields Inc.	96	3	206	135
Fair value of stock options expensed (note 7)	200	396	2,668	4,792
Future income tax recovery	(240)	(169)	(854)	(2,059)
Net change in non-cash operating working capital items:				
Prepaids	163	122	(71)	(53)
Receivables	24	269	44	702
Accounts payable and accrued liabilities	(22)	(116)	(1,072)	(604)
	(471)	226	(2,487)	316
Investing:				
Mineral properties	(12,811)	(23,169)	(36,949)	(49,756)
Property and equipment	(17)	(30)	(130)	(110)
Disposal of short-term investments	8,741	39,816	28,164	32,703
Restricted cash	(562)	-	(1,411)	-
Net change in non-cash investing working capital items:				
Receivables	442	(1,821)	(1,334)	554
Reclassification of third party asset-backed commercial paper (note 4)	-	(18,984)	-	(18,984)
Accounts payable and accrued liabilities	1,361	3,298	(1,261)	(3,038)
	(2,846)	(890)	(12,921)	(38,631)
Financing:				
Issue of common shares (net of issue costs)	-	240	530	1,400
	-	240	530	1,400
Decrease in cash and cash equivalents	(3,317)	(424)	(14,878)	(36,915)
Cash and cash equivalents, beginning of period	20,293	28,192	31,854	64,683
Cash and cash equivalents, end of period	$ 16,976	$ 27,768	$ 16,976	$ 27,768
Cash and cash equivalents consists of:				
Cash	$ 1,360	$ 551	$ 1,360	$ 551
Guaranteed investment certificates	-	393	-	393
Treasury bills	15,616	26,824	15,616	26,824
	$ 16,976	$ 27,768	$ 16,976	$ 27,768

See accompanying notes to financial statements

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, development, mining and sale of precious metals and gems. Substantially all of the Company's efforts are devoted to the exploration 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. General

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as the most recent annual audited consolidated financial statements except for the recently adopted accounting standards as described below. These consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements filed on SEDAR.

3. Changes in accounting policies

Effective January 1, 2008, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

a) <u>Financial instruments presentation and disclosure</u>

On January 1, 2008, the Company adopted CICA handbook sections relating to financial instruments 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.

i) <u>Financial assets</u>

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Short-term investments are designated as held-to-maturity and are carried at amortized cost. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Due to the short-term maturity of short-term investments and accounts receivable, respective carrying amounts approximate fair value.

Investments are comprised of third-party asset-backed commercial paper ("ABCP") and are classified as available-for-sale.

The Company has not entered into any hedging relationships and does not hold any other available-for-sale securities that would result in the recognition of other comprehensive income or loss.

ii) <u>Financial liabilities</u>

Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Due to the short-term nature of accounts payable and accrued liabilities, respective carrying amounts approximate fair value.

iii) Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including credit risk and liquidity risk.

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

Letters of credit and restricted cash
The Company has supplied irrevocable standby letters of credit issued by a Canadian chartered bank, of which the majority are related to asset retirement obligations. The Company has pledged $1,807 thousand of short-term investments as security, all expiring January 5, 2009. These amounts are recorded as restricted cash.

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

Investments
Until the Company's surplus cash is required to fund exploration or development activities it is invested in a variety of highly rated, relatively risk-free instruments such as guaranteed investment certificates and Government of Canada treasury bills. The Company also holds ABCP with a par value of $19.0 million (carrying value of $14.9 million) with repayment dates ranging from September 14, 2007 to October 15, 2007. Thus far, none of the ABCP held by the Company has been repaid. This ABCP is currently subject to a proposal by the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper ("Investors Committee") which calls for the conversion of the ABCP into floating rate notes with terms that will match the duration of the underlying assets ("Committee Restructuring Plan"). As part of the Committee Restructuring Plan, several major financial institutions have provided margin call facilities that would significantly reduce the risk of credit default on these investments. Management continually monitors the progress regarding the ultimate collectability of these investments. The consolidated financial statements of the Company reflect management's best estimate of the fair value of these investments.

Maximum credit exposure
The carrying amount of the financial assets discussed above represents the Company's maximum exposure to credit risk:

	Amount
Restricted cash	$ 1,807
Receivables	5,994
ABCP	14,944
Total	$ 22,745

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its obligations when due. As at September 30, 2008, the Corporation had working capital of $27.3 million. Management does not believe the events surrounding the liquidity of the ABCP will adversely affect its ability to meet financial obligations as they fall due.

The Company does not currently operate any producing properties and as such, is dependent upon the issuance of new equity to advance its exploration properties. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. 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 position. The Company expects its current capital resources will be sufficient to carry out its exploration plans through its current operating period. The Company is currently working on finalizing 2009 exploration plans. Based on these plans, the Company anticipates that it will be able to fund next year's budget.

b) Capital disclosure

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

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

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

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

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

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

4. Investments

At September 30, 2008 the Company held ABCP with a total par value of $19.0 million, with repayment dates ranging from September 14, 2007 to October 15, 2007. Thus far, none of the ABCP held by the Company has been repaid. All of the ABCP purchased by the Company was rated as R1 (high) by Dominion Bond Rating Service ("DBRS").

During the month of August, 2007 the ABCP market experienced liquidity problems. As a result, certain of the ABCP programs were unable to raise funds from new issuances and therefore were not able to refund maturing notes. To address the liquidity issue, twenty of the ABCP conduits, which include the ABCP held by the Company, are currently subject to a proposal by the Investors Committee which calls for the conversion of the ABCP into floating rate notes with maturities of less than nine years. The ABCP has been classified as a long-term investment on the Company's financial statements.

On March 17, 2008, the Investors Committee filed an application in the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act ("CCAA") asking the Court to call a meeting of ABCP holders to vote on the Committee Restructuring Plan. On March 20, 2008, the Investors Committee released details (the "Information Statement") of the Committee Restructuring Plan. On April 25, 2008, the majority of noteholders voted in favour of the Committee Restructuring Plan and on June 25, 2008 a court order sanctioning the Committee Restructuring Plan was made. The Investors Committee has now commenced the process for implementation of the restructuring with a view of completing implementation by the end of November 2008. The Company believes the outcome of the Committee Restructuring Plan will not have a significant impact to the Company's financial position.

Per the Committee Restructuring Plan, the Company expects to receive the following floating rate notes:

	Amount	Percent
Master Asset Vehicle2 ("MAV2") Class A-1 Notes (a)	$ 7,513	39.5%
MAV2 Class A-2 Notes (a)	5,590	29.4%
MAV2 Class B Notes (a)	962	5.3%
MAV2 Class C Notes (a)	435	2.1%
Master Asset Vehicle 3 ("MAV3") Traditional Asset, Class 5 Notes (b)	4,500	23.7%
Total	$ 19,000	100.0%

a) MAV2 Notes

The Committee Restructuring Plan will pool eligible assets of ABCPs that are backed primarily by synthetic assets into one of two master asset vehicles ("MAV"). Floating rate notes ("Pooled Notes") will then 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.

Class A-1 and A-2 Notes have been given a provisional rating of AA from DBRS. Class A-2 Notes will accrue interest that will only be paid once all interest on Class A-1 notes (due and payable) have been paid in full and only to the extent that sufficient funds are available to pay interest. Class B Notes will accrue interest that will only be paid once all Class A-1 and A-2 notes have been repaid in full and only to the extent that sufficient funds are available. Class C Notes will accrue interest at 20% that will only be paid once all Class A-1, A-2 and B notes have been repaid in full and only to the extent that sufficient funds are available. Class B and C Notes are not expected to be rated by DBRS.

b) MAV3 Tracking Notes

MAV3, Class 5 Tracking Notes (comprised of Gemini Series A) will be supported by traditional securitized (non-synthetic) assets and, per the Committee Restructuring Plan, will be restructured separately from other trusts, maintaining its separate assets. Noteholders such as Shore will receive MAV3 Traditional Asset ("TA") tracking notes with a maturity date that reflects the longest maturity of the Specific Traditional Tracked Asset plus one year. As per the Information Statement, the maturity date for Gemini is September 12, 2016. The TA Tracking notes will have an interest rate based upon amounts available from the Specific Traditional Tracked Assets. On April 23, 2008, DBRS assigned the MAV3 note associated with Gemini Series (MAV3 TA, Class 5) a provisional principal rating of AAA. Repayment of the principal amount owing under a TA Tracking Note is expected to commence prior to the maturity date if assets amortize before this date. According to the April 18, 2008 Monitor's Report, on April 16, 2008 HSBC Canada repurchased assets from Gemini Series A (constituting 93% of the traditional securitized assets in this trust). As a result, the Company estimates that, after this transaction, approximately 99% of the underlying assets in Gemini Series A are comprised of cash.

There is currently no active market for the ABCP held. The Company reviewed its assumptions regarding the fair value calculation during the quarter ending September 30, 2008 and found the fair value not to be substantially different from the fair value previously determined. The fair value of the ABCP was determined by using a probability-weighted discounted cash flow approach which factored in the Information Statement and other available data regarding market conditions for such investments as at September 30, 2008. 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 estimated maturities of the proposed floating rate notes (up to nine years), interest rates of 3.2 percent (Bankers Acceptance rate at September 30, 2008 of 3.7 percent less 50 basis points), and a discount rate of 6.5 percent (comprised of the Government of

Canada risk free rate of 1.7 percent at September 30, 2008 adjusted for a 4.8 percent risk premium). This analysis factored in scenarios such as the possibility that the Committee Restructuring Plan might not be successful or that synthetic assets could be forced to be unwound, resulting in the forced liquidation of collateral. A one percent change in the discount rate would result in a $0.8 million change in the fair value of the ABCP held by the Company.

The amount and timing ultimately recovered by the Company may differ materially from this estimate. Due to the nature of the ABCP that is not backed by traditional securitized assets (a significant component is comprised of collateral debt obligations), credit risk is significant. However, as part of the Committee Restructuring Plan, several major financial institutions have provided margin call facilities that would significantly reduce the risk of credit default on these investments.

5. Mineral properties

Mineral properties for the nine-month period ended September 30, 2008 are made up of the following:

	Star Property	Fort à la Corne Property	Other Diamond Properties	Total
Balance – December 31, 2007	$ 162,270	$ 550,359	$ 10,469	$ 723,098
Expenditures during 2008				
Acquisition and staking	51	-	-	51
Asset retirement obligation	-	64	-	64
Exploration	7,431	27,834	2,779	38,044
Balance – September 30, 2008	$ 169,752	$ 578,257	$ 13,248	$ 761,257

6. Investment in Wescan Goldfields Inc.

The Company accounts for its 18.2% investment in Wescan Goldfields Inc. ("Wescan") on an equity basis. Wescan is publicly traded on the TSX Venture exchange.

At September 30, 2008, Shore and its wholly owned subsidiaries held 11,474,086 (2007 – 11,474,086) shares of Wescan. The fair value of the Company's equity interest in Wescan at September 30, 2008 was $3.0 million (2007 – $3.1 million).

7. Share capital

Authorized

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

Issued and outstanding

	Common Shares	Amount
Balance – December 31, 2007	182,684	$ 768,252
Future income taxes on flow-through expenditures renounced to shareholders (a)	-	(8,100)
Balance – March 31, 2008	182,684	$ 760,152
Options exercised (b)	550	800
Balance – June 30, 2008	183,234	$ 760,952
Options exercised (b)	-	-
Balance – September 30, 2008	183,234	$ 760,952

a) Flow-through shares

During 2007, the Company issued, through a private placement, 4,762,000 flow-through shares for gross proceeds of $30.0 million. In January 2008, the Company renounced $30.0 million of tax deductions associated with qualified expenditures required to be incurred by the end of 2008. The Company recorded a future income tax liability of $8.1 million, with a corresponding reduction in share capital.

b) 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 plan is 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. 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.

The fair value of stock options issued in the nine-month period ended September 30, 2008 was estimated using the Black-Scholes option-pricing model with the following assumptions: 5 year weighted average expected option life, no expected forfeiture rate, dividend yield of 0.0%, volatility factors of 64.9% to 66.2% (2007 – 56.7% to 62.2%) and risk free rates of 3.06 to 3.34% (2007 – 3.94% to 4.68%). During the quarter ended September 30, 2008, the Company granted 50,000 (2007 – 1,025,000) options to directors, officers or employees at an average strike price of $1.05 (2007 – $3.11). The fair value in respect of stock options granted for the quarter ended September 30, 2008 was $30 thousand (2007 – $1.8 million). The amount that vested from this issue and previous issues during the quarter was $0.3 million (2007 – $0.9 million). Of this amount, $0.1 million (2007 – $0.5 million) was capitalized as an addition to mineral properties and $0.2 million (2007 – $0.4 million) was expensed. During the nine-month period ended September 30, 2008, the Company granted 1,100,000 (2007- 2,795,000) options to directors, officers or employees at an average strike price of $3.39 (2007 - $5.04). The fair value in respect of stock options granted for the nine-month period ended September 30, 2008 was $2.1 million (2007 - $7.5 million). The amount that vested from these issues and previous issues during the nine-month period was $3.5 million (2007 - $6.3 million). Of this amount $0.8 million (2007 - $1.5 million) was capitalized as an addition to mineral properties and $2.7 million (2007 - $4.8 million) was expensed. The fair value of stock-based compensation related to options that will vest over the next 12 months is $0.1 million.

For options outstanding at September 30, 2008, weighted average exercise prices are as follows:

	Options	Average Price
Balance – December 31, 2007	7,303	$ 4.71
Granted	900	3.52
Exercised	-	-
Expired	(22)	6.17
Balance – March 31, 2008	8,181	$ 4.58
Granted	150	3.40
Exercised	(550)	0.96
Expired	(25)	3.00
Balance – June 30, 2008	7,756	$ 4.82
Granted	50	1.05
Exercised	-	-
Expired	-	-
Balance – September 30, 2008	7,806	$ 4.79

The options expire between the dates of March 2009 to September 2013.

c) Contributed surplus

The fair value of stock options has been valued using the Black-Scholes option-pricing model. The fair value of these securities is added to contributed surplus over the vesting period of the securities. 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:

Balance – December 31, 2007	$ 22,596
Fair value of options vested	2,397
Less: amounts related to options exercised	-
Balance – March 31, 2008	$ 24,993
Fair value of options vested	768
Less: amounts related to options exercised	(270)
Balance – June 30, 2008	$ 25,491
Fair value of options vested	338
Less: amounts related to options exercised	-
Balance – September 30, 2008	$ 25,829

8. Related party transactions

During the nine-month period ended September 30, 2008, management and consulting fees of $754 thousand (2007 – $694 thousand) were paid to companies controlled by certain officers of the Company. Of these fees, $139 thousand (2007 – $127 thousand) were capitalized as additions to mineral properties; $261 thousand (2007 – $238 thousand) were included in administration expense and $354 thousand (2007 – $329 thousand) were included in consulting and professional fees expense.

During the nine-month period ended September 30, 2008, the Company charged $49 thousand (2007 – $314 thousand) to Wescan Goldfields Inc. for administration services and rental of equipment. Accounts receivable includes $10 thousand (2007 – $2 thousand) due from Wescan Goldfields Inc.

The above transactions were in the normal course of operations and are measured at an amount agreed to by the related parties.

9. Comparative figures

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

10. Subsequent events

On November 4, 2008, the Company announced that it has entered into an agreement for the private placement of 16.67 million Flow-Through Common Shares of the Company for gross proceeds of $12.5 million.

SHORE GOLD INC.
CORPORATE INFORMATION

Head Office
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Tel: (306) 664-2202
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Directors
Harvey J. Bay
Arnie E. Hillier
Kenneth E. MacNeill
Robert A. McCallum
A. Neil McMillan
Brian M. Menell
James R. Rothwell
William E. Stanley

Officers
Kenneth E. MacNeill – President, C.E.O.
Harvey J. Bay – C.O.O., C.F.O.
George H. Read – Senior Vice President Exploration and Development
Pieter I. Du Plessis – Vice President Exploration
Eric H. Cline – Vice President Corporate Affairs
Duane D. DeRosier – Vice President Administration
Terri L. Uhrich – Corporate Secretary

Solicitors
Bennett Jones LLP
Calgary, Alberta

Auditors
KPMG LLP
Saskatoon, Saskatchewan

Bank
Canadian Western Bank
Saskatoon, Saskatchewan

Exchange Listing
TSX
183,234,242 common shares issued and outstanding as at November 5, 2008

Trading Symbol:
SGF

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