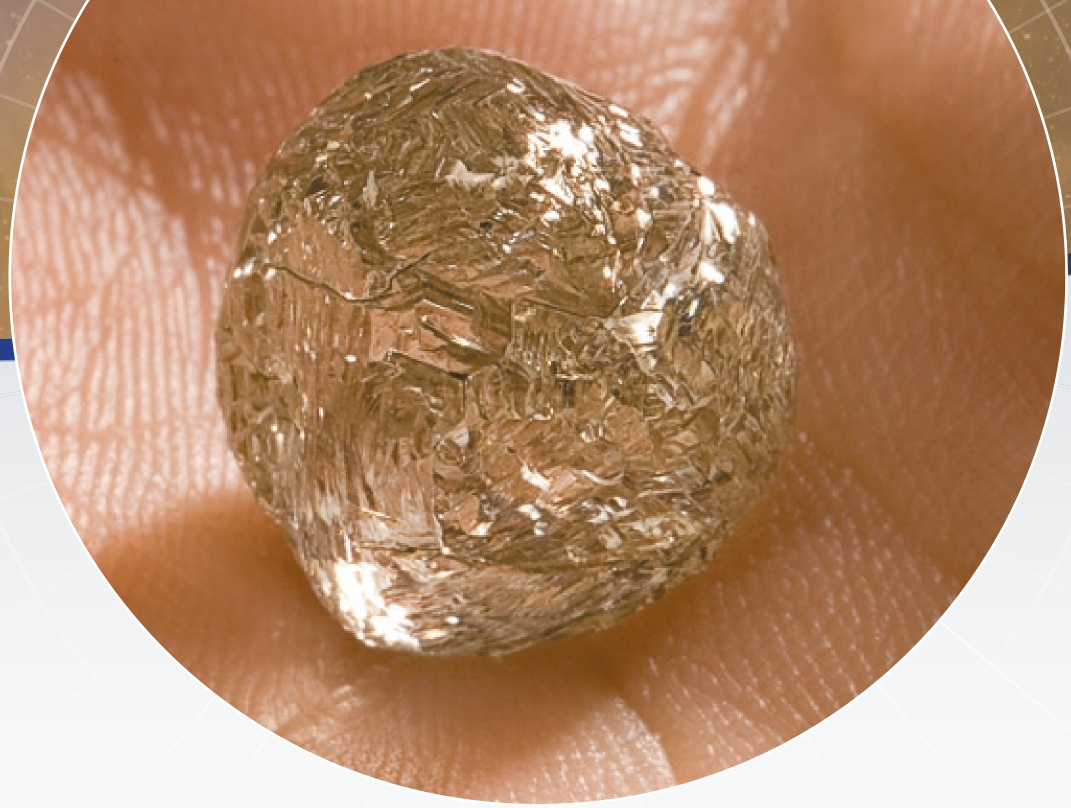
Shore Gold Inc.

ANNUAL REPORT 2008



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Introduction

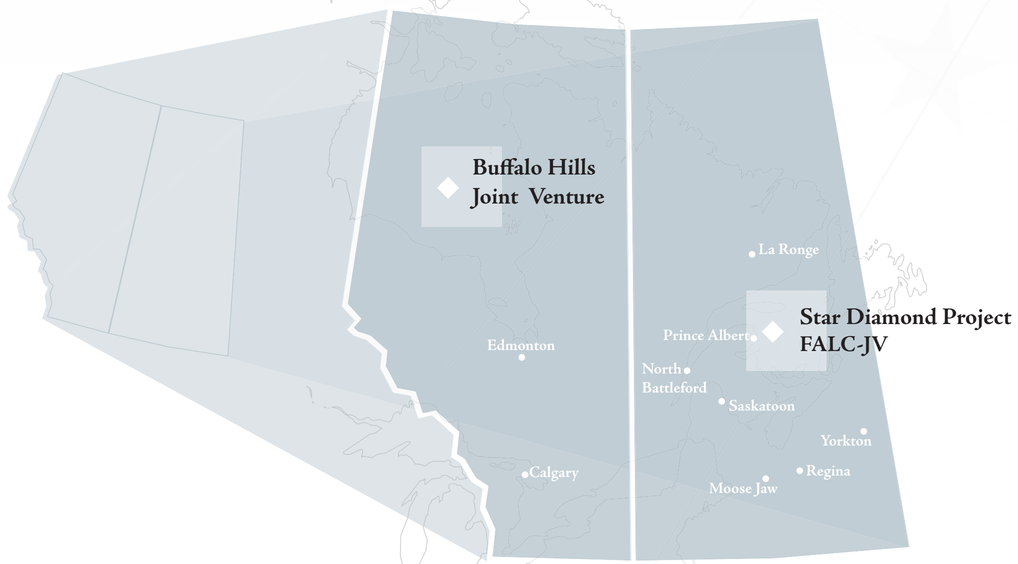
Shore Gold Inc. is a Canadian-based mineral exploration and development company with its head office in Saskatoon, Saskatchewan. The Company's mineral property portfolio consists of diamond properties: the most advanced being the Star Kimberlite deposit ("Star") and the Fort à la Corne Joint Venture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

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

The Annual General 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 20th, 2009. 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

The year 2008 will be remembered for the failures of global financial markets and the resultant loss of market capitalisation in all sectors. Our company has not been immune to the effects of this financial turbulence. Exploration companies have been significantly affected during this period. Unprecedented change in the marketplace did not, however, prevent Shore Gold Inc. from advancing toward our ultimate goal of building Saskatchewan's first diamond mine.

Throughout the past year our staff and contractors worked together to complete exploration on the Star kimberlite resulting in the publication of a 43-101 compliant Mineral Resource Estimate on June 9, 2008. In early November the Star-Orion South Project Proposal was submitted to the Saskatchewan Ministry of Environment, initiating an environmental impact assessment (EIA) outlining our proposed development plan for the Star and Orion South projects. These significant milestones are essential components on the road to reaching a production decision and illustrate the positive progress the company made in a very challenging 2008.

Within the FALC-JV, 2008 saw Shore and our Joint Venture partner Newmont committed to one of the largest exploration budgets in North America to further advance our understanding of the FALC-JV kimberlites, focusing much of the work on Orion South. The underground bulk sampling and large diameter drilling carried out during 2008 will be integrated with the Orion South 3-D geological model to establish a resource estimate in 2009.

Given the uncertainty in the financial markets, a decision was made while formulating the budget for 2009 to adopt a cash conservation strategy. Similar strategies have been adopted by other companies, large and small. We firmly believe that prudent cash management will enable our company to continue operating for several years in the face of the current uncertain times. The impact of this strategy has been a reduction in staff both at site and our head office. Staff reductions were also driven by the move from bulk sampling, drilling and on-site exploration to engineering studies. We greatly appreciate the efforts of our former staff and contractors whose hard work has benefited the company. We are optimistic that future circumstances will allow us to offer wider employment opportunities. For the time being, prudence in a changed financial climate prompted the move from large exploration expenditures to desktop analysis of the extensive exploration results obtained to date. Although the market remains in turmoil, nothing has changed the fact that our properties contain the world's largest diamond-bearing kimberlites. We remain committed to advance these properties to a production decision.

Indeed, Shore has ambitious plans to move forward throughout 2009. The filing of the Project Proposal was the first step in the process of the Environmental Impact Assessment, now underway. We have already added some 23 percent to the Star resource estimate during 2009. We also intend to complete the pre-feasibility study resulting in a reserve estimate on Star, and a 43-101 compliant resource estimate on Orion South, in 2009. This work puts us in a position to consider a production decision in 2010.

I have seen our team adapt to changing circumstances in a way that effectively positions your company to reach a production decision. With the support of our investors, and with continued focus on our shared goals, I believe we can work our way through current challenges and continue on course toward the development of Saskatchewan's first diamond mine.

Kenneth E. MacNeill
President and Chief Executive Officer

Property Discussion

Overview

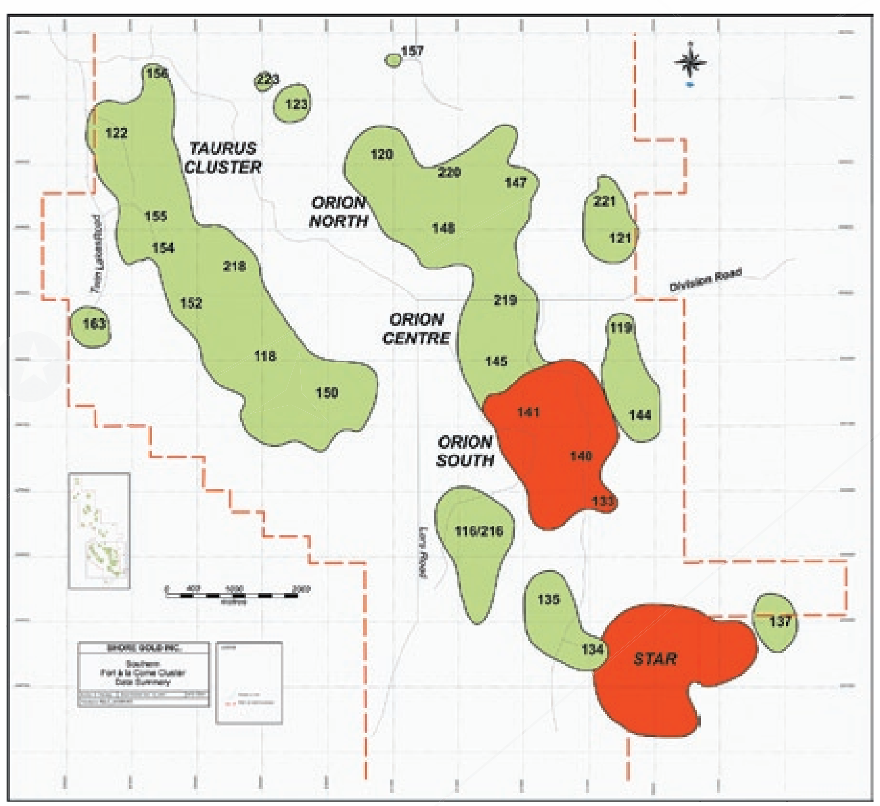
During 2008, the Company remained focused on the Fort à la Corne area of central Saskatchewan, with the ongoing exploration and evaluation of the Star Diamond Project and Shore's 60 percent interest in the Fort à la Corne Joint Venture ("FALC-JV"). The FALC-JV participants are Kensington Resources Ltd. ("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 completion of a National Instrument ("NI") 43-101, risk adjusted, Mineral Resource estimate for the explored portion of the Star Kimberlite along with ongoing desk-top engineering studies and data analysis required to convert the Mineral Resource to a Mineral Reserve. Work on the FALC-JV concentrated on underground bulk sampling on the Orion South Kimberlite and large diameter ("LD") drilling on Orion North, Orion South and the Taurus Kimberlite Cluster. The Company also announced the submission of a project proposal to the Ministry of Environment of Saskatchewan. 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.

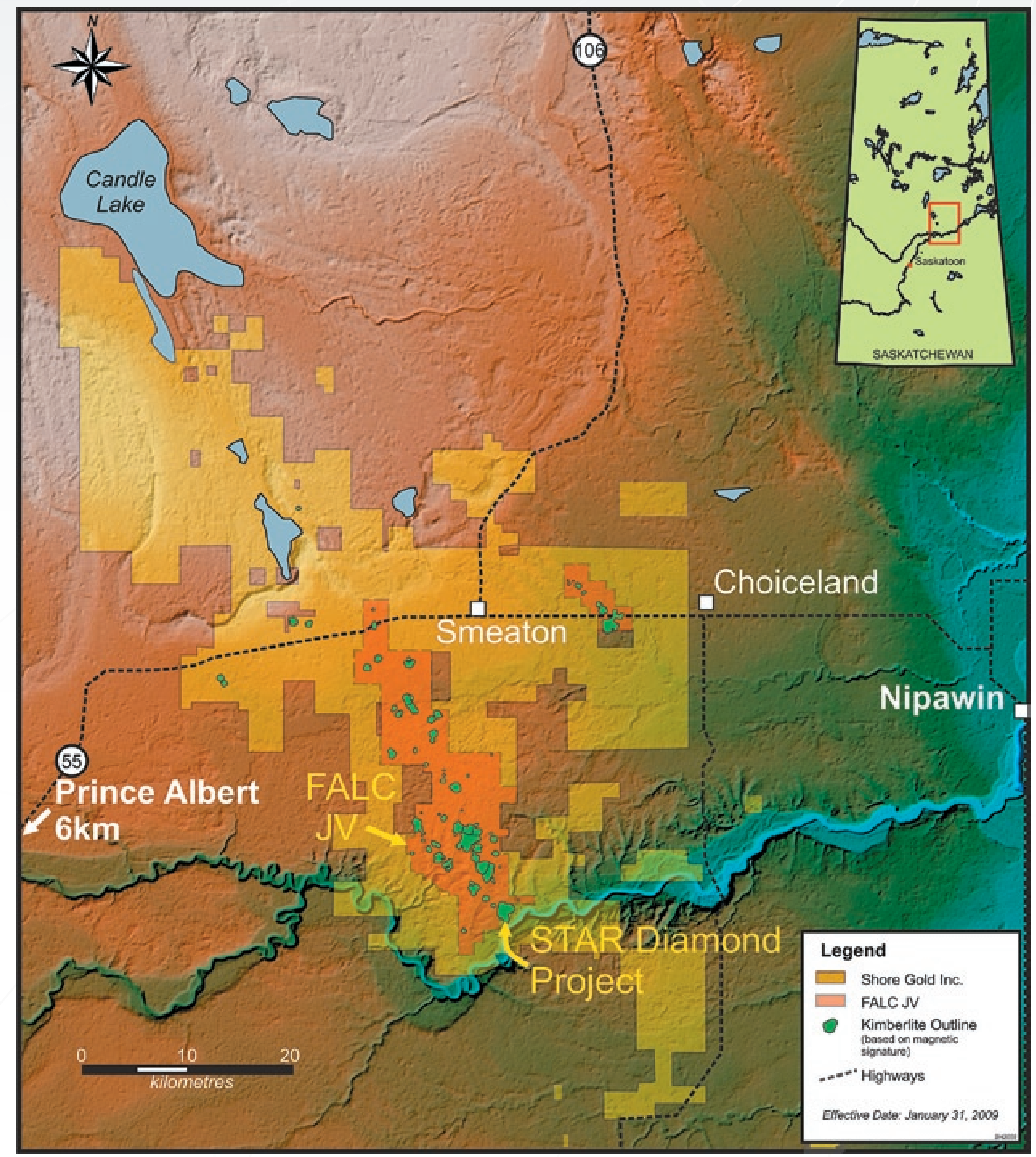
Detailed technical information on both the Star Diamond Project and the FALC-JV has been recently published in the following technical reports:

Technical Report and Resource Estimate Update on the Star Diamond Project, Fort à la Corne Area, Saskatchewan, Canada. March 26, 2009.

Technical Report on the Fort à la Corne Joint Venture Diamond Exploration Project, Fort à la Corne Area, Saskatchewan, Canada. March 19, 2009.

Both of these documents are available on the Company website: www.shoregold.com and in the System for Electronic Document Analysis and Retrieval (SEDAR): www.sedar.com.





Star Diamond Project

The Star Kimberlite and associated infrastructure are located within mineral disposition S-132039 in Section 18 of Township 49, Range 19. Township 49 is located within the Rural Municipality of Torch River. This mineral disposition is, in turn, located within grouped claim block GC#45826, which comprises 23 contiguous mineral dispositions totalling 9,280 hectares. Shore owns a 100 percent interest and 100 percent working interest in an additional 261 mineral dispositions in the immediate area, for a total of 284 mineral dispositions covering 166,196 hectares. All mineral dispositions have been legally surveyed and are in good standing as of the effective date of this report.

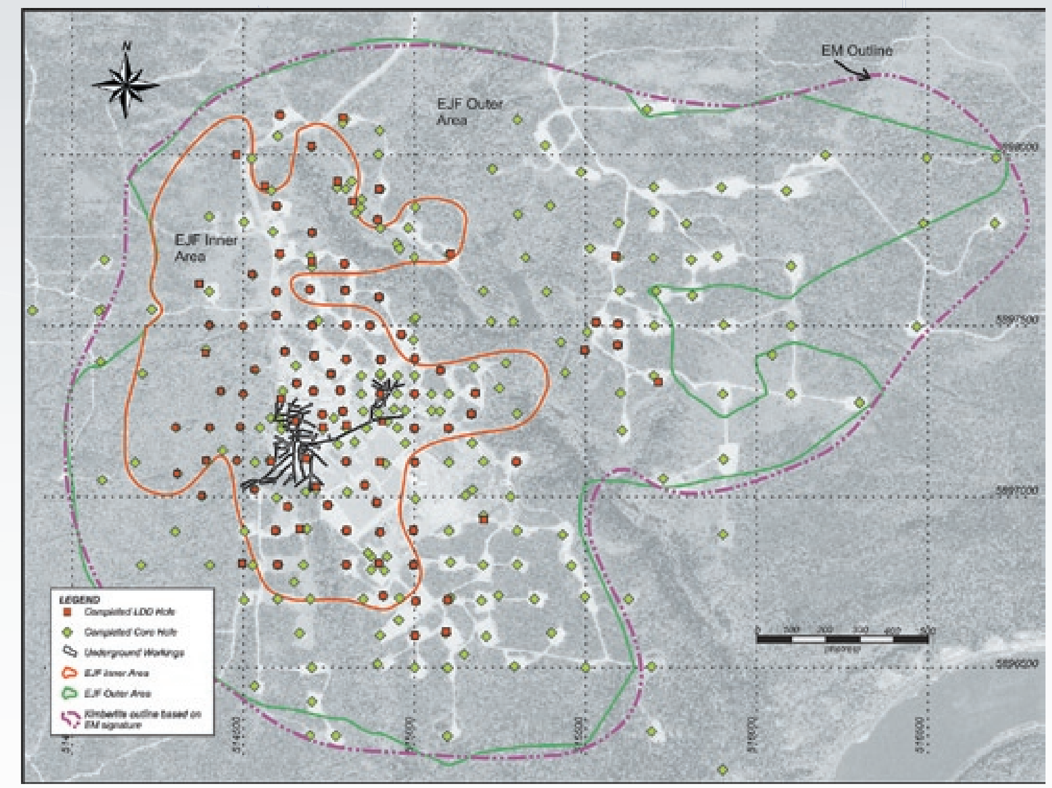
Shore also holds an interest in the FALC-JV, which is partially contiguous with the Star Diamond Project. Two of the mineral dispositions within the FALC-JV are considered to be part of the Star Diamond Project, namely S-127109 and S-127186, which lie to the north and west of S-132039, and cover the portion of the Star Kimberlite referred to as Star West (60 percent Shore and 40 percent Newmont). The Crown retains all surface rights in the area of the Star mineral dispositions; however, Shore and/or the FALC-JV have obtained all the necessary exploration permits to allow exploration to proceed.

The Company continues with the Star Diamond Project pre-feasibility study. 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. The Company recently announced an updated NI 43-101 compliant Mineral Resource estimate for the explored portion of the Star Kimberlite (See SGF News Release February 27, 2009), which supersedes the previously published Resource estimate (See SGF News Release June 9, 2008). The updated Mineral Resource estimate increases the indicated tonnage and contained carats for the Star Kimberlite by 23 percent when compared to the initial Mineral Resource estimate published in June 2008. The updated Mineral Resource estimate includes Indicated Resources of 152 million tonnes (previously 123 million tonnes) at a grade of 13.5 carats per hundred tonnes ("cpht") (previously 13.6 cpht) and Inferred Resources of 26 million tonnes (previously 30.3 million tonnes) at a grade of 11.7 cpht (previously 13.1 cpht).

Star 3-D Model

This updated Mineral Resource estimate includes the diamond results of eight additional large diameter drill holes: five holes on the Company's Star Property and three holes on Star West (the portion of the Star Kimberlite within the FALC-JV), totaling 1,368 metres of drilling with 306 metres in kimberlite. This updated Mineral Resource estimate also incorporates additional diamonds recovered from concentrate and tailings audits as well as the geology's influence on the diamond distribution within the Star Kimberlite. The updated Mineral Resource estimate was prepared by an independent Qualified Person ("QP") from P&E Mining Consultants Inc. ("P&E").

In addition to the Mineral Resource estimate determined by P&E, a further 60 to 70 million tonnes of the Star Kimberlite is designated a 'potential mineral deposit', as detailed core logging, whole rock geochemistry, geophysical and density measurements confirm the geological continuity from the Inferred Resource into this part of the kimberlite, which is contained within the 276 million tonnes originally defined in the geological model for the Star Kimberlite (Shore News Release Oct 17, 2006). The 60 to 70 million tonne potential mineral deposit is conceptual in nature and is not a resource estimate. It is uncertain if additional exploration work would lead to the kimberlite presently included in the potential mineral deposit being upgraded to a resource category.



Star drill hole locations and underground workings

Mineral Resource Estimate for the Star Kimberlite including the Star Diamond Project and Star West. Reported Kimberlite Units: Cantuar, Pense, Early Joli Fou (EJF), Mid Joli Fou (MJF) and Late Joli Fou (LJF).

Resource Category	Kimberlite Unit	Tonnes x1000	Grade cpht	Carats x1000
Indicated	Cantuar	11,500	15	1,700
Indicated	Pense	8,000	16	1,300
Indicated	EJF Inner	80,500	17	13,400
Indicated	EJF Outer	32,200	10	3,100
Indicated	MJF	18,600	5	1,000
Indicated	LJF	900	4	36
Indicated	**TOTAL**	**151,700**	**14**	**20,536**
Inferred	Cantaur	400	8	32
Inferred	Pense	3,200	14	500
Inferred	EJF Inner	2,700	16	400
Inferred	EJF Outer	19,900	11	2,200
Inferred	MJF	0	5	0
Inferred	LJF	0	4	0
Inferred	**TOTAL**	**26,200**	**12**	**3,132**

Table Notes

(1) *Mineral resources are accumulated within an optimized floating-cone pit shell.*
(2) *Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.*
(3) *The quantity and grade of reported inferred resources in this estimate is conceptual in nature. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve.*
(4) *1 millimetre bottom diamond size cut-off assumed.*
(5) *WWW International Diamond Consultants Ltd. ("WWW") High modelled price scenario.*
(6) *Grade values rounded to nearest whole number.*

CIM standards and securities commission disclosure regulations require that a resource can only be declared on a mineral deposit which has "reasonable prospects of economic extraction". The reported mineral resource for Star is constrained using a floating-cone economic open pit shell. The Mineral Resources reported in the table above comprise the kimberlite that is constrained within the floating-cone pit shell and exceeds the economic cut-off as determined by the parameters in the following table.

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 2009 budget on the Star Diamond Project of $2.5 million (See SGF News Release January 6, 2009) enables Shore to focus on the completion of the pre-feasibility study and the delivery of an NI 43-101 compliant Reserve estimate for the Star Diamond Project during 2009. Shore anticipates the delivery of a final feasibility study on the Star Diamond Project by the end of the first quarter of 2010.

Exchange Rate	Cdn$1.00 = US$0.85
Stripping Cost	Cdn$1.00/tonne
Mining Cost	Cdn$1.34/rock tonne
Processing Cost	Cdn$3.58/ore tonne
General & Administration	Cdn$1.50/ore tonne
Overall Pit Slope Angle	25°
Internal Cut-off	C$5.08/ore tonne

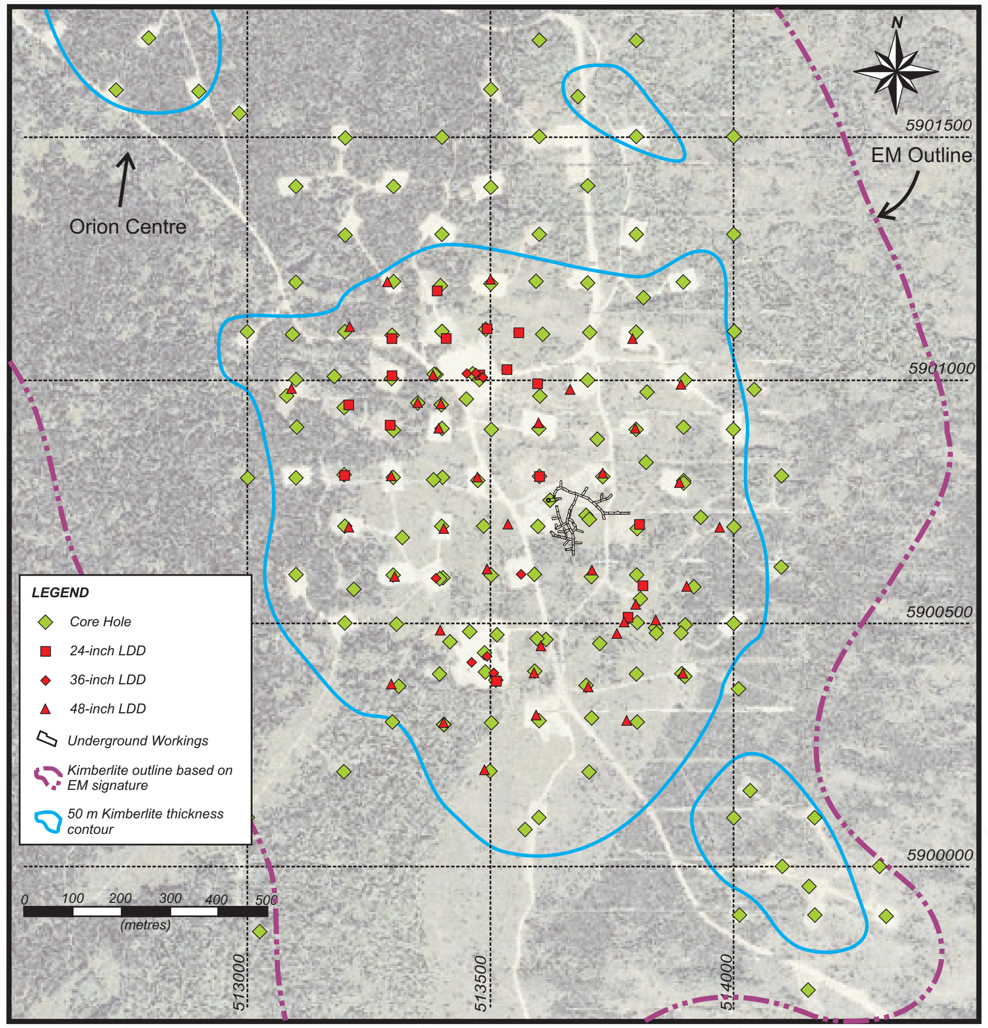
Diamond values for this resource statement are based on the March 2008 High modeled prices determined by WWW International Diamond Consultants Ltd ("WWW") and are detailed in the table below. The High modeled prices were also used in the June 2008 resource estimate and the use of the High modeled prices in this resource update facilitates comparison. The diamond prices used in this resource update will be reassessed for use in the reserve estimate scheduled for completion in late 2009.

Kimberlite Lithology	Carats	Parcel Price ($/carat)	Parcel Price ($/carat)	Minimum Price ($/carat)	High Price ($/carat)
Cantaur	1,126.32	$193	$309	$247	$420
Pense	1,410.73	$79	$103	$88	$126
EJF	7,123.10	$115	$167	$138	$216
MJF-LJF	80.09	$84	$105	$75	$152
Total	**9,740.24**	**$120**	**$172**	**$141**	**$225**

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 2009 budget on the Star Diamond Project of $2.5 million (See SGF News Release January 6, 2009) enables Shore to focus on the completion of the pre-feasibility study and the delivery of an NI 43-101 compliant Reserve estimate for the Star Diamond Project during 2009. Shore anticipates the delivery of a final feasibility study on the Star Diamond Project by the end of the first quarter of 2010.

FALC-JV Project

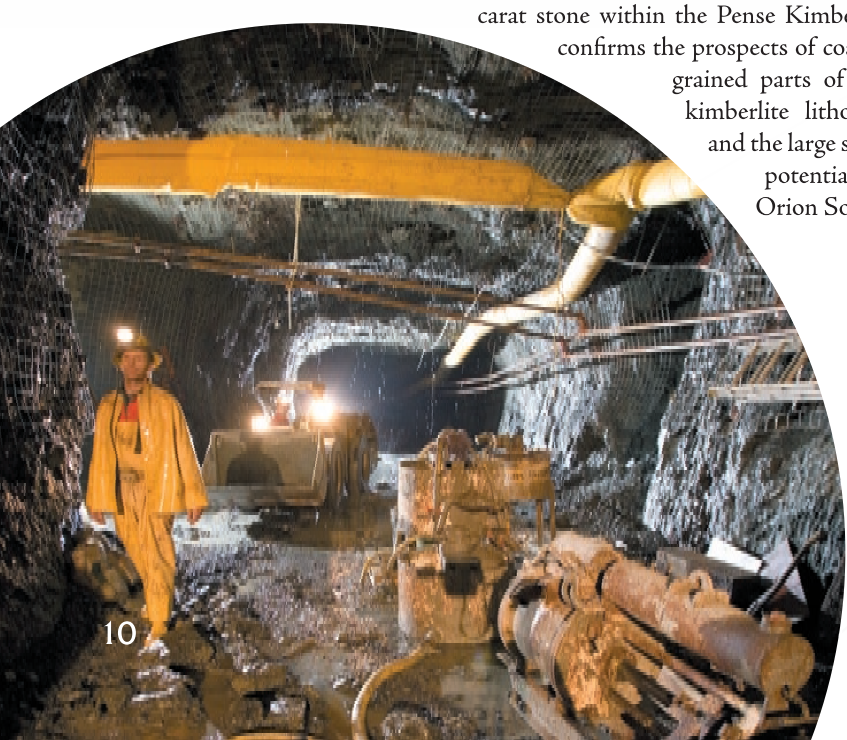
The FALC-JV Project is contained within NTS map sheet 73H. A legally surveyed claim block covering much of the main trend of kimberlites lies approximately 65 kilometres east of Prince Albert and extends northward from the Saskatchewan River to a few kilometres north of Shipman. An additional smaller claim (also legally surveyed) covers magnetic anomalies near Snowden, located some 120 kilometres northeast of Prince Albert, Saskatchewan. The FALC-JV land holdings are spread across portions of township blocks from T.49 to T.52 and R.18 to R.21. As of February, 2009, land holdings held under the joint venture agreement included 121 claims totaling 22,544 hectares divided into four groups for assessment purposes. All claims were acquired by the previous FALC-JV operators during the period 1988-1990 and are subject to assessment rates prescribed for claims older than 10 years. All disposition groups are protected until at least 2009, with the main claims of interest in Group 44961, being protected until at least 2021.



Orion South drill hole locations and underground workings

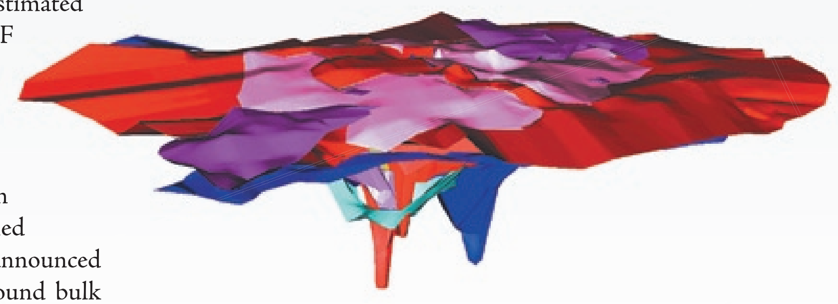
During 2008, the major activities on the FALC-JV were focused on Orion South. The Company announced an updated geological model for the Orion South Kimberlite, which forms the southern part of the Orion Kimberlite Cluster within the FALC-JV (See SGF News Release October 21, 2008). This updated model 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 was the result of the 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).

Underground bulk sampling of Orion South began in the second quarter of 2008, after the shaft reached its targeted depth. To date, the Company has announced seven sets of diamond results from the underground bulk sampling program on Orion South. Total diamond recoveries announced to date are 1,816.33 carats from 20,510.75 dry tonnes processed. The majority of tonnage reported thus far was derived from the Pense Kimberlite and was required to be sampled in order to access the target EJF Kimberlite located to the south and north of the shaft. 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. 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.



Underground bulk sampling of Orion South terminated in February 2009. It is anticipated that the majority of the remaining underground samples to be processed and reported will be derived from the EJF Kimberlite. Thus far, the Company has recovered 925.52 carats from the targeted EJF Kimberlite from 5,479.79 tonnes, for an average of 16.89 cpht.

Orion South 3-D Model



In addition to the underground bulk sampling program on Orion South, LD drilling was undertaken on Orion South, Orion North, Taurus and Star West. 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). Diamond concentrate samples have been dispatched by Shore, and processing and auditing is nearing completion. Current LD drilling programs of the FALC-JV were completed in January 2009. The 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.

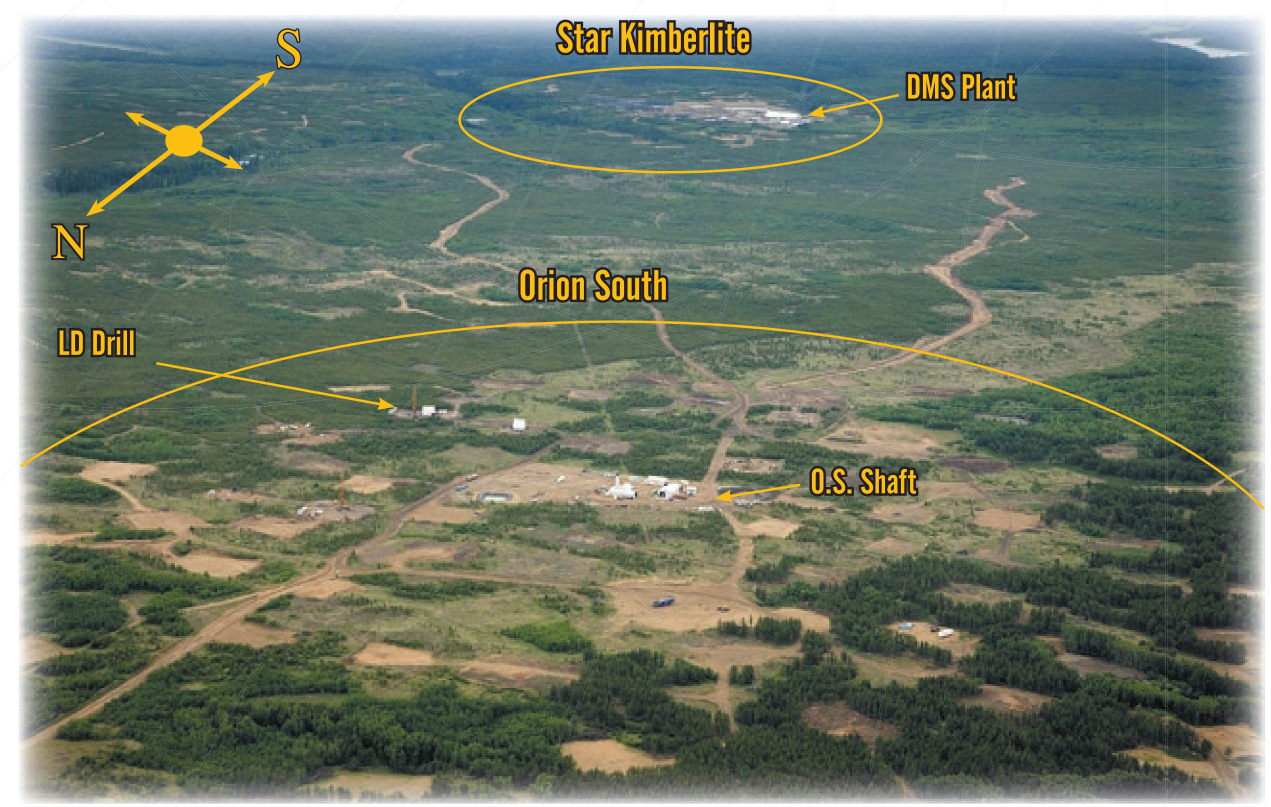
The diamond parcel recovered from the underground and LD sampling of Orion South will provide grade and price estimates for use in an NI 43-101 Mineral Resource estimate of the Orion South Kimberlite. Shore believes a preliminary Mineral Resource estimate from the data collected thus far can be determined for Orion South during 2009.

Star-Orion South Diamond Project Proposal

The Star-Orion South Diamond Project Proposal was filed on November 3, 2008 with the Saskatchewan Ministry of Environment and the Canadian Environmental Assessment Agency. The project proposal contained a detailed project description of the Star-Orion South Diamond Project, which includes an open pit on the Star Kimberlite, a potential second pit at Orion South, a common processing plant and associated infrastructure. Submission of 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. The EIA will be required by regulators before Ministerial approval can be considered by the government for the project.

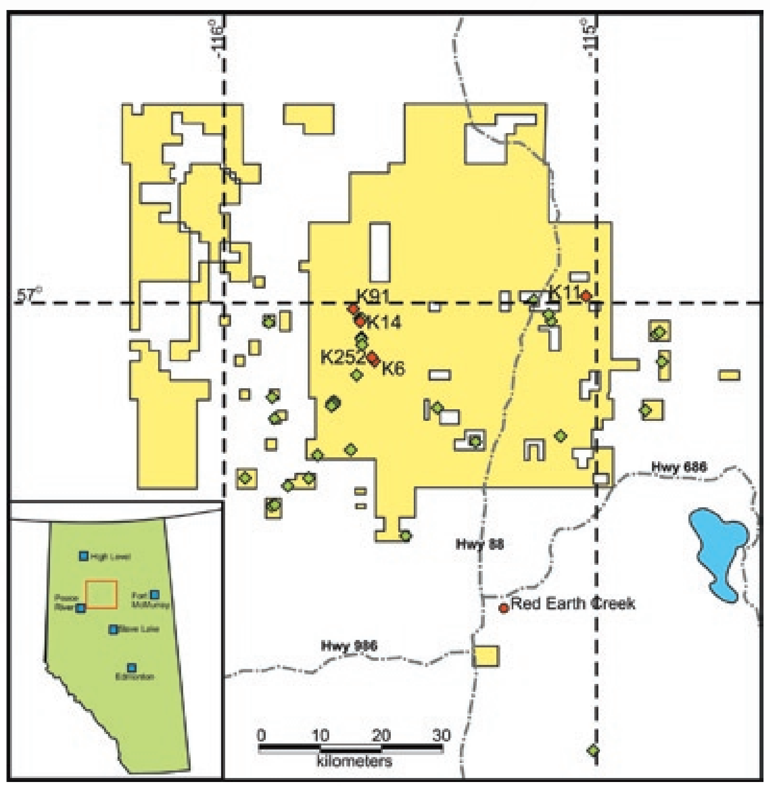
Open House meetings were held from February 2-5, 2009 in four locations to present all aspects of the Project and its environmental impact to the public as part of these discussions. Attendance of these open houses exceeded expectations and the majority of the attendees were supportive of the project.

Environmental baseline studies (i.e., wildlife, hydrology, air quality etc.) are complete and will form the basis for impact prediction when analyzed in conjunction with all the Project components. This work is expected to continue throughout 2009 and into early 2010.



Buffalo Hills Joint Venture Exploration Program

In July, 2007 Shore together with Diamondex Resources Limited ("Diamondex") acquired a 45% interest in the Buffalo Head Hills Joint Venture (BHJV) and has the option of acquiring 72.5% by contributing to the expenditure of $15 million by April 2010. Diamondex is the operator of the BHJV which also includes EnCana Corporation (43%) and Pure Diamonds Exploration Inc. (12%). The Buffalo Head Hills property lies in Northern Alberta some 350 kilometres northwest of Edmonton. It is situated in the Early Proterozoic Buffalo Head Terrane which is overlain by Cretaceous sedimentary formations of sandstone, siltstone and shale. To date 38 kimberlites have been discovered, which crosscut the Cretaceous cover and, in some cases, are capped by recent glacial sediments. Twenty-six of these kimberlites are considered diamond bearing and range in area from less than 1 hectare to 47 hectares.



Buffalo Hills Project Claim Area

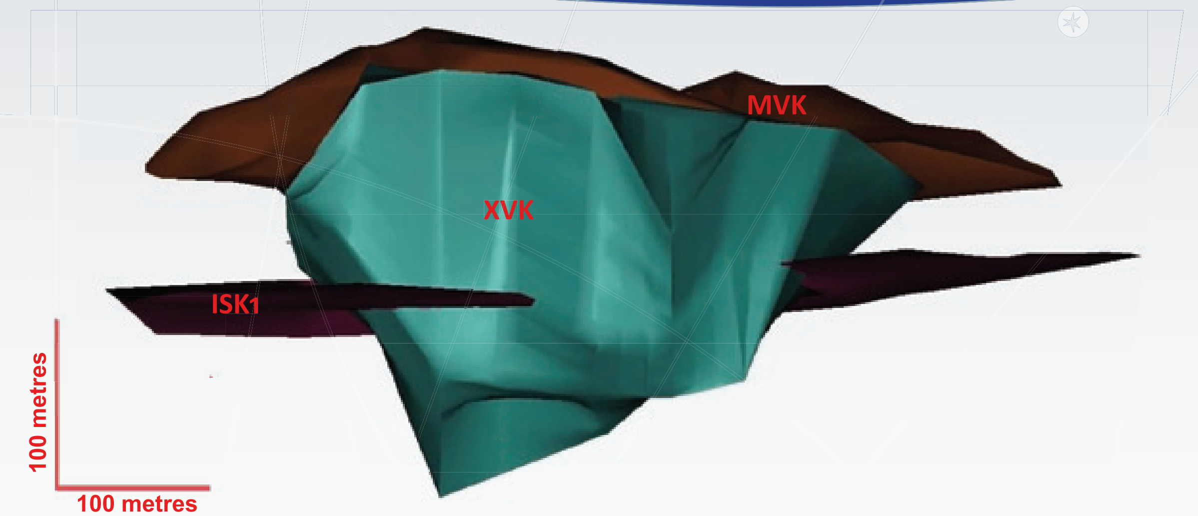
During 2008 a $7.1M exploration program (Shore 50% contributor) was approved, the focus of which was to complete a core drilling program over seven of the kimberlite bodies, which are considered high interest prospects. A two phased drill program on the Buffalo Hills central corridor resulted in the completion of 41 PQ sized drill holes (6,818 metres) on three kimberlite bodies (K14, K252 and K6).

Contractor unavailability in the winter and difficult access conditions during the summer did not allow for the full completion of the planned 14,000 metre program.

Kimberlite	Total Holes	Total Metre	Total Kimberlite Intersected (meters)
K14	22	3,442	1,638.5
K6	13	2,173	916.5
K252	6	1,203	564.3
Total	**41**	**6,818**	**3,119.3**

Downhole geophysical logging was completed on 29 drill holes to measure the kimberlite's geophysical properties. The logging utilized a suite of tools that measured neutron density, magnetic susceptibility, fluid resistivity and temperature, natural gamma and fluid wave sonic parameters.

In addition to the drilling and geophysics described above field work also included ground geophysics. Two Time Domain Electro Magnetic (TDEM) surveys over the K3 and K19 kimberlites and one gravity survey over target LL05 were completed. A desktop review and reinterpretation of the airborne TDEM surveys flown in 1999 and 2003 was carried out to select targets for future exploration follow-up. Geological logging of drill core from the 2008 drill program resulted in the development of a preliminary three dimensional model for the K14 kimberlite. Six separate kimberlitic units were recognized with the MVK (Macrocrystic Volcaniclastic Kimberlite) and XVK (Xenocrystic Volcaniclastic Kimberlite) being the most important volumetrically.



North viewing image of the Gemcom 3D solid for the K14 kimberlite showing the extent of the main MVK and XVK units, in addition to the ISK1 (Intra-Sedimentary Kimberlite-1).

The development of geological models for the K6 and K252 kimberlites is currently in progress.

Processing of bulk sample material from K6 and K14 that was collected by a former operator was also completed in 2008. A total of 27.416 carats from 368.89 tonnes was recovered from both K6 and K14 material to give average grades of 7.0 cpht and 8.1 cpht respectively. However, further bulk sampling will need to be undertaken to gain a truly representative sample as the geological model established for the K14 kimberlite suggests that the recent bulk sampling material was sourced entirely from within the MVK facies which appears to have a lower diamond carrying capacity than the underlying but volumetrically superior XVK facies.

Shore's share of 2008 expenditures on Buffalo Hills was $2.8 million, $0.7 million below budget primarily due to a lower than budgeted level of drilling work performed during the year.

Batch	Dry Tonnes	Total Stones	Total Carats	Grade (cpht)	Largest Stone(carats)
BHH-K14-Pit 1	43.56	45	3.21	7.37	0.90
BHH-K14-Pit 2	45.22	70	3.97	8.79	0.38
BHH-K14-Pit	348.22	24	3.95	8.18	0.71
BHH-K6-Pit 1	231.89	85	16.29	7.02	1.07
Total	**368.89**	**22**	**27.416**		

Shore's share of 2008 expenditures on Buffalo Hills was $2.8 million, $0.7 million below budget, primarily due to a lower than budgeted level of drilling work performed during the year. In 2008, a drill program on the Buffalo Hills central corridor resulted in the completion of 41 PQ sized drill holes (6,818 metres versus a total budget of 14,000 metres) on three kimberlite bodies (K14, K252 and K6). Contractor unavailability in the winter and difficult access conditions in the summer did not permit the completion of the planned 2008 program. Logging of drill core from this program resulted in the development of a preliminary three dimensional model for the K14 kimberlite. Processing of bulk sample material from K6 and K14 that was collected by the former operator was also completed in 2008. A total of 27.416 carats from 368.89 tonnes was recovered from both K6 and K14 material to give average grades of 7.0 cpht and 8.1 cpht respectively. However, further bulk sampling will need to be undertaken to gain a truly representative sample now that a geological model has been established for the K14 kimberlite. The development of geological models for the K6 and K252 kimberlite bodies is underway.

Management's Discussion & Analysis

December 31, 2008

The following discussion and analysis is prepared by Management as of March 19, 2009, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008. Shore Gold Inc. ("Shore", "SGF", or "the Company") prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless otherwise indicated.

Overview

During 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 completion of a National Instrument ("NI") 43-101, risk adjusted, Mineral Resource estimate for the explored portion of the Star Kimberlite along with 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 on the Orion South Kimberlite and large diameter ("LD") drilling on other kimberlites in addition to sample processing.

The Company also announced the submission of a project proposal to the Ministry of Environment of Saskatchewan. 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

The Company continues with the Star Diamond Project pre-feasibility study. 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. The Company recently announced an updated NI 43-101 compliant Mineral Resource estimate for the explored portion of the Star Kimberlite (See SGF News Release February 27, 2009), which supersedes the previously published Resource estimate (See SGF News Release June 9, 2008). The updated Mineral Resource estimate increases the indicated tonnage and contained carats for the Star Kimberlite by 23 percent when compared to the initial Mineral Resource estimate published in June 2008. The updated Mineral Resource estimate includes Indicated Resources of 152 million tonnes (previously 123 million tonnes) at a grade of 13.5 carats per hundred tonnes ("cpht") (previously 13.6 cpht) and Inferred Resources of 26 million tonnes (previously 30.3 million tonnes) at a grade of 11.7 cpht (previously 13.1 cpht). This updated Mineral Resource estimate includes the diamond results of eight additional large diameter drill holes: five holes on the Company's Star Property and three holes on Star West (the portion of the Star Kimberlite within the FALC-JV), totaling 1,368 metres of drilling with 306 metres in kimberlite. This updated Mineral Resource estimate also incorporates additional diamonds recovered from concentrate and tailings audits as well as the geology's influence on the diamond distribution within the Star Kimberlite. The updated Mineral Resource estimate was prepared by an independent Qualified Person ("QP") from P&E Mining Consultants Inc. ("P&E").

In addition to the Mineral Resource estimate determined by P&E, a further 60 to 70 million tonnes of the Star Kimberlite is designated a 'potential mineral deposit', as detailed core logging, whole rock geochemistry, geophysical and density measurements confirm the geological continuity from the Inferred Resource into this part of the kimberlite, which is contained within the 276 million tonnes originally defined in the geological model for the Star Kimberlite (Shore News Release Oct 17, 2006). The 60 to 70 million tonne potential mineral deposit is conceptual in nature and is not a resource estimate. It is uncertain if additional exploration work would lead to the kimberlite presently included in the potential mineral deposit being upgraded to a resource category.

During the fourth quarter of 2008, a project proposal for a joint Star-Orion South Diamond Project was submitted to the Environmental Assessment Branch of the Saskatchewan Ministry of Environment, in addition to various Federal agencies (See SGF News Release November 3, 2008). This project proposal is the first step in the Environmental Impact Assessment ("EIA") process. The EIA process initiates discussion about the implications of the project with regulators and the public. The project proposal contains a detailed project description of the Star-Orion South Diamond Project, which includes an open pit on the Star Kimberlite, a potential second open pit at Orion South, a common processing plant and associated infrastructure.

Community engagement activities will form part of the Environmental Impact Statement which will be submitted to the Saskatchewan Minister of the Environment at the conclusion of the Assessment. Community Open House meetings conducted by Shore in furtherance of the Star-Orion South Project Proposal were successfully launched in February 2009 (See SGF News Release February 11, 2009), with local communities showing overwhelming support for the Project.

Overall, 2008 expenditures on the Company's Star Diamond Project and exploration expenditures on kimberlites other than the Star Kimberlite were on budget. Costs associated with the additional LD drilling and processing performed during the year were offset by the lower level of exploratory drilling performed and other expenditures being below budget.

Star Diamond Project [1] Summary of 2008 (Actuals to Budget)

Descriptions	2008 Actuals ($M)	2008 Budget ($M)	Variance ($M)	2008 Actuals	2008 Budget	Variance
LD Drilling	$ 1.5	$ -	$ (1.5)	5 holes	0 holes	+5 holes
Core Drilling	$ 0.6	$ 0.6	$ -	8 holes	13 holes	-5 holes
Exploratory Drilling [2]	$ 0.2	$ 0.9	$ 0.7	2 holes	10 holes	-8 holes
Processing	$ 0.1	$ -	$ (0.1)	339t	0t	+339t
Other [3]	$ 5.5	$ 6.4	$ 0.9			
Total [4]	**$ 7.9**	**$ 7.9**	$ -			

(1) *Does not include Star West.*
(2) *Includes exploratory drilling on 100% owned properties other than the Company's Star Property.*
(3) *"Other" includes pre-feasibility, geological, environmental, geotechnical, scoping studies, valuations, warehousing, capital and other costs.*
(4) *Excludes capitalized stock-based compensation.*

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 2009 budget on the Star Diamond Project of $2.5 million (See SGF News Release January 6, 2009) enables Shore to focus on the completion of the pre-feasibility study and the delivery of an NI 43-101 compliant Reserve estimate for the Star Diamond Project during 2009. Shore anticipates the delivery of a final feasibility study on the Star Diamond Project by the end of the first quarter of 2010.

FALC-JV Project Exploration Program

During 2008, the major activities on the FALC-JV were focused on Orion South. The Company 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 was the result of the 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).

Underground bulk sampling of Orion South began in the second quarter of 2008, after the shaft reached its targeted depth. To date, the Company has announced seven sets of diamond results from the underground bulk sampling program on Orion South. Total diamond recoveries announced to date are 1,816.33 carats from 20,510.75 dry tonnes processed.

Orion South Bulk Sampling Diamond Results Announced to Date

Kimberlite Lithology	Total (carats)	Tonnes	Grade (cpht)
LJF	6.02	85.42	7.05
Pense	588.48	12,156.51	4.84
Transitional Pense/EJF	296.31	2,789.03	10.62
EJF	925.52	5,479.79	16.89
Total	**1,816.33**	**20,510.75**	**8.86**

The majority of tonnage reported thus far was derived from the Pense Kimberlite and was required to be sampled in order to access the target EJF Kimberlite located to the south and north of the shaft. 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. 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. Underground bulk sampling of Orion South terminated in February 2009. It is anticipated that the majority of the remaining underground samples to be processed and reported will be derived from the EJF Kimberlite. Thus far, the Company has recovered 925.52 carats from the targeted EJF Kimberlite from 5,479.79 tonnes, for an average of 16.89 cpht.

In addition to the underground bulk sampling program on Orion South, LD drilling was undertaken on Orion South, Orion North, Taurus and Star West. 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). Diamond concentrate samples have been dispatched by Shore, and processing and auditing is nearing completion. Current LD drilling programs of the FALC-JV were completed in January 2009. The 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.

The diamond parcel recovered from the underground and LD sampling of Orion South will provide grade and price estimates for use in an NI 43-101 Mineral Resource estimate of the Orion South Kimberlite. Shore believes a preliminary Mineral Resource estimate from the data collected thus far can be determined for Orion South during 2009.

Overall, the FALC-JV program was $23.3 million under budget for 2008, primarily as a result of the amount of underground bulk sampling that was achieved in the year. The expectation of the 2008 budget for bulk sampling of Orion South was to recover approximately 60,750 tonnes of kimberlite. Progress, however, was slower than anticipated due to the ground conditions experienced. LD drilling and processing costs for the FALC-JV were also below budget as a result of redirecting LD drilling and related processing activities to the Company's Star Property.

FALC-JV Summary of 2008 (1) (Actuals to Budget)

Descriptions	2008 Actuals ($M)	2008 Budget ($M)	Variance ($M)	2008 Actuals	2008 Budget	Variance
LD Drilling	$ 30.6	$ 33.0	$ 2.4	62 holes	88 holes	-26 holes
Underground sampling and shaft sinking	$ 14.0	$ 28.0	$ 14.0	23,257t	60,750t	-37,493t
Core Drilling	$ 1.9	$ 1.7	$ (0.2)	29 holes	21 holes	+8 holes
Processing	$ 3.3	$ 4.0	$ 0.7	29,860t	36,500t	-6,640t
Other (2)	$ 13.7	$ 20.1	$ 6.4			
Total	**$ 63.5**	**$ 86.8**	**$ 23.3**			

(1) *Costs are on a 100% basis and includes costs relating to Star West.*
(2) *"Other" includes pre-feasibility, geological, environmental, geotechnical, scoping studies, valuations, warehousing, capital and other costs.*

For 2009, $10.5 million has been budgeted for the FALC-JV, primarily for the completion of the LD drilling and underground bulk sampling programs. Newmont has elected not to participate in the 2009 FALC-JV budget beyond the completion of the LD drilling. Included in the $10.5 million budget is $1.0 million for costs associated with the completion of the pre-feasibility study and the delivery of an NI 43-101 compliant Reserve estimate for Star West's portion of the Star Diamond Project during 2009.

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.

Shore's share of 2008 expenditures on Buffalo Hills was $2.8 million, $0.7 million below budget, primarily due to a lower than budgeted level of drilling work performed during the year. In 2008, a drill program on the Buffalo Hills central corridor resulted in the completion of 41 PQ sized drill holes (6,818 metres versus a total budget of 14,000 metres) on three kimberlite bodies (K14, K252 and K6). Contractor unavailability in the winter and difficult access conditions in the summer did not permit the completion of the planned 2008 program. Logging of drill core from this program resulted in the development of a preliminary three dimensional model for the K14 kimberlite. Processing of bulk sample material from K6 and K14 that was collected by the former operator was also completed in 2008. A total of 27.416 carats from 368.89 tonnes was recovered from both K6 and K14 material to give average grades of 7.0 cpht and 8.1 cpht respectively. However, further bulk sampling will need to be undertaken to gain a truly representative sample now that a geological model has been established for the K14 kimberlite. The development of geological models for the K6 and K252 kimberlite bodies is underway.

Selected Annual Information

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

	2008	2007	2006
Revenues ($millions)	1.6	4.2	9.5
Net income (loss) ($millions)	(458.0)	7.5	(77.5)
Net income (loss) per share (1)	(2.48)	0.04	(0.44)
Total assets ($millions)	267.0	819.1	787.5
Working capital (millions)	23.6	64.8	118.1

(1) *Basic and diluted.*

Results of Operations

For the year ended December 31, 2008, the Company recorded a net loss of $458.0 million or $2.48 per share compared to net income of $7.5 million, or $0.04 per share for 2007. The loss during 2008 was primarily due to the write-down of certain previously capitalized mineral property expenditures ($561.1 million), as well as the fair value of stock-based compensation that was expensed during the year ($2.7 million) and a further $2.9 million impairment in the fair value of third-party asset-backed commercial paper ("ABCP") held by the Company that was recorded in the year. The loss was offset by future income tax recoveries predominantly related to the write-down of mineral properties. Net income of $7.5 million during 2007 was due to a $16.0 million future income tax recovery resulting primarily from the federal government substantively enacting a decrease in corporate income tax rates. This 2007 tax recovery was offset by the fair value of stock-based compensation expensed ($5.2 million) and a $2.0 million impairment in the fair value of ABCP held by the Company.

Revenues

For the year ended December 31, 2008, the Company reported interest and other revenue of $1.6 million as compared to $4.2 million for the year ended December 31, 2007. The $2.6 million decrease in revenue from 2007 was from a reduction in the Company's investment base after incurring on-going exploration expenditures on the Fort à la Corne and Buffalo Hills projects, the ABCP not earning interest during 2008 and lower interest rates earned on the Company's investment portfolio as a result of falling interest rates.

10.53 Light Fancy Yellow from Orion South

Expenses

Total operating costs for the year ended December 31, 2008 were $7.1 million compared to $10.4 million for the year ended December 31, 2007. This represents a decrease of $3.3 million. A portion of this decrease is attributed to the fair value of stock-based compensation that was expensed from the issuance of stock options during 2008 as compared to 2007. The fair value of the options expensed during 2008 was $2.7 million compared to $5.2 million for the year ended December 31, 2007. Once the effect of accounting for stock-based compensation is removed, the specific categories of expenses become more comparable year over year. After removing the effect of accounting for stock-based compensation, expenses for the year ended December 31, 2008, decreased by $0.8 million to $4.4 million from $5.2 million during the year ended December 31, 2007.

The following discussion relates to the expense variances, and removes the effect of stock-based compensation for comparative purposes. Administration expense was $2.7 million, a decrease of $0.1 million from the year ended December 31, 2007. Consulting and professional fees were $0.9 million, a decrease of $0.5 million from 2007, primarily due to lower legal fees incurred as a result of fewer activities and hiring in-house counsel. Corporate development expenditures were $0.3 million in 2008, a decrease of $0.2 million from 2007, as a result of fewer activities during the year. Amortization and accretion was $0.5 million, consistent with the year ended December 31, 2007.

Write-Down of Mineral Properties

Due to the current economic crisis, the Company's share price, as with many other junior exploration companies, has seen a significant decline. This decline has resulted in the Company's market capitalization being substantially less than the carrying value of the Company's net assets. As a result of this decline, the Company was required to assess impairment for all of its mineral properties.

For the Star Diamond Project, which includes Star West (a component of the FALC-JV), an assessment of impairment was performed by comparing the carrying value of the mineral properties with the estimated undiscounted future cash flows, as required by Canadian GAAP. Based on this analysis, the Company did not adjust the carrying value of the Star Property or the FALC-JV's Star West Property at December 31, 2008.

As there are currently no independent estimates of reserves or resources for any of the Company's other mineral properties, the Company was unable to apply undiscounted future cash flow methodologies as an initial step in assessing impairment. Using other indicators, the carrying value of the Company's other mineral properties were written down to nil. As a result, the Company incurred a write-down of $561.1 million (before taxes).

Impairment of Long-Term Investments

There is currently no active market for the ABCP held. The Company reviewed its assumptions regarding the fair value calculation during the year ended December 31, 2008, and recorded an "other than temporary impairment" of $2.9 million (2007 - $2.0 million). The fair value of the ABCP was determined by the Company using a discounted cash flow approach which factored in the Information Statement released by the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper ("Investors Committee") and other available data regarding market conditions for such investments as at December 31, 2008.

Income Taxes

Income tax recoveries were $112.0 million in 2008 compared to a recovery of $16.0 million in 2007. The majority of the recovery in 2008 was due to the tax effect on the write-down of mineral properties. 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.

Investing

Mineral property additions for 2008 totaled $49.3 million compared to $63.6 million in 2007. The 2008 additions represent approximately $7.9 million on the Star Diamond Project (2007 – $25.8 million), $38.4 million for the Company's share of costs related to the FALC-JV Project (2007 – $27.4 million) and $3.0 million on other properties, which included $2.8 million for the Buffalo Hills Joint Venture (2007 – $10.4 million, which included the $8.75 million acquisition of a 22.5 percent interest in the Buffalo Hills Joint Venture). 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 to update the NI 43-101 Mineral Resource estimate. The expenditures on the FALC-JV Project primarily related to underground bulk sampling on Orion South, LD drilling and sample processing. The $3.0 million of expenditures on the remaining properties were predominantly related to core and exploration drilling programs.

Financing

On November 24, 2008, the Company announced the successful closing of 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 to incur Canadian exploration expenses prior to December 31, 2009 (See SGF News Release November 24, 2008).

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 $30.0 million (See SGF News Release November 23, 2007). These proceeds were used by Shore to incur Canadian exploration expenses prior to December 31, 2008.

During the year ended December 31, 2008, there were 0.6 million options exercised (2007 – 1.2 million) resulting in additional cash flow from financing activities of $0.5 million (2007 - $2.5 million).

Summary of Quarterly Results

	2008				2007			
	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Revenues(1) ($millions)	0.2	0.3	0.4	0.7	0.8	0.9	1.2	1.3
Net income (loss)(2) ($millions)	(452.2)	(0.8)	(2.8)	(2.2)	12.4	(2.4)	1.7	(4.2)
Net income (loss) share (3)	(2.45)	0.00	(0.02)	(0.01)	0.06	(0.01)	0.01	(0.02)
Shares outstanding (4) (millions)	199.9	183.2	183.2	182.7	182.7	177.5	177.3	177.3

(1) *The trend of declining interest revenue from the first quarter of 2007 to the fourth quarter of 2008 resulted from a reduction in the Company's investment base after incurring exploration expenditures throughout the periods and the acquisition of the Company's interest in the Buffalo Hills Joint Venture, ABCP not earning interest during 2008 and lower interest rates earned on the Company's investment portfolio as a result in falling interest rates.*

(2) *The net loss during the fourth quarter of 2008 was primarily related to the write-down of certain mineral properties held by the Company. 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 and fourth quarters of 2008 and the third quarter of 2007 primarily related to changes in the 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 private placement financings on November 24, 2008 and November 23, 2007 resulting in the issuance of 16.67 million and 4.76 million flow-through common shares from treasury, respectively. Other changes in the number of shares outstanding are the result of option exercises in the respective periods.*

Fourth Quarter Results

For the quarter ended December 31, 2008, the Company recorded a net loss of $452.2 million or $2.45 per share compared to net income of $12.4 million or $0.06 per share for the same period in 2007. The loss for the quarter ended December 31, 2008 was primarily due to the write-down of certain previously capitalized mineral property expenditures ($561.1 million), offset by future income tax recoveries related to this write-down, as well as a further $0.9 million impairment in fair value of ABCP held by the Company. The Company also generated lower interest income for the fourth quarter of 2008 compared to the same period in 2007, which was primarily the result of having less cash on hand after the significant expenditures on the exploration projects in the Fort à la Corne region since December 31, 2007. The net income in 2007 was due to a $13.9 million future income tax recovery that was recorded during the fourth quarter of 2007 resulting from the federal government enacting a decrease in corporate income tax rates.

The Company generated $0.2 million in interest and other revenue during the fourth quarter of 2008 compared to $0.8 million for the corresponding period in 2007. The decline in interest revenue resulted from a reduction in the Company's investment base after incurring exploration expenditures throughout this period, ABCP not accruing interest, and lower interest rates earned on the Company's investment portfolio as a result of falling interest rates.

Total operating costs for the quarter ended December 31, 2008 were $1.3 million, compared to $2.1 million during the quarter ended December 31, 2007. Removing the effect of stock-based compensation, operating costs decreased by $0.4 million from the quarter ended December 31, 2007, primarily due to lower administration and consulting expenses.

During the fourth quarter of 2008 the Company incurred $1.6 million (2007 - $8.4 million) in mineral property additions related to the Star Diamond Project, $10.6 million (2007 - $5.2 million) for the Company's 60 percent share of costs related to the FALC-JV Project and $0.2 million (2007 - $0.2 million) on other properties, which includes the Buffalo Hills Joint Venture. 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 CIM standards. The expenditures on the FALC-JV Project primarily related to underground bulk sampling on Orion South, LD drilling and sample processing. The expenditures on the remaining properties were predominantly related to core and exploration drilling programs.

During the fourth quarter, the Company closed a private placement of 16.67 million Flow-Through Common Shares for gross proceeds of $12.5 million.

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 2008, management and consulting fees of $1.0 million (2007 – $1.5 million) were paid to companies controlled by these officers. Of these fees, $0.2 million (2007 – $0.2 million) were capitalized as additions to mineral properties; $0.3 million (2007 – $0.6 million) were included in administration expense and $0.5 million (2007 – $0.7 million) were included in consulting and professional fees expense.

During 2008, the Company charged $70 thousand (2007 – $327 thousand) to Wescan Goldfields Inc. for administration services and rental of equipment. Accounts receivable includes $9 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 December 31, 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 issuing entities 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, were subject to a proposal by the Investors Committee ("Committee Restructuring Plan") which called for the conversion of the ABCP into floating rate notes. 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. On December 24, 2008, the Investors Committee announced that an agreement had been reached with all key stakeholders, including the governments of Canada, Ontario, Quebec and Alberta regarding the restructuring of the ABCP. On January 12, 2009, the Superior Court of Ontario approved the final restructuring agreement. The exchange of restructured ABCP notes was completed on January 21, 2009.

There is currently no active market for the ABCP held by the Company. The Company reviewed its assumptions regarding the fair value of ABCP and assessed a further $2.9 million write-down during 2008 (2007 - $2.0 million). The timing and amount ultimately recovered by the Company may differ materially from this estimate. The Company expects its current capital resources will be sufficient to carry out its exploration plans through 2010, when a production decision is anticipated.

During January, 2009, the Company received the following floating rate notes in exchange for the ABCP previously held:

Mater Asset Vehicle ("MAV")	Class	Notional Amount ($millions)	Percent
MAV2	Class A-1 Notes	$ 6.2	33.2%
MAV2	Class A-2 Notes	$ 6.5	34.5%
MAV2	Class B Notes	$ 1.2	6.3%
MAV2	Class C Notes	$ 0.4	2.3%
MAV3	Class 9 Notes	$ 4.4 (1)	23.7%
Total		**$ 18.7**	**100.0%**

(1) *According to the Eighteenth Monitor's Report, approximately 99% of the principal assets in the MAV3, Class 9 Notes will be comprised of cash at the time of the restructuring.*

The Company has an agreement in principle for a credit facility against the Company's investment in ABCP, should additional liquidity be required.

In addition, in the fourth quarter of 2008, the Company completed a private placement of 16.67 million Flow-Through Common Shares of the Company for gross proceeds of $12.5 million. These funds will be used by Shore to incur Canadian exploration expenses prior to December 31, 2009 (See SGF News Release November 24, 2008), which will fund the majority of the 2009 budget announced in January 2009 (See SGF News Release January 6, 2009).

The Company's contractual obligations are as follows:

	Payment due by period($millions)				
	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter	Total
Lease of premises	$ 0.5	$ 0.5	$ -	$ -	$ 1.0
Equipment and services	3.4	-	-	-	3.4
Total	$ 3.9	$ 0.5	$ -	$ -	$ 4.4

The Company is committed to spend $7.6 million of qualifying Canadian Exploration Expenses as defined by the *Canadian Income Tax Act* prior to December 31, 2009.

As at December 31, 2008, letters of credit totaling $1.8 million (2007 – $0.4 million) have been issued. The facilities are secured by restricted cash.

Capital Resources and Outstanding Share Data

As at December 31, 2008, the Company had working capital of $23.6 million as compared to $64.8 million at December 31, 2007. This does not include the $18.7 million in floating rate notes relating to the restructured ABCP or the agreement in principle for a credit facility against these floating rate notes. Working capital of the Company will be sufficient for meeting the Company's 2009 budget requirements (See SGF News Release January 6, 2009). The 2009 budget, combined with Shore's current cash position and an agreement in principle for a credit facility against the Company's $18.7 million in floating rate notes, will ensure the Company's financial stability through 2010, when a production decision is anticipated.

At December 31, 2008 the Company had 199,904,242 shares issued and outstanding compared to 182,684,242 at December 31, 2007. As at March 19, 2009, the Company had a total of 199,904,242 common shares issued and outstanding and a further 7,283,360 options outstanding at a weighted average exercise price of $4.96. None of these options are currently in-the-money.

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 as 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. The Company also has joint operations with various 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 each time it issues financial statements. Where information and conditions suggest impairment, estimated future cash flows are calculated using estimated future prices, reserves and resources, weighted probable outcomes and operating, capital and reclamation costs on an undiscounted basis. If it is determined that the future cash flows are less than the carrying value, a write-down to the estimated fair value is expensed for the period. Where no independent estimates of reserves or resources are available for which to estimate future net cash flows and where other conditions suggest impairment, carried costs are written down.

When options to acquire mineral properties are granted 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 the liabilities are 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 approximate their recorded amounts due to their short-term nature. At December 31, 2008 there was no active market for the Company's long-term investments (comprised of ABCP with a carrying value of $14.1 million). As a result, the fair value of these investments is periodically assessed by Management. Any "other than temporary impairments" of these long-term investments are then recognized in the consolidated statement of income.

Accounting Changes

Financial Instruments – Presentation and Disclosure

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

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

Credit Risk

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

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 agreement governing these jointly controlled operations, the participating interest in the jointly controlled operations 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. At December 31, 2008, the Company also held ABCP with a par value of $19.0 million (carrying value of $14.1 million) as outlined in note 4 of the Company's consolidated financial statements. As of December 31, 2008, none of the ABCP held by the Company has been repaid. This ABCP was subject to the Investors Committee Restructuring Plan that was completed in January of 2009. As a result, the ABCP held by the Company has been exchanged for floating rate notes with terms that match the duration of the underlying assets. As part of the Investors Committee Restructuring Plan, certain financial institutions and stakeholders, as well as the governments of Canada, Ontario, Quebec and Alberta, have provided margin call facilities that would significantly reduce the risk of credit default on these floating rate notes. 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 December 31, 2008.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to forecast future cash flows, to ensure that it will have sufficient liquidity to meet its obligations when due. As at December 31, 2008, the Corporation had working capital of $23.6 million. Management believes this working capital will be sufficient 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 operations 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 Company has an agreement in principle for a credit facility against the Company's floating rate notes received from the restructuring of ABCP, should additional liquidity be required.

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.

The Company expects its current capital resources will be sufficient to carry out its exploration plans through 2010, when a production decision is anticipated.

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 and has financed its exploration efforts through the issuance of shares.

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 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 working capital will be sufficient to carry out its exploration plans through 2010, when a production decision is anticipated. The Company is not subject to externally imposed capital requirements, except as disclosed in the Company's consolidated financial statements.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. The Company's first financial statements presented in accordance with IFRS will therefore be the three-month period ended March 31, 2011. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are some significant differences on recognition, measurement and disclosure requirements. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating some of the impact of adopting IFRS at the changeover date.

The International Accounting Standard Board ("IASB") will, however, also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company's financial statements will only be measurable once all IFRS applicable at the conversion date are known.

As a result of this convergence, the Company has developed a plan to convert its financial statements to IFRS. Regular reporting to the Company's Audit Committee on the status of the IFRS implementation project has been established to ensure proper oversight.

The Company's plan consists of several phases including:

Timing	Plan Phase
2008	**An initial scoping phase** including the identification of key differences, important dates, development of milestones, and potential training issues;
2009	**Detailed evaluation phase** which will include a detailed comparison of Canadian GAAP and IFRS in a priority sequence including policy alternatives and business process implications, information systems, internal controls over financial reporting, disclosure controls and procedures and compensation arrangements; and,
2009-2010	**Implementation and review phase** which will include final policy selection with the culmination of the necessary information systems and data required to prepare IFRS compliant financial statements and disclosures and any necessary adjustments to other business processes that may be impacted.

During the initial scoping exercise completed in 2008, the Company has identified the accounting related to the carrying value of the Company's mineral properties to be the area of the most significant potential difference. The carrying value of the Company's mineral properties may potentially be impacted by several standards in IFRS, including the treatment of exploration expenditures, and how potential impairments are analyzed. Other areas of less significance that will require adjustments relate to share-based payments, asset retirements obligations and property and equipment.

Currently, Canadian GAAP and IFRS both allow a Company to establish an accounting policy that either capitalizes or expenses exploration expenditures incurred. IFRS related to exploration costs, however, are currently under review and are anticipated to change after January 1, 2011. The full extent of the changes are not yet known and, as a result, the Company may change its current policy of capitalizing exploration expenditures retroactively on the date of transition in order to minimize the impact future IFRS changes may have on the Company's financial statements.

As a result of the initial scoping exercise and given the stage of the Company's development, Management does not anticipate that the conversion to IFRS will have any significant impact to its business processes. Certain of the Company's information systems have already been converted which will allow for the recognition, measurement and disclosure requirements of property and equipment in accordance with IFRS. Certain members of the conversion team have been provided training regarding IFRS. More specific training is anticipated and additional involvement of the Company's external auditors will be required once Management has fully evaluated the implications of the differences between Canadian GAAP and IFRS.

Management has not yet completed its quantification of the effects of adopting IFRS. The consolidated financial performance and financial position as presented in the Company's Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

Goodwill and Other Intangible Assets

Effective January 1, 2009, the Company will adopt a CICA handbook section relating to goodwill and intangible assets, which replaces existing standards relating to goodwill and intangible assets and research and development costs. The standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The standard also harmonizes Canadian standards with IFRS and applies to annual and interim financial statements for fiscal years beginning on or after October 1, 2008. The Company does not expect the adoption of this standard will have a material impact on its consolidated financial statements.

Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods, and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information. In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2008, and based on their evaluation, have concluded that these controls and procedures were effective.

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

Internal Controls over Financial Reporting Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Company's management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, have evaluated the design and tested the effectiveness of the Company's internal controls over financial reporting as of the end of the period covered by the annual filings and have concluded that the design and effectiveness of the Company's internal controls over financial reporting are effective.

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

Outlook

As of March 19, 2009, the Company had approximately $20.0 million in cash and cash equivalents and short-term investments. These funds will be used to complete the Star Diamond Project pre-feasibility study, to fund the planned FALC-JV and the Buffalo Hills Joint Venture exploration programs, and for 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 Company continues with the Star Diamond Project pre-feasibility study. 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 Company's intent is to have an NI 43-101 compliant Reserve estimate for the Star Diamond Project completed during 2009. Shore anticipates the delivery of a final feasibility study for the Star Diamond Project by the end of the first quarter of 2010. 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 operations 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, and Shawn Harvey, Geology Manager, Professional Geoscientist in the Provinces of Saskatchewan, who are the Company's "Qualified Persons" 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 this MD&A and Shore's most recently filed Annual Information Form 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

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 19, 2009

Auditors' Report

To the Shareholders of Shore Gold Inc.:

We have audited the consolidated balance sheets of Shore Gold Inc. as at December 31, 2008 and 2007 and the consolidated statements of income (loss), comprehensive 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, 2008 and 2007 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 19, 2009

Consolidated Balance Sheet

	December 31 2008 (in thousands)	December 31 2007 (in thousands)
Assets		
Current assets:		
Cash and cash equivalents	$ 22,619	$ 31,850
Short-term investments	5,079	38,297
Receivables (note 3)	7,584	4,704
Prepaids	139	118
	$ 35,421	$ 74,969
Restricted cash (note 16)	1,807	377
Investments (note 4)	14,064	16,979
Mineral properties (note 5)	212,361	723,098
Investment in Wescan Goldfields Inc. (note 6)	2,234	2,296
Property and equipment (note 7)	1,091	1,338
	$ 266,978	$ 819,057
Liabilities & Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 11,722	$ 9,790
Current portion of asset retirement obligations (note 9)	68	342
	11,790	10,132
Asset retirement obligations (note 9)	1,564	1,334
Future income tax liability (note 10)	-	103,853
Shareholders' equity:		
Share capital (note 11)	772,822	768,252
Contributed surplus (note 11(d))	25,885	22,596
Deficit	(545,083)	(87,110)
	253,624	703,738
	$ 266,978	$ 819,057

Commitments (note 16)

On behalf of the Board:

James R. Rothwell
Chairman of the Board

Arnie E. Hillier
Chairman of the Audit Committee

See accompanying notes to consolidated financial statements

Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Deficit

For the years ended December 31

	2008 (in thousands)	2007 (in thousands)
Revenue		
Interest and other income	$ 1,595	$ 4,164
Expenses		
Administration	4,569	6,418
Consulting and professional fees	1,665	2,819
Corporate development	334	619
Amortization and accretion	561	497
	7,129	10,353
Loss before the under noted items	(5,534)	(6,189)
Write-down of mineral properties (note 5)	(561,064)	-
Impairment in fair value of third-party asset-backed commercial paper (note 4)	(2,915)	(2,021)
Investment in Wescan Goldfields Inc. (note 6)	(462)	(241)
Net loss before income taxes	(569,975)	(8,451)
Income taxes (note 10)	112,002	15,950
Net and comprehensive income (loss)	(457,973)	7,499
Deficit, beginning of period	(87,110)	(94,609)
Deficit, end of period	$ (545,083)	$ (87,110)
Net income (loss) per share		
Basic and diluted (note 12)	(2.48)	0.04
Weighted average number of shares outstanding (000's)	184,579	177,891

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended December 31

	2008 (in thousands)	2007 (in thousands)
Cash provided by (used in):		
Operations:		
Net income (loss)	$ (457,973)	$ 7,499
Non-cash items:		
Amortization and accretion	561	497
Write-down of mineral properties	561,064	-
Impairment in fair value of third-party asset-backed commercial paper (note 4)	2,915	2,021
Investment in Wescan Goldfields Inc. (note 6)	462	241
Fair value of stock options expensed (note 11)	2,718	5,170
Future income tax recovery (note 10)	(112,002)	(15,941)
Net change in non-cash operating working capital items:		
Prepaids	(21)	35
Receivables	30	22
Accounts payable and accrued liabilities	(702)	389
	(2,948)	(67)
Investing:		
Mineral properties	(49,332)	(63,567)
Property and equipment	(230)	(284)
Investment in Wescan Goldfields Inc. (note 6)	(400)	-
Disposal of short-term investments	33,218	18,118
Restricted cash	(1,430)	(130)
Net change in non-cash investing working capital items:		
Receivables	(2,910)	2,514
Reclassification of third-party asset-backed commercial paper (note 4)	-	(19,000)
Accounts payable and accrued liabilities	2,634	(2,312)
	(18,450)	(64,661)
Financing:		
Issue of common shares (net of issue costs)	12,167	30,646
	12,167	30,646
Decrease in cash and cash equivalents	(9,231)	(34,082)
Cash and cash equivalents, beginning of period	31,850	65,932
Cash and cash equivalents, end of period	22,619	$ 31,850
Cash and cash equivalents consists of:		
Cash	$ 868	$ 2,233
Treasury bills	21,751	29,617
	22,619	$ 31,850

See accompanying notes to consolidated financial statements

Notes to the Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

(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 ("GAAP") 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 impairment of capitalized mineral exploration costs and investments and the determination of asset retirement obligations, stock-based compensation costs and future income tax valuation allowances. Actual amounts could differ from those estimates.

A summary of significant accounting policies is 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 short-term investments that, upon acquisition, have a term to maturity of three months or less. Cash and cash equivalents are designated as held-for-trading 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-for-trading and are carried at fair value.

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 also has joint operations with various 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 the carrying values of non-producing properties each time it issues financial statements. Where information and conditions suggest impairment, estimated future cash flows are calculated using estimated future prices, reserves and resources, weighted probable outcomes and operating, capital and reclamation costs on an undiscounted basis. If it is determined that the future cash flows are less than the carrying value, a write-down to the estimated fair value is expensed for the period. Where independent estimates of reserves or resources were unavailable for which to estimate future net cash flows and where other conditions suggest impairment, carried costs are written-down.

When options to acquire mineral properties are granted 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 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 include assets with terms to maturity greater than one year. Investments are designated as available-for-sale and are carried at fair value with unrealized gains or losses recognized in other comprehensive income. Other than temporary impairments in fair value are 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 (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 (loss) is recognized to reflect the fair market value increase (decrease) 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 issuance 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 the 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 11(b).

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.

Financial instruments presentation and disclosure

i) **Financial assets**

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Short-term investments and restricted cash 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) **Financial liabilities**

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

Due to the short-term nature of accounts payable, the carrying amount approximates fair value.

b) **Recently adopted accounting standards**

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.

Going concern

Effective January 1, 2008, the Company adopted the amended CICA handbook section on general standards of financial statement presentation, which includes requirements to assess and disclose an entity's ability to continue as a going concern. The amendment requires management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.

Capital disclosure

Effective 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. This information is disclosed in note 13.

Financial instruments – disclosures and presentation

Effective January 1, 2008, the Company adopted 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. This information is disclosed in note 15.

c) **New accounting pronouncements**

International financial reporting standards

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective in calendar year 2011. The Company's first financial statements presented in accordance with IFRS will therefore be the three-month period ended March 31, 2011. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are some significant differences on recognition, measurement and disclosure requirements. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating some of the impact of adopting IFRS at the changeover date. The International Accounting Standard Board ("IASB") will, however, also continue to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's financial statements will only be measurable once all IFRS applicable at the conversion date are known.

As a result of this convergence, the Company has developed a plan to convert its financial statements to IFRS. Management has not yet completed its quantification of the effects of adopting IFRS. The consolidated financial performance and financial position as presented in the Company's Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

Goodwill and other intangible assets

Effective January 1, 2009, the Company will adopt a CICA handbook section relating to goodwill and intangible assets, which replaces existing standards relating to goodwill and intangible assets and research and development costs. The standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The standard also harmonizes Canadian standards with IFRS and applies to annual and interim financial statements for fiscal years beginning on or after October 1, 2008. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

3. Receivables

At December 31, accounts receivable consisted of the following:

	2008	**2007**
Newmont Mining Corporation of Canada Ltd.	$ 5,178	$ 1,945
Fuel tax rebate	1,411	1,410
Goods and services tax refunds	940	1,119
Mineral claim fees receivable	11	165
Other	44	65
	$ 7,584	**$ 4,704**

4. Investments

At December 31, 2008, the Company held $14.1 million (2007 - $17.0 million) of ABCP with a total par value of $19.0 million, with repayment dates ranging from September 14, 2007 to October 15, 2007. As of December 31, 2008, 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 issuing entities were unable to raise funds from new issuances and therefore were not able to redeem maturing notes. To address the liquidity issue, twenty of the ABCP conduits, which include the ABCP held by the Company, are currently subject to the conversion of the ABCP into floating rate notes with maturities of eight years or less. The ABCP has been classified as a long-term investment on the Company's financial statements.

On March 20, 2008, the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper ("Investors Committee") released details (the "Information Statement") of the restructuring plan ("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. On December 24, 2008, the Investors Committee announced that an agreement had been reached with all key stakeholders, including the governments of Canada, Ontario, Quebec and Alberta regarding the restructuring of the ABCP. On January 12, 2009, the Superior Court of Ontario approved the final restructuring agreement. The conversion of the ABCP into floating rate notes was completed on January 21, 2009.

As a result of the Committee Restructuring Plan, in exchange for the ABCP previously held, the Company received the following floating rate notes:

Master Asset Vehicle ("MAV")	Class	Notional Amount	Percent
MAV2	Class A-1 Notes (a)	$ 6,213	33.2%
MAV2	Class A-2 Notes (a)	6,467	34.5%
MAV2	Class B Notes (a)	1,174	6.3%
MAV2	Class C Notes (a)	428	2.3%
MAV3	Class 9 Notes (b)	4,445	23.7%
Total		**$ 18,727**	**100%**

a) **MAV2 Notes**

The Committee Restructuring Plan pooled eligible assets of ABCPs that are backed primarily by synthetic assets into one of two master asset vehicles ("MAV"). Floating rate notes ("Pooled Notes") were 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 final rating of A 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. The interest rate payable on MAV2 Class A-1, A-2 and B Notes will be the 90 day Bankers Acceptance rate less 50 basis points. Class C Notes will accrue interest at 20 percent 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 have not been rated by DBRS.

b) **MAV3 Traditional Asset Tracking Notes**

MAV3, Class 9 Tracking Notes (comprised of Gemini Series A) are supported by traditional securitized (non-synthetic) assets and, per the Committee Restructuring Plan, were restructured separately from other trusts, maintaining its separate assets ("Specific Traditional Tracked Assets"). Noteholders such as Shore received 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 MAV3, Class 9 Tracking Notes will be September 12, 2016. The TA Tracking notes have an interest rate based upon amounts available from the Specific Traditional Tracked Assets but capped at the BA rate plus 11 percent. 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 Eighteenth Monitor's Report, approximately 99 percent of the principal assets in the MAV3, Class 9 Notes were comprised of cash at the time of the restructuring.

There is currently no active market for the ABCP held. The Company reviewed its assumptions regarding the fair value calculation during the year ended December 31, 2008 and recorded a further "other than temporary impairment" of $2.9 million (2007 - $2.0 million). The fair value of the ABCP was determined by the Company using a discounted cash flow approach which factored in the Information Statement and other available data regarding market conditions for such investments as at December 31, 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 eight years), interest rates of 1.1 percent (Bankers Acceptance rate at December 31, 2008 of 1.6 percent less 50 basis points), and discount rates of 5.3 to 6.3 percent (comprised of a risk free interest rate at December 31, 2008 of 2.3 percent, for assets with a similar maturity to the underlying assets, adjusted for risk premiums ranging from 3 to 4 percent). As DBRS has not rated the Class B and C Notes, the Company elected to reduce the carrying value of these Notes to nil. A one percent change in the discount rate would result in a $0.7 million pre-tax change in the fair value of the ABCP held by the Company.

The amount and timing of future cash flows received 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, certain financial institutions and stakeholders, as well as the governments of Canada, Ontario, Quebec and Alberta, have provided margin call facilities that significantly reduce the risk of credit default on these investments.

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, 2006	$ 131,832	$ 521,603	$ 103	$ 653,538
Expenditures during 2007				
Aquisition & staking	(8)	-	8,917	8,909
Exploration	29,911	28,141	1,449	59,501
Asset retirement obligation	535	615	-	1,150
Balance, December 31, 2007	$ 162,270	$ 550,359	$ 10,469	$ 723,098
Expenditures during 2008				
Aquisition & staking	86	-	-	86
Exploration	8,750	38,378	2,988	50,116
Asset retirement obligation	30	95	-	125
Write-down of carrying value	-	(547,607)	(13,457)	(561,064)
Balance, December 31, 2008	$ 171,136	$ 41,225	$ -	$ 212,361

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. 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, 2008, 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 several 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 repurchased by the Company for $1 million if paid within 90 days of a production decision being made on the property. The Company has a National Instrument ("NI") 43-101 Mineral Resource estimate for the Star 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"). As there are currently no independent estimates of reserves or resources for any of the FALC-JV properties other than Star West (the portion of the Star Kimberlite within the FALC-JV), the Company was unable to apply undiscounted future cash flow methodologies as an initial step in assessing impairment. Using other indicators, the carrying values of mineral properties contained in the FALC-JV (other than for Star West) were written down to nil.

c) Other Diamond Properties

At December 31, 2008, the Company held a 100% interest in two additional diamond properties located northwest of the Fort à la Corne kimberlite field area.

At December 31, 2008, the Company held a 22.5% interest in the Buffalo Hills property in north central Alberta. On July 24, 2007, Shore and Diamondex Resources Ltd. ("Diamondex") completed a transaction with Ashton Mining of Canada Inc. ("Ashton") to purchase Ashton's approximate 45% interest in the Buffalo Hills property for total consideration of $17.5 million (Shore's share was $8.75 million). Diamondex is the operator of the project. Shore and Diamondex have the option to increase their collective interest to 72.5% by funding the next $15 million of exploration expenditures before April 30, 2010.

As there are currently no independent estimates of reserves or resources for any of the Company's other mineral properties (including the Buffalo Hills property), the Company was unable to apply undiscounted future cash flow methodologies as an initial step in assessing impairment. Using other indicators, the carrying value of the Company's other mineral properties were written down to nil.

6. Investment in Wescan Goldfields Inc.

At December 31, 2008, Shore and its subsidiaries held 12,955,567 (2007 – 11,474,086) shares of Wescan Goldfields Inc. ("Wescan"). In 2008, Shore acquired an additional 1.48 million units through a private placement for $0.27 per unit. Each unit consisted of one common share and one-half purchase warrant. Each full warrant is exercisable at $0.35 per warrant and expires on October 20, 2009. As a result of equity financing and various option and warrant exercises during 2008, Shore's interest in Wescan was diluted by approximately 1.0% (2007 – 1.2%). The dilution of the Company's interest in Wescan resulted in a gain of $10 thousand (2007 - $9 thousand). Shore has accounted for its interest in Wescan on an equity basis. During the year, Shore's weighted average investment in Wescan was 18.2% (2007 – 18.9%).

The change in the investment is summarized as follows:

Balance - December 31, 2006	$ 2,537
Gain on dilution in equity investment	9
Fair value of warrants expired	(52)
Shares of losses	(198)
Balance - December 31, 2007	$ 2,296
Investment - private placement	400
Gain on dilution in equity investment	10
Share of losses	(472)
Balance - December 31, 2008	$ 2,234

Wescan is publicly traded on the TSX Venture exchange. The trading value of the Company's equity interest in Wescan at December 31, 2008 was $2.3 million (2007 – $2.8 million).

7. Property and equipment

Property and equipment is made up of the following:

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Automotive equipment	$ 39	$ 28	$ 11	$ 15
Buildings	275	69	206	228
Computer equipment	183	86	97	112
Computer software	28	9	19	-
Furniture & equipment	735	332	403	538
Leasehold improvements	591	236	355	445
	$ 1,851	**$ 760**	**$ 1,091**	**$ 1,338**

8. Accounts payable and accrued liabilities

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

	2008	2007
Trade payables	$ 10,705	$ 8,084
Accrued liabilities	1,017	1,706
	$ 11,722	**$ 9,790**

9. 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	Fort à la Corne Property	Total 2008	Total 2007
Asset retirement obligations, beginning of year	$ 831	$ 845	$ 1,676	$ 451
Liabilities incurred	30	95	125	1,198
Liabilities settled	(58)	(195)	(253)	(48)
Accretion expense	42	42	84	75
Asset retirement obligations, end of year	845	787	1,632	1,676
Less: current portion	-	(68)	(68)	(342)
Asset retirement obligations	**$ 845**	**$ 719**	**$ 1,564**	**$ 1,334**

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.

10. Income taxes

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

	2008	2007
Future income tax assets		
Mineral properties	$ 30,530	$ -
Non-capital loss carry forwards	8,411	6,882
Share issue costs	1,145	1,904
Investments	602	146
Valuation allowance	(40,688)	(108)
Future income tax assets	-	8,824
Future income tax liabilities		
Mineral properties	$ -	$ (112,677)
Future income tax liabilities		(112,677)
Net future income tax liability	**$ -**	**$ (103,853)**

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:

	2008	2007
Loss before income taxes	$ 569,975	$ 8,451
Combined federal and provincial tax rate	32.0%	35.6%
Expected tax recovery	(182,392)	(3,010)
Increase in taxes resulting from:		
Non-deductible stock option expenses	870	1,841
Other non-deductible amounts	593	460
Effect of change in effective tax rates	28,347	(15,340)
Change in valuation allowance	40,580	108
Future income tax recovery	(112,002)	(15,941)
Large corporations tax	-	(9)
Provision for income tax recovery	**$ (112,002)**	**$ (15,950)**

At December 31, 2008, the Company had operating losses for income tax purposes approximating $31 million available to reduce taxes in future years and expire over the period to the year 2028. A summary of these tax loss expirations is as follows:

Year	
2009	$ 1,841
2010	2,248
2011	-
Thereafter	27,064
Total	**$ 31,153**

11. 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 and 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

	2008		2007	
	Common Shares	Amount	Common Shares	Amount
Balance - beginning of the year	**182,684**	**$ 768,252**	**176,762**	**$ 733,467**
Future income taxes on flow through expenditures renounced to shareholders (a)	-	(8,100)	-	-
Flow-through shares issued (a)	16,670	12,503	4,762	30,001
Options exercised (b)	550	800	1,160	6,110
Issue costs (net of tax)	-	(633)	-	(1,326)
Balance - end of year	**199,904**	**$ 772,822**	**182,684**	**$ 768,252**

a) Flow-through shares

During 2008 the Company issued, through a private placement, 16,670,000 flow-through shares for gross proceeds of $12.5 million. As of December 31, 2008, $7.6 million remains to be spent on Canadian Exploration Expenses, as defined by the *Canadian Income Tax Act*, prior to December 31, 2009.

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 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 2008, the Company granted 1,100,000 (2007 – 2,995,000) options to officers, directors, consultants and employees. The fair value of these options was determined using the Black-Scholes option-pricing model with the following assumptions:

	2008	2007
Number of options granted (in thousands)	1,100	2,995
Average strike price	$ 3.39	$ 5.00
Expected dividend	-	-
Expected volatility	65.11 %	58.99 %
Risk-free interest rate	3.31 %	4.10 %
Expected life of options (in years)	5.00	5.00
Weighted average grant date fair values (in thousands)	$ 2,131	$ 8,030

The fair value of the options granted during 2008, using the Black-Scholes option-pricing model was $2.1 million (2007 - $8.0 million). The fair value attributable to options that were granted and vested during the year was $3.6 million (2007 - $7.0 million). Of this amount, $0.9 million (2007 - $1.8 million) was capitalized as an addition to mineral properties and $2.7 million (2007 - $5.2 million) was expensed with a corresponding increase of $3.6 million (2007 - $7.0 million) to contributed surplus.

For options outstanding (in thousands) at December 31, 2008 and 2007, weighted average exercise prices are as follows:

	Options	Average Price
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**
Granted	1,100	3.39
Exercised	(550)	0.96
Expired/forfeited	(108)	5.67
Balance - December 31, 2008	**7,745**	**$ 4.78**

For options outstanding and exercisable at December 31, 2008, 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, 2008	Weighted Average Excercise Price	Weighted Average Remaining Life	Options December 31, 2008	Weighted Average Excercise Price
$1.00 - 1.99	871	$ 1.75	0.96 years	821	$ 1.80
$2.00 - 2.99	105	2.98	1.68 years	105	2.98
$3.00 - 3.99	2,296	3.25	3.74 years	2,296	3.25
$4.00 - 4.99	866	4.58	2.54 years	866	4.58
$5.00 - 5.99	426	5.42	2.56 years	426	5.42
$6.00 - 6.99	1,681	6.19	2.97 years	1,681	6.19
$7.00 - 7.99	1,500	7.34	1.86 years	1,500	7.34
	7,745	**$ 4.78**	**2.67 years**	**7,695**	**$ 4.80**

c) Shareholder protection rights plan

The directors of the Company approved a shareholder rights plan ("Rights Plan") on January 19, 2005, and reconfirmed the Rights Plan on May 28, 2008. 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, should they feel it is in the best interests of the shareholders to do so, time to consider alternatives to allow shareholders to receive full and fair value for their shares. In the event that a takeover bid, other than a permitted bid, is made, the Rights Plan allows the shareholders, other than the acquiring shareholder, to exercise certain shareholders' rights, which will allow those shareholders to acquire additional shares at a reduced price, set in accordance with the terms of the Rights Plan, and which will ultimately dilute the value of the bidder's holdings. The Rights Plan is designed to protect value for shareholders, while still allowing takeover bids in a permitted, fair manner, as prescribed in the Rights Plan.

d) 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:

	2008	2007
Balance - beginning of year	$ 22,596	$ 19,209
Fair value of options vested	3,560	7,037
Less: amounts related to options exercised	(271)	(3,650)
Less: amounts related to warrants exercised	-	-
Less: amounts related to broker warrants exercised	-	-
Balance – end of year	**$ 25,885**	**$ 22,596**

12. 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:

	2008	2007
Numerator:		
Income (loss) applicable to common shares	$ (457,973)	$ 7,499
Denominator:		
Weighted average common shares outstanding	184,579	177,891
Dilutive effect of stock options	-	1,651
Weighted average common shares outstanding - diluted	184,579	179,542
Basic and diluted income (loss) per common share	$ (2.48)	$ 0.04

Excluded from the calculation of diluted loss per common share are the effects of outstanding options, as the effect on basic loss per share would be anti-dilutive.

13. Capital disclosure

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 shareholders' equity as capital and has financed its exploration efforts through the issuance of shares.

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 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 working capital will be sufficient to carry out its exploration plans through 2010, when a production decision is anticipated. The Company is not subject to externally imposed capital requirements, except as disclosed.

14. Related party transactions

During the year ended December 31, 2008, management and consulting fees of $1,012 thousand (2007 – $1,510 thousand) were paid to companies controlled by certain officers of the Company. Of these fees, $186 thousand (2007 – $230 thousand) were capitalized as additions to mineral properties; $351 thousand (2007 – $580 thousand) were included in administration expense and $475 thousand (2007 – $700 thousand) were included in consulting and professional fees expense.

During the year ended December 31, 2008, the Company charged $70 thousand (2007 – $327 thousand) to Wescan Goldfields Inc. for administration services and rental of equipment. Accounts receivable includes $9 thousand (2007 – $2 thousand) due from Wescan Goldfields Inc.

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.

15. Financial instruments

As at December 31, 2008, the fair value of all of the Company's financial instruments approximates their carrying value. Certain financial instruments are exposed to the following financial risks:

a) Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company's credit risk primarily relates to receivables and its investments in ABCP.

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. By agreement, the participating interest in the joint operations is security against amounts owed. Maximum exposure to credit risk related to the Company's receivables is represented by the carrying amount of $7.6 million (2007 - $4.7 million).

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. At December 31, 2008, the Company also held ABCP with a par value of $19.0 million (carrying value of $14.1 million), as outlined in note 4. The consolidated financial statements of the Company reflect management's best estimate of the fair value of these investments. Maximum exposure to credit risk related to the Company's investments is represented by the carrying amount of $14.1 million (2007 - $17.0 million).

b) 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 forecast future cash flows, to ensure that it will have sufficient liquidity to meet its obligations when due. As at December 31, 2008, the Company had working capital of $23.6 million. Management believes this working capital will be sufficient 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 operations 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 2010, when a production decision is anticipated.

The Company has an agreement in principle for a credit facility against the Company's investment in ABCP, should additional liquidity be required.

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 for these letters of credit. These amounts are recorded as restricted cash.

c) **Foreign currency and interest rate risk**

The Company does not have any significant exposure to foreign currency or interest rate risk, except for limited exposure to interest rate changes on interest bearing assets.

16. Commitments and contingencies

As at December 31, 2008, the Company is committed to operating leases for office space, various equipment and services as follows:

Year	
2009	$ 3,846
2010	434
2011	95
2012	-
2013	-
Thereafter	-
Total	**$ 4,375**

The Company is committed to spend $7.6 million of qualifying Canadian Exploration Expenses as defined by the *Canadian Income Tax Act* prior to December 31, 2009.

As at December 31, 2008, the Company had issued letters of credit totaling $1,807 thousand (2007 – $377 thousand). The facilities are secured by restricted cash.

17. Comparative figures

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

Notes

Directors and 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 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 20th, 2009. Shareholders are encouraged to attend.

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Saskatoon, Saskatchewan

Solicitors
Bennett Jones LLP
Calgary, Alberta

Bank
Canadian Western Bank
Saskatoon, Saskatchewan

Transfer Agent
Valiant Trust Company
Calgary, Alberta

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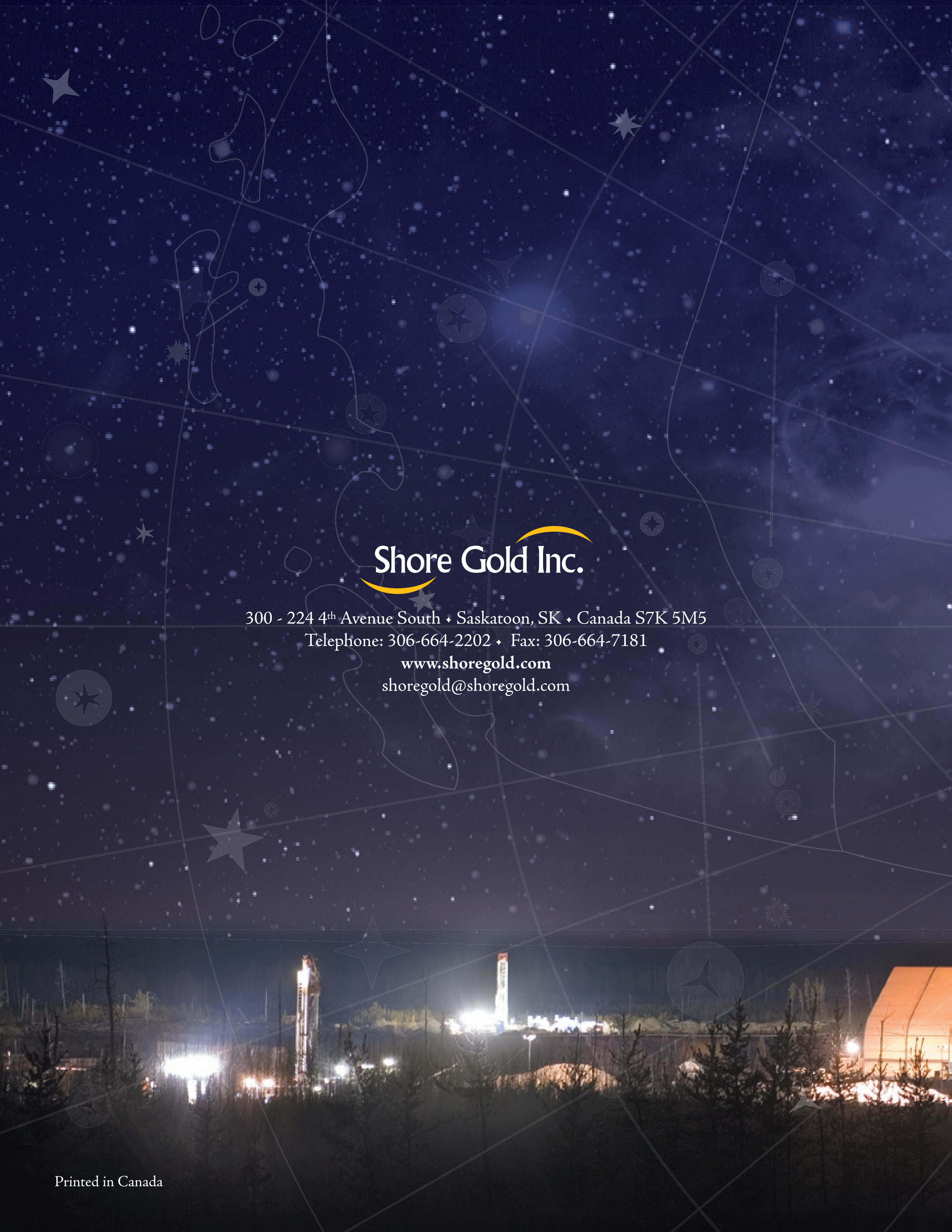

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