Shore Gold Inc.

1st Quarter Report
2007

MANAGEMENT'S DISCUSSION & ANALYSIS
For the quarter ended March 31, 2007

The following Management Discussion and Analysis is prepared as of May 7, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the period ended March 31, 2007. Shore Gold Inc. ("Shore", "SGF", or "the Company") prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless otherwise indicated.

Overview

During the first quarter of 2007, the Company's exploration efforts focused on the Fort à la Corne area of central Saskatchewan on its 100% owned Star Diamond Property and its 60% 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%). The main activities for the Star Diamond Property included the completion of Phase 3 bulk sampling followed by the commencement of the shaft decommissioning. The FALC-JV concentrated on the completion of the twenty-hole large diameter ("LD") drilling program on Orion North as well as bulk sampling on Star West, sample processing and a hydrogeological program to help in the preparation of conceptual mine plans for future feasibility studies and for data collection in support of future environmental impact statements.

Subsequent to March 31, 2007, the Company entered into an agreement that gives it the right to purchase an interest in the Buffalo Hills Project located in northern Alberta (see SGF News Release April 26, 2007). The Buffalo Hills Project area is the third largest known district of significant diamond-bearing kimberlites in Canada after Lac de Gras in the Northwest Territories and Fort à la Corne in Saskatchewan.

Star Diamond Property Advanced Exploration Program

Underground bulk sampling on the Star Diamond Project was successfully completed and the shaft has now been decommissioned (see SGF News Release April 24, 2007). In total, three phases of underground bulk sampling were completed resulting in excess of 70,000 tonnes of kimberlite being recovered. Final kimberlite tonnages and diamond grades from the Star underground bulk sampling will be published as soon as all remaining surface stockpiles of kimberlite have been processed through the on-site dense media separator plant and the diamonds recovered at a third party laboratory.

The fifth set of diamond results from Phase 3 of the underground bulk sampling of the Star Kimberlite were announced in March of 2007 (See SGF News Release March 30, 2007), with diamond recoveries totaling 678.56 carats from 5,443.77 dry tonnes processed. All of these kimberlite batches were recovered from the Pense kimberlite.

Phase of Underground Bulk Sampling	Kimberlite Sampled (Dry tonnes)	Diamonds Recovered (Carats)
Phase 1	25,253	4,049
Phase 2	18,258	3,016
Phase 3 (reported to date)	15,870	2,242
Total (reported to date)	**59,381**	**9,307**

As of May 1, 2007, the two LD drill rigs had returned to the Star Diamond Project to complete the approximate 25 remaining LD holes required to estimate a Mineral Resource as defined by National Instrument 43-101 (see SGF News Release May 1, 2007). The Star Diamond Project's LD drill program had been deferred temporarily while certain LD holes were completed on the FALC-JV Orion Cluster to help define the next phase of work on these bodies.

Shore's on-site processing plant continues to process both bulk and LD drilling samples from the Star and the FALC-JV projects. The concentrates (as recovered from the on-site processing plant) are sent to a third party to process final diamond recoveries. Processing of the samples from the Star LD drilling program has been delayed while the material from the underground samples from the Star Kimberlite and the LD samples from the Orion Kimberlite Cluster are processed. The results of these samples will be released once available.

Once all of the Star Diamond Project programs have been completed and the results have been fully evaluated, a Mineral Resource estimate is expected to be available in early to mid 2008. The work required for converting the Mineral Resource to a Mineral Reserve is expected to be achieved by mid to late 2008.

FALC-JV Property Exploration Program

The primary intent of the FALC-JV program approved by the joint venture partners (Kensington and Newmont) in the fall of 2006 was to provide sufficient evidence to justify and determine the optimum location, and to begin the sinking of a shaft to produce an underground bulk sample from the Orion Cluster of kimberlites. This determination will result in the drilling of a shaft freeze-wall in the overburden which is expected to commence in the second quarter of 2007. Based on this timeline, it is estimated that a shaft would be completed by the third quarter of 2008. In addition to the Orion Cluster work, the 2007 FALC-JV program contains plans to perform core, LD drilling and underground sampling on Star West (for which the underground bulk sampling has now been completed). The mining of the underground samples from Star West was completed on March 24, 2007 and the planned twenty LD drill holes on Orion North were completed on April 2, 2007. In addition, during April of 2007, a four-hole LD drilling program was completed on Orion South (see SGF News Release April 26, 2007).

In late 2006, a tonnage estimate for Orion North of 800-870 million tonnes of kimberlite was released (see SGF News Release November 24, 2006) and more recently a tonnage estimate for Orion South was determined to be 360-400 million tonnes (see SGF News

Release March 2, 2007). Though neither estimate is a Resource or a Reserve, the tonnage estimates are based on the significant core drilling performed to date. The announcements to date bring the total estimate of kimberlite to 1.2 billion tonnes from seven of the sixty known kimberlites on the FALC-JV.

Initial diamond results from the first nine of the twenty LD drill holes at Orion North were announced in April of 2007 (See SGF News Release April 3, 2007). Diamonds totaling 100.03 carats were recovered from the processing of 3,403.65 tonnes of kimberlite from the nine LD holes reported. These preliminary results for Orion North also suggests the presence of significant macrodiamond grades at depth in Orion North, which are similar to the initial results from the first 24-inch LD hole drilled approximately 30 metres from the shaft in the Star Kimberlite during 2001. The limited, widely spaced, small samples from the LD drilling in the five different Early Joli Fou age kimberlite lithologies provides an early indication of the presence of macrodiamonds in Orion North. Diamond results from the remaining eleven LD drill holes of Orion North will be published as soon as they are available.

In April of 2007, a four-hole LD drilling program was completed on Orion South (see SGF News Release April 26, 2007). A total of 1,017.20 metres of drilling was completed with kimberlite intersections totaling 594.71 metres for mini-bulk sample processing. The Orion South LD holes targeted significant intersections (plus 100 metres) of the Pense Kimberlite that accounts for a substantial proportion of Orion South. The previous macrodiamonds recovered to date (from the previous 24 LD drilling holes drilled between 2000 and 2004) were from the Early Joli Fou lithology, requiring further samples to be extracted from the Pense lithology. The Pense lithology has been estimated to make up approximately 30 percent (112-124 million tonnes) of the total 360-400 million tonnes of kimberlite estimated in Orion South.

Buffalo Hills Project

Subsequent to March 31, 2007, Shore and Diamondex Resources Ltd. ("Diamondex") entered into an agreement to give them the right to purchase Ashton Mining of Canada Inc.'s (a wholly owned subsidiary of Stornoway Diamond Corporation) interest in the Buffalo Hills Property in northern Alberta for a total consideration of $17.5 million (see SGF News Release April 26, 2007). The agreement provides that Shore and Diamondex will pay $8.75 million and $6.75 million respectively in cash, with Diamondex paying a further $2.5 million in the form of common shares of Diamondex.

The Buffalo Hills Project is presently a joint venture with Ashton Diamonds Canada Inc. ("Ashton") (a wholly owned subsidiary of Ashton Mining of Canada Inc.), EnCana Corporation and Pure Diamonds Exploration Inc. of which Ashton is the Operator. Under this agreement, Shore and Diamondex have the right to acquire Ashton's approximate 45 percent interest in the project on a 50/50 basis, with an option to increase their collective pro rata interest to 72.5 percent by funding the next $15 million of exploration expenditures before April 30, 2010. The transaction is subject to a 30-day right of first refusal ("ROFR") of the two other joint venture partners with Pure Diamonds Exploration

Inc. already having waived its ROFR. Upon closing, Diamondex will assume operatorship of the project.

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

Financial Highlights

Selected financial information of the Company for the quarters ended March 31, 2007 and 2006 is summarized as follows:

	Three Months Ended March 31, 2007 $	Three Months Ended March 31, 2006 $
Revenues (millions)	1.3	2.1
Net income (loss) (millions)	(4.2)	0.4
Net income (loss) per share [(1)]	(0.02)	0.00
Total assets (millions)	784.7	947.5
Working capital (millions)	105.8	240.5

(1) Basic and diluted.

Results of Operations

For the quarter ended March 31, 2007, the Company recorded a net loss of $4.2 million or $0.02 per share compared to net income of $0.4 million or $0.00 per share for the same period in 2006. The net loss is primarily due to the fair value of stock-based compensation expensed during the quarter ($4.2 million). Without the fair value of stock-based compensation, the Company's revenues would have been equivalent to expenses. The Company generated lower interest income for the first quarter of 2007 compared to the same period in 2006 which was the result of having less cash on hand after spending over $150 million on acquisitions (17.755% acquisition of FALC-JV for $77.1 million) and exploration projects ($78.6 million exploring Star and the FALC-JV) in the Fort à la Corne region during the previous year.

Revenues

The Company invested excess cash reserves in short-term deposits to maximize return while ensuring funds would be available for significant cash outflow requirements associated with the Star Diamond Property and FALC-JV Property. For the quarter ended March 31, 2007 the Company reported interest revenue of $1.3 million as compared to $2.1 million for the quarter ended March 31, 2006. The decreased interest income is the result of a reduced cash position after the acquisition of a portion of the FALC-JV in the fall of 2006 and significant exploration spending throughout the 2006 year.

Expenses

Total operating costs for the quarter ended March 31, 2007 equaled $5.3 million compared to $1.4 million for the quarter ended March 31, 2006. This $3.9 million increase is largely attributed to the fair value of stock-based compensation that was expensed during the first quarter of 2007 ($4.2 million) as compared to the first quarter of 2006 ($0.1 million). Once the effect of accounting for stock-based compensation is removed, the comparison between specific categories of expenses becomes more meaningful. The following discussion related to expense variances removes the affect of stock-based compensation for comparative purposes. Consulting and professional fees decreased by approximately 50% during the quarter to $0.3 million primarily as a result of the legal fees incurred in 2006 associated with defending the claim filed against the Company, and its wholly owned subsidiary, Kensington, by De Beers Canada Inc. Administration and corporate development costs remained relatively unchanged period over period.

Investing

Mineral properties additions totaled $13.5 million this quarter compared to $17.5 million for the quarter ended March 31, 2006. The additions represent approximately $3.6 million on the Star Diamond Property and another $9.9 million on the FALC-JV Property. The expenditures on the Star Property related to components of the advanced exploration study; predominantly the completion of the underground bulk sampling and the ongoing sample processing. The expenditures on the FALC-JV Property primarily related to LD drilling, bulk sampling on Star West, sample processing and the hydrogeological program.

Financing

The exercise of 0.5 million options during the quarter resulted in additional cash flow from financing activities of $1.0 million.

Summary of Quarterly Results

	2007	2006				2005		
	Qtr 1 $	Qtr 4 $	Qtr 3 $	Qtr 2 $	Qtr 1 $	Qtr 4 $	Qtr 3 $	Qtr 2 $
Revenues (1) (millions)	1.3	1.7	3.1	2.6	2.1	1.5	0.8	0.8
Net income (loss) (2) (millions)	(4.2)	(0.8)	(122.7)	45.6	0.4	(5.6)	(1.1)	(0.2)
Net income (loss)/share (3)	(0.02)	0.00	(0.70)	0.26	0.00	(0.05)	(0.01)	(0.00)
Shares outstanding (4) (millions)	177.3	176.8	176.4	176.1	172.6	170.5	101.0	94.4

(1) The increase in revenue in the last three quarters of 2005 and the first three quarters of 2006 is the result of having increased cash balances from the closing of equity financings in the 1st and 4th quarters of 2005. The decline in interest revenue in the 4th quarter of 2006 and 1st quarter of 2007 resulted from a reduction in the Company's investment base after completing the 17.755% FACL-JV acquisition for $77.1 million and incurring significant exploration expenditures throughout 2006.

(2) The 3rd and 4th quarters of 2005 and the 1st quarter of 2007 saw increases in operating costs primarily associated with the fair value of stock-based compensation granted during the respective quarters. Interest revenue from cash reserves generated earnings from operations in the 1st and 2nd quarters of 2006. The 2nd quarter of 2006 had significant income as a result of a future income tax recovery after the federal and provincial governments enacted reduced corporate income tax rates. In the 3rd quarter of 2006, the Company disposed of a 40% interest in a mineral property which resulted in a loss of $124.5 million net of a $55.9 million income tax recovery.

(3) Basic and diluted.

(4) To culminate the merger between the Company and Kensington, the Company issued an aggregate of 51.7 million common shares, representing 0.64 common shares for each issued and outstanding common share of Kensington to the former shareholders of Kensington as at October 28, 2005. The Company completed its second public offering of 2005 by issuing 17.2 million common shares on November 29, 2005. Newmont participated in this financing to retain their 9.9% interest in the Company. Other changes in the number of shares outstanding are the result of warrant and option exercises.

Related Party Transactions

During the quarter ended March 31, 2007, management and consulting fees of $284 thousand (2006 – $189 thousand) were paid to directors, officers and companies controlled by common directors; $39 thousand (2006 - $44 thousand) of these fees was capitalized as additions to mineral properties; $114 thousand (2006 - $80 thousand) was included as administration expense and $131 thousand (2006 - $65 thousand) was included as consulting and professional fees expense. The fair value of stock-based compensation related to directors and officers of the Company was $4.4 million (2006 - $0).

During the quarter, the Company charged $112 thousand (2006 - $97 thousand) to Wescan Goldfields Inc. for rent of office space, administration services, and rental of equipment.

Accounts receivable includes $29 thousand due from Wescan Goldfields Inc. (2006 - $92 thousand).

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

Liquidity

The Company does not currently operate any producing properties and, as such, is dependent upon the issuance of new equity to finance its ongoing obligations and advance its exploration properties. The Company's working capital at March 31, 2007 was $105.8 million. The 2007 exploration budget for the Star Kimberlite Property is $29.9 million and the FALC-JV Property budget is $46.2 million of which Shore, through Kensington, will fund $27.7 million. Based on these 2007 expenditure budgets and the recently announced Buffalo Hills Property acquisition, the Company will have approximately $56 million in cash and short-term investments to fund further activities after 2007. Until the Company's surplus cash is required to fund exploration or development activities it is being invested in relatively risk-free, short-term instruments. The Company currently has the financial resources to complete a bankable feasibility study of the Star Kimberlite Property by the end of 2008. If a bankable feasibility study were to be successful, additional capital resources would be required to begin construction and development of a commercial diamond mine.

Capital Resources and Outstanding Share Data

As at March 31, 2007, the Company had working capital of $105.8 million as compared to $118.1 million at December 31, 2006 and $240.5 million at March 31, 2006. At March 31, 2007 the Company had 177,261,460 shares issued and outstanding compared to 172,620,840 at March 31, 2006.

As at May 7, 2007, the Company had a total of 177,271,460 common shares issued and outstanding and a further 6,931,360 options outstanding at a weighted average exercise price of $4.79. Approximately 5 million of these options are currently in-the-money and would add an additional $21 million to the Company's capital if they were exercised.

Critical Accounting Estimates

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

A critical accounting estimate in determining the Company's financial results relates to the recoverability of the carried amounts of mineral properties. Management assesses carrying values of non-producing properties each time it issues financial statements and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed. The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to establish the existence of reserves and to complete the development of such reserves and the success of future operations. As at March 31, 2007, the Company has not yet determined whether any of its mineral properties contain economically recoverable reserves.

Accounting Changes

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

Disclosure Controls and Procedures

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

Outlook

As at May 7, 2007, the Company had approximately $100 million in cash and cash equivalents and short-term investments. These funds will be used to complete the advanced exploration program on the Star Kimberlite Property, to fund the Company's portion of the FALC-JV exploration programs and to finance the proposed Buffalo Hills acquisition. The advanced exploration program of the Star Kimberlite Property will be conducted in order to determine the project's viability under current economic conditions. This will entail the collection of additional exploration information, such as geological, geotechnical, geometallurgical, geochemical, assaying and other relevant information to delineate and define the Star Kimberlite, with a sufficient level of confidence, to estimate a Mineral Resource conforming to National Instrument 43-101 and Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards. Based on current timelines the Company anticipates a Mineral Resource estimate to be defined by early to mid 2008, followed by a Mineral Reserve and a bankable feasibility study. The FALC-JV has similar objectives; however, based on the stage of current exploration programs a Mineral Resource estimate would not likely be available until approximately 2010 or later. Should the closing of the Buffalo Hills acquisition proceed as planned, a meeting of the joint venture participants will occur in the not too distant future to set exploration plans for this project.

Caution regarding Forward-looking Information

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

All forward-looking statements and information are based on Shore's current beliefs as well as assumptions made by and information currently available to Shore concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration, development and mining activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, developments in world diamond markets, changes in diamond valuations, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of Shore or its joint venture partners; the effects of competition in the markets in which Shore operates; the impact of changes in the laws and regulations regulating mining exploration and development; judicial or regulatory judgments and legal proceedings; operational and infrastructure risks and the additional risks described in Shore's most recently filed Annual Information Form, annual and interim MD&A and short form prospectus, and Shore's anticipation of and success in managing the foregoing risks.

Shore cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Shore, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Shore does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by Shore or on our behalf.

Additional Information

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

SHORE GOLD INC.
Unaudited Interim Consolidated Financial Statements

For the Three-Month Period Ended
March 31, 2007

Notice to Reader

Management has compiled the unaudited consolidated financial statements of Shore Gold Inc. for the three-month period ended March 31, 2007 (along with the comparative interim period in 2006). The Corporation's external auditors have not reviewed these statements.

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

	March 31, 2007 (in thousands)	December 31, 2006 (in thousands)
Assets		
Current assets:		
Cash and cash equivalents	$ 72,890	$ 64,683
Short-term investments	31,954	56,827
Receivables	7,742	8,324
Prepaids	398	153
	112,984	129,987
Mineral properties (note 3)	667,763	653,538
Investment in Wescan Goldfields Inc. (note 4)	2,498	2,537
Property and equipment	1,491	1,478
	$ 784,736	$ 787,540
Liabilities & Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,076	$ 11,713
Current portion of asset retirement obligations	158	158
	7,234	11,871
Asset retirement obligations	299	293
Future income tax liability	117,394	117,309
Shareholders' equity:		
Share capital (note 5)	736,347	733,467
Contributed surplus (note 5)	22,239	19,209
Deficit	(98,777)	(94,609)
	659,809	658,067
	$ 784,736	$ 787,540

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

	Three Months Ended March 31, 2007 (in thousands)	Three Months Ended March 31, 2006 (in thousands)
Revenue		
Interest and other income	$ 1,304	$ 2,120
Expenses		
Administration	3,484	679
Consulting & professional fees	1,644	549
Corporate development	166	168
Amortization and accretion	54	65
	5,348	1,461
Income (loss) before the undernoted items	(4,044)	659
Income (loss) from Wescan Goldfields Inc.	(39)	65
Net income (loss) before income taxes	(4,083)	724
Income tax expense	(85)	(320)
Net and comprehensive income (loss)	(4,168)	404
Deficit, beginning of period	(94,609)	(17,145)
Deficit, end of period	$ (98,777)	$ (16,741)
Net loss per share		
Basic and diluted	(0.02)	0.00
Weighted average number of shares outstanding (000's)	176,607	171,528

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

	Three Months Ended March 31, 2007 (in thousands)	Three Months Ended March 31, 2006 (in thousands)
Cash provided by (used in):		
Operations:		
Net income (loss)	$ (4,168)	$ 404
Non-cash items:		
Amortization and accretion	54	65
Share of loss (income) in Wescan Goldfields Inc.	39	(65)
Fair value of stock options expensed (note 5)	4,212	90
Future income tax expense	85	320
Net change in non-cash operating working capital items:		
Prepaids	(245)	286
Receivables	354	-
Accounts payables and accrued liabilities	(537)	115
	(206)	1,215
Investing:		
Mineral properties	(13,529)	(17,533)
Property and equipment	(62)	(92)
Disposal of short-term investments	24,873	-
Net change in non-cash investing working capital items:		
Receivables	228	2,590
Accounts payables and accrued liabilities	(4,100)	(5,032)
	7,410	(20,067)
Financing:		
Issue of common shares (net of issue costs)	1,003	4,695
	1,003	4,695
Increase (decrease) in cash and cash equivalents	8,207	(14,157)
Cash and cash equivalents, beginning of period	64,683	261,677
Cash and cash equivalents, end of period	$ 72,890	$ 247,520

SHORE GOLD INC.
(A Development Stage Entity)

Notes to Consolidated Financial Statements (for the three-month period ended March 31, 2007)

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. General

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

On January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ("CICA") handbook sections relating to Financial Instruments – Recognition and Measurement and Comprehensive Income. The adoption of these sections had no impact on the Company's financial statements. The fair market value of the Company's financial assets and liabilities approximates the carrying amount as a result of the short-term nature of the instruments. The Company has not entered into any hedging relationships and does not hold any available for sale securities that would result in the recognition of other comprehensive income or loss.

3. Mineral properties

Mineral properties for the three-month period ended March 31, 2007 is made up of the following:

	Star Property	Fort à la Corne Property	Other Diamond Properties	Total
	(in thousands)			
Balance - December 31, 2006	$ 131,832	$ 521,603	$ 103	$ 653,538
Expenditures during 2007				
Acquisition & staking	2	-	-	2
Loss on disposal of property interest	-	-	-	-
Exploration:				
Equipment	(239)	27	-	(212)
Personnel	3,033	363	-	3,396
Recording fees & permits	-	-	-	-
Drilling/Advanced exploration program	1,378	9,358	-	10,736
Geophysical	-	33	-	33
Sampling/assaying	69	16	-	85
Travel	61	124	-	185
Balance – March 31, 2007	$136,136	$531,524	$ 103	$667,763

4. Investment in Wescan Goldfields Inc.

The Company accounts for its 19.4% investment in Wescan Goldfields Inc. ("Wescan") on an equity basis. Wescan is publicly traded on the TSX Venture exchange.

At March 31, 2007, Shore and its wholly owned subsidiaries held 11,474,086 (2006 – 8,474,086) shares and 1.5 million share purchase warrants of Wescan. Each full warrant is exercisable at $0.45 per warrant and will expire on December 19, 2007. The market value of the Company's equity interest in Wescan at March 31, 2007 is $5,000,000 (2006 - $6,500,000).

5. Share capital

Authorized

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

Issued and outstanding (in thousands)

	Common Shares	Amount
Balance - December 31, 2006	176,762	$ 733,467
Options exercised (a)	499	2,880
Balance - March 31, 2007	177,261	$ 736,347

a) Share option plan

The Company has established a share option plan whereby options may be granted to directors, officers, consultants and employees to purchase common shares of the Company. As at March 31, 2007, the number of shares reserved under the plan is 11,762,320. Options granted have an exercise price of not less than the closing price quoted on the Toronto Stock Exchange for the common shares of Shore on the trading day prior to the date on which the option is granted. Certain options vest immediately while others vest six to twelve months after grant date and have expiration dates of 5 years from the date of the grant of the options.

The fair value of stock options issued in the three-month period was estimated using the Black-Scholes option-pricing model with the following assumptions: 5 year weighted average expected option life, no expected forfeiture rate, dividend yield of 0.0%, a volatility factor ranging from 56.7% to 56.9% (2006 – 63.1%) and a risk free rate ranging from 3.94% to 4.02% (2006 – 4.50%). During the quarter ended March 31, 2007, the Company granted 1,670,000 (2006 – 20,000) options to officers, directors, consultants and employees at an average strike price of $6.21 (2006 - $7.90). The fair value in respect of stock options granted for the quarter ended March 31, 2007 was $5,455,549 (2006 – $90,472). The amount that vested during the quarter was $4,907,433 (2006 - $90,472). Of this amount $695,774 (2006 – $0) was capitalized as an addition to mineral properties and $4,211,659 (2006 – $90,472) was expensed.

For options outstanding at March 31, 2007, weighted average exercise prices are as follows:

	Options	Average Price
Balance – December 31, 2006	5,730,360	$4.12
Granted	1,670,000	6.21
Exercised	(499,000)	2.01
Expired	(10,000)	6.30
Balance – March 31, 2007	6,891,360	$4.78

The options expire between the dates of July 2007 to February 2012.

b) Contributed surplus

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

	(in thousands)
Balance – December 31, 2006	$ 19,209
Fair value of options vested	4,907
Less: amounts related to options exercised	(1,877)
Balance – March 31, 2007	$ 22,239

6. Related party transactions

During the three-month period ended March 31, 2007, management and consulting fees of $284,375 (2006 - $189,001) were paid to directors, officers and companies controlled by common directors; $39,250 (2006 - $44,400) of these fees was capitalized as additions to mineral properties; $113,750 (2006 - $79,651) was included as administration expense and $131,375 (2006 - $64,950) was included as consulting and professional fees expense. The fair value of stock-based compensation related to directors and officers of the Company for the three-month period ended March 31, 2007 was $4,391,010 (2006 - $0).

During the three-month period ended March 31, 2007, the Company charged $112,054 (2006 - $97,322) to Wescan Goldfields Inc. for rent of office space, administration services, and rental of equipment. Accounts receivable includes $29,100 due from Wescan Goldfields Inc. (2006 - $92,120).

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

7. Subsequent event

On April 26, 2007, Shore and Diamondex Resources Ltd. ("Diamondex") announced that they had entered into an agreement with Ashton Mining of Canada Inc. ("Ashton") to purchase Ashton's approximate 45% interest in the Buffalo Hills property in north central Alberta for total consideration of $17.5 million (Shore's share is $8.75 million). The transaction is subject to several conditions including a thirty-day right of first refusal of the two other joint venture partners. Upon closing, Diamondex will assume operatorship of the project and Shore and Diamondex will have the option to increase their collective interest to 72.5% by funding the next $15 million of exploration expenditures before April 30, 2010.

SHORE GOLD INC.
CORPORATE INFORMATION

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Harvey J. Bay – C.O.O., C.F.O.
Garnet M. Schulhauser – Corporate Secretary
George H. Read – Senior Vice President Exploration and Development
Pieter I. Du Plessis – Vice President Exploration

Solicitors
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Calgary, Alberta

Auditors
KPMG LLP
Saskatoon, Saskatchewan

Bank
Canadian Western Bank
Saskatoon, Saskatchewan

Exchange Listing
TSX
177,271,460 common shares issued and outstanding as at May 7, 2006

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SGF

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