Shore Gold Inc.

3rd Quarter Report
2009

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")
For the quarter ended September 30, 2009

The following discussion and analysis is prepared by management as of November 5, 2009 and should be read in conjunction with the unaudited consolidated financial statements for the period ended September 30, 2009, as well as the audited consolidated financial statements and annual MD&A for the year ended December 31, 2008 available on SEDAR at www.sedar.com. Shore Gold Inc. ("Shore", "SGF", or "the Company") prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless otherwise indicated.

Overview

During the third quarter of 2009, the Company remained focused on the Fort à la Corne ("FALC") area of central Saskatchewan. The third quarter's activities were divided between the completion of the pre-feasibility study ("PFS") and Mineral Reserve estimate on the Star Diamond Project ("Star") as well as the completion of the Mineral Resource estimate for the explored portion of Orion South ("OS"). OS is part of the Fort à la Corne Joint Venture ("FALC-JV"), of which Shore has a 60 percent interest. The FALC-JV partners are Kensington Resources Ltd. ("Kensington"), a wholly owned subsidiary of Shore, and Newmont Mining Corporation of Canada Limited ("Newmont") (40 percent). The Star Mineral Reserve and the OS Mineral Resource conform to National Instrument ("NI") 43-101 and Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards.

Star Diamond Project

During the quarter, the Company announced the positive results of the PFS and Reserve estimate on Star (See SGF News Release August 27, 2009). The Mineral Reserve estimate, as prepared by independent Qualified Persons from P&E Mining Consultants Inc. ("P&E"), includes Probable Mineral Reserves of 171 million tonnes at a grade of 12 carats per hundred tonnes ("cpht") containing 20 million carats. Shore commissioned the PFS, NI 43-101 compliant Mineral Reserve estimate and related Technical Report for Star (which includes Star West, that portion of the Star Kimberlite that falls within the FALC-JV) and, as such, the PFS and Technical Report are the sole responsibility of Shore. The Technical Report that documents the PFS and Mineral Reserve estimate can be viewed on the Company's website (www.shoregold.com) or on SEDAR (www.sedar.com).

The current PFS pit design includes the mining of approximately 26 million tonnes of kimberlite in the Inferred resource category containing some 3 million carats; however, the financial model does not recognize any revenue associated with the recovery of these additional carats as insufficient exploration work was carried out to move these into the reserve category.

An additional 60 to 70 million tonnes of kimberlite designated as a 'potential mineral deposit' by Shore are not included in the current PFS pit design, which defines the mineral reserves and resources in the Star Kimberlite. These additional tonnes are conceptual in nature, and are not a resource estimate and it is uncertain if additional exploration work would lead to the tonnes presently included in the 'potential mineral deposit' being upgraded to a resource category. This potential kimberlite mineral deposit cannot be relied upon when considering any project economics.

The Company announced that a Letter Agreement has been signed between Shore and the Saskatchewan Power Corporation ("SaskPower") to provide planning services for a potential electrical power supply to Star (See SGF News Release September 30, 2009). Specifically, Shore requires SaskPower to carry out the preliminary engineering and environmental studies required to identify preferred routing options for the location of power lines to connect Star to the SaskPower transmission system in order for SaskPower to serve Shore's future anticipated power requirements.

FALC-JV Programs

During the quarter, the Company announced the completion of the Mineral Resource estimate for the explored portion of OS, which is located at the southern end of the Orion Kimberlite Cluster within the FALC-JV (See SGF News Release September 10, 2009). The Mineral Resource estimate, as prepared by independent Qualified Persons from P&E, includes Indicated Resources of 83.8 million tonnes at a grade of 13.8 cpht for a total of approximately 11.6 million carats and Inferred Resources of 98.0 million tonnes at a grade of 12.8 cpht for a total of approximately 12.6 million carats.

Shore commissioned the Mineral Resource estimate for OS pursuant to its obligation under NI 43-101 to prepare and file a Technical Report. The Technical Report is the sole responsibility of Shore and can be viewed on the Company's website (www.shoregold.com) or on SEDAR (www.sedar.com).

The lower proportion of Indicated Resources of overall tonnes reported at OS, when compared to Star, is due to a significantly smaller underground bulk sample completed on OS (23,468 tonnes from OS versus 75,436 tonnes from Star) and a smaller large diameter ("LD") drilling program at OS (62 holes on OS versus 96 holes on Star).

In addition to the Mineral Resource estimate, a further 90 to 100 million tonnes of OS is designated a 'potential mineral deposit' by Shore, as detailed core logging, whole rock geochemistry, geophysical and density measurements confirm the geological continuity of kimberlite material from the Inferred Resource into this part of the kimberlite, which is contained within the 333 million tonnes originally defined in the geological model for OS

(Shore News Release October 21, 2008). The 90 to 100 million tonne 'potential mineral deposit' is conceptual in nature and is not a resource estimate. It is uncertain if additional exploration work will lead to the kimberlite presently included in the 'potential mineral deposit' being upgraded to a resource category.

The OS Mineral Resource estimate proves the potential of the FALC-JV to contain diamondiferous kimberlites of substantial value. This Mineral Resource estimate, when jointly evaluated with the Star Mineral Reserve estimate, has the potential to significantly enhance the economics of a diamond mine within the Fort à la Corne area of central Saskatchewan.

A PFS on the combined Star and OS Diamond Project is currently underway with results to be released as soon as available.

Financial Highlights

Selected financial information of the Company for the quarters ended September 30, 2009 and 2008 is summarized as follows:

	Three Months Ended September 30, 2009 $	Three Months Ended September 30, 2008 $	Nine Months Ended September 30, 2009 $	Nine Months Ended September 30, 2008 $
Revenues (millions)	-	0.3	0.1	1.4
Net and comprehensive loss (millions)	1.3	0.8	7.4	5.8
Net loss per share (1)	0.01	0.00	0.04	0.03
Total assets (millions)	245.7	814.5	245.7	814.5
Working capital (millions)	16.3	27.3	16.3	27.3

(1) Basic and diluted.

Results of Operations

For the quarter ended September 30, 2009, the Company recorded a net loss of $1.3 million or $0.01 per share compared to a net loss of $0.8 million or $0.00 per share for the same period in 2008. The losses for the quarters ended September 30, 2009 and September 30, 2008 were due to ongoing operating costs incurred by the Company exceeding interest revenue earned on cash and cash equivalents and short-term investments.

Revenues

The Company invests excess cash reserves in short-term deposits to ensure funds are available for cash outflow requirements associated with the Company's pre-feasibility studies and exploration projects. These investments generate interest income. For the quarter ended September 30, 2009 the Company reported interest and other revenue of $21 thousand as compared to $307 thousand for the quarter ended September 30, 2008.

This decrease in interest revenue from the quarter ended September 30, 2008 was a result of falling interest rates and from a reduction in the Company's cash and cash equivalents after incurring ongoing exploration expenditures on the Fort à la Corne and Buffalo Hills projects.

Expenses

Total operating costs for the quarter ended September 30, 2009 were $1.4 million, compared to $1.3 million for the quarter ended September 30, 2008. This increase of $0.1 million was primarily due to a higher proportion of operating costs being borne by Shore as a result of Newmont's decision to not fully participate in the FALC-JV work programs during 2009.

Investing

Additions to mineral properties totaled $1.2 million for the quarter ended September 30, 2009 compared to $12.8 million for the quarter ended September 30, 2008. The additions represent approximately $0.6 million on Star and $0.6 million on the FALC-JV programs. The main activities were the completion of the Mineral Reserve for Star (including Star West) and for the completion of the Mineral Resource on the FALC-JV's OS Property.

Financing

The exercise of 0.3 million options during the quarter resulted in additional cash flow from financing activities of $0.1 million.

Year to Date

Results of Operations

For the nine-month period ended September 30, 2009, the Company recorded a net loss of $7.4 million or $0.04 per share compared to a net loss of $5.8 million or $0.03 per share for the same period in 2008. Contributing to the loss during the nine-month period ended September 30, 2009 was the $6.3 million write-down of exploration expenditures incurred by the Company on certain of its mineral properties, the fair value of stock-based compensation expensed ($0.5 million), and the $0.4 million impairment in fair value of long-term investments held by the Company. For the nine-month period ended September 30, 2009 the Company reported interest and other revenue of $0.1 million compared to $1.4 million for the nine-month period ended September 30, 2008. This $1.3 million decrease in revenue from the nine-month period ended September 30, 2008 was from a reduction in the Company's cash and cash equivalents after incurring ongoing exploration expenditures on the Fort à la Corne and Buffalo Hills projects and from lower interest earned by the Company as a result of falling interest rates. The net loss for the comparative period in 2008 was primarily due to the fair value of stock-based compensation expensed ($2.7 million) as well as the $2.0 million impairment in fair value of the asset-backed commercial paper ("ABCP").

Revenues

The Company invests excess cash reserves in short-term deposits to ensure funds are available for cash outflow requirements associated with the Company's pre-feasibility studies and exploration projects. For the nine-month period ended September 30, 2009 the Company reported interest and other revenue of $0.1 million compared to $1.4 million for the nine-month period ended September 30, 2008. This decrease in revenue from the nine-month period ended September 30, 2008 was from lower interest earned by the Company as a result of falling interest rates and from a reduction in the Company's cash and cash equivalents after incurring ongoing exploration expenditures on the Fort à la Corne and Buffalo Hills projects.

Expenses

Total operating costs for the nine-month period ended September 30, 2009 were $4.2 million compared to $5.9 million for the same period ended September 30, 2008. This $1.7 million decrease is largely attributed to the fair value of stock-based compensation that was expensed during the nine-month period ended September 30, 2009 ($0.5 million) as compared to the same period in 2008 ($2.7 million). Once the effect of accounting for stock-based compensation is removed, the comparison between specific categories of expenses becomes more meaningful. The following discussion related to expense variances removes the effect of stock-based compensation for comparative purposes. Total operating costs for the Company during the nine-month period ended September 30, 2009 were $3.7 million compared to $3.2 million for the nine-month period ended September 30, 2008. This $0.5 million increase was primarily due to a higher proportion of operating costs being borne by Shore as a result of Newmont's decision to not fully participate in the FALC-JV work programs during 2009.

Write-down of mineral properties

Due to the current economic crisis, the Company's share price, as with many other exploration companies, remains significantly below mid-2008 levels. This decline resulted in the Company assessing impairments on certain of its mineral properties at December 31, 2008, March 31, 2009 and June 30, 2009. As circumstances have not significantly changed, a similar assessment was performed for the period ending September 30, 2009.

The Company applies undiscounted future cash flow methodologies as an initial step in assessing impairment. For the nine-month period ended September 30, 2009, an independent estimate of reserves or resources for the Star Property and the Star West property (the portion of the Star Kimberlite within the FALC-JV) was available to perform this initial step. Based on this analysis, the Company did not adjust the carrying value of the Star Property or the Star West Property for the nine-month period ended September 30, 2009.

As a Mineral Resource estimate for OS (a component of the FALC-JV) was completed during the quarter ending September 30, 2009, the Company was unable to perform the initial step in assessing impairment prior to this period. As a result, prior to the completion of the Mineral Resource estimate, the Company wrote down $6.1 million of expenditures that were incurred on this mineral property during the year. Since a basis for assessing impairment was available, exploration expenditures of $0.6 million on OS were capitalized during the quarter ended September 30, 2009.

For all other mineral properties, during the nine-month period ended September 30, 2009, the Company was unable to apply undiscounted future cash flow methodologies as an initial step in assessing impairment. As a result, the Company wrote down $0.2 million for the nine-month period ended September 30, 2009.

Change in fair value of long-term investments

At September 30, 2009 the Company held floating rate notes (collectively, the "Notes") with a total par value of $14.3 million. The Notes were received in January 2009 upon the restructuring of the ABCP. The $14.3 million total par value is net of the $4.4 million principal payment that was received by the Company during the quarter ended June 30, 2009. Since there is currently no active market for these Notes, the fair value was determined by the Company using a discounted cash flow approach which considered available information regarding the credit risk attributable to the underlying assets, relevant market interest rates, and the expected amount and timing of principal and interest payments.

For the nine-month period ended September 30, 2009, the fair value of the Company's Notes were reduced by $0.4 million compared to a fair value reduction of $2.0 million for the nine-month period ended September 30, 2008.

Investing

Additions to mineral properties totaled $8.9 million for the nine-month period ended September 30, 2009 (excluding $6.3 million in write-downs) compared to $36.9 million for the nine-month period ended September 30, 2008. The 2009 additions represented approximately $1.4 million on Star, $7.3 million on the FALC-JV Project and $0.2 million on other properties. The main activities for Star were the ongoing desk-top engineering studies and data analysis required to convert the Mineral Resource to a Mineral Reserve and the completion of the pre-feasibility study. The expenditures on the FALC-JV programs primarily related to underground bulk sampling, LD drilling, sample processing, diamond analyses and consulting costs to complete the Mineral Resource estimate for OS.

Financing

The exercise of 0.3 million options during the nine-month period ended September 30, 2009 resulted in additional cash flow from financing activities of $0.1 million.

Summary of Quarterly Results

	2009			2008				2007
	Qtr 3 $	Qtr 2 $	Qtr 1 $	Qtr 4 $	Qtr 3 $	Qtr 2 $	Qtr 1 $	Qtr 4 $
Revenues [(1)] ($millions)	**-**	-	0.1	0.2	0.3	0.4	0.7	0.6
Net income (loss) [(2)] ($millions)	**(1.3)**	(2.2)	(3.9)	(452.2)	(0.8)	(2.8)	(2.2)	12.4
Net income (loss)/share [(3)] ($)	**(0.01)**	(0.01)	(0.02)	(2.45)	(0.00)	(0.02)	(0.01)	0.06
Shares outstanding [(4)] (millions)	**200.2**	199.9	199.9	199.9	183.2	183.2	182.7	182.7

(1) The trend of declining interest revenue from the first quarter of 2008 to the third quarter of 2009 resulted from a reduction in the Company's cash and cash equivalents after incurring exploration expenditures throughout the periods, the ABCP not earning interest during 2008 and lower interest earned by the Company as a result of falling interest rates.

(2) The net losses during the third quarters of 2009 and 2008 were primarily related to ongoing operating costs incurred by the Company exceeding interest revenue earned. The net losses during the first and second quarters of 2009 and the fourth quarter of 2008 were primarily related to the write-down of certain mineral properties held by the Company. The net loss during the second quarter of 2008 primarily related to changes in the fair value of the Company's ABCP. The first quarter of 2008 saw increases in operating costs primarily associated with the fair value of stock-based compensation granted during that quarter. The fourth quarter of 2007 had net income as a result of a reduction of future income tax liabilities after the federal government substantively enacted reduced corporate income tax rates.

(3) Basic and diluted.

(4) The Company completed a private placement financing on November 24, 2008 resulting in the issuance of 16.67 million flow-through common shares from treasury. Other changes in the number of shares outstanding are the result of option exercises in the respective periods.

Related Party Transactions

Messrs. Kenneth E. MacNeill (President and Chief Executive Officer), Harvey J. Bay (Chief Financial Officer and Chief Operating Officer), George H. Read (Senior Vice-President of Exploration and Development) and Pieter Du Plessis (Vice-President of Exploration), through their respective consulting companies, hold management and consulting contracts with the Company. During the three-month period ended September 30, 2009, Messrs. MacNeill, Bay, Read and Du Plessis's monthly contracted fees were $30 thousand (2008 – $30 thousand), $23 thousand (2008 – $23 thousand), $18 thousand (2008 – $18 thousand), and $16 thousand (2008 – $16 thousand), respectively. During the nine-month period ended September 30, 2009, management and consulting fees of $0.8 million were paid to companies controlled by these officers, compared to $0.8 million for the same period in 2008. Of these fees, $0.1 million (2008 – $0.1 million) were capitalized as additions to mineral properties; $0.3 million (2008 – $0.3 million) were included in administration expense and $0.4 million (2008 – $0.4 million) were included in consulting and professional fees expense.

During the three-month period ended September 30, 2009, consulting fees of $50 thousand (2008 – $nil) were paid to a company controlled by Mr. Menell, a Director of the Company.

During the nine-month period ended September 30, 2009, the Company charged $32 thousand (2008 – $49 thousand) to Wescan Goldfields Inc. for administration services.

Accounts receivable includes $8 thousand (2008 – $10 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. The Company expects its current capital resources will be sufficient to carry out its feasibility, pre-feasibility and exploration plans through 2010.

At September 30, 2009 the Company had $16.5 million in cash and cash equivalents and short-term investments. In addition, the Company held $14.3 million in long-term Notes ($8.4 million carrying value), the liquidity of which is limited. Since there is currently no active market for the remaining Notes, the timing and amount ultimately recovered by the Company may differ materially from this fair value estimate.

The Company recently announced the completion of a private placement of 14.3 million Common Shares and 10.0 million Flow-Through Common Shares of the Company for gross proceeds of $27.5 million, of which $12.5 million will be used by Shore to incur Canadian exploration expenses prior to December 31, 2010 (See SGF News Release October 13, 2009).

Capital Resources and Outstanding Share Data

As at September 30, 2009, the Company had working capital of $16.3 million as compared to $27.3 million at September 30, 2008. This does not include the Company's $14.3 million in floating rate Notes (2008 – $18.7 million in ABCP) or the $27.5 million in gross proceeds from the private placement completed in October 2009. Working capital of the Company will be sufficient for meeting the Company's remaining 2009 budget requirements. Shore's current cash position will ensure the Company's financial stability through 2010.

At September 30, 2009 the Company had 200,154,242 shares issued and outstanding compared to 183,234,242 at September 30, 2008.

As at November 5, 2009, the Company had a total of 224,454,242 common shares issued and outstanding and 9,640,560 options outstanding at a weighted average exercise price of $3.24. Approximately 3.4 million of these options are currently in-the-money and would add an additional $1.0 million to the Company's capital if exercised.

Financial Instruments

As at September 30, 2009, 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:

<u>Credit risk</u>
Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company's credit risk primarily relates to its investments in Notes which were received in exchange for the Company's investment in ABCP.

At September 30, 2009, the Company held Notes with a par value of $14.3 million (carrying value of $8.4 million), as outlined in the Company's consolidated financial statements. The consolidated financial statements of the Company reflect management's best estimate of the fair value of these investments. The amount and timing of future cash flows received by the Company may differ materially from this estimate. Due to the nature of certain Notes which are not backed by traditional securitized assets (a significant component is comprised of collateral debt obligations), credit risk could potentially be significant. However, as part of the restructuring, certain financial institutions and stakeholders, as well as the governments of Canada, Ontario, Quebec and Alberta, have provided margin funding facilities that significantly reduce the risk of credit default on these investments. The maximum exposure to credit risk related to the Company's investments at September 30, 2009 is represented by the carrying amount of $8.4 million.

<u>Liquidity risk</u>
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing this risk is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due. As at September 30, 2009, the Company had working capital of $16.3 million. Based on current budgets and exploration plans, management believes this working capital will be sufficient to meet financial obligations as they fall due.

Critical Accounting Estimates

Shore's consolidated financial statements are prepared in conformity with Canadian GAAP. The Company's accounting policies are described in note 2 to the annual 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.

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. 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. As at September 30, 2009, the Company has obtained sufficient information on Star (including Star West) and OS to estimate future cash flows. This information has been used in the Company's assessment of impairment during the quarter ended September 30, 2009.

Accounting Changes

Goodwill and Other Intangible Assets

Effective January 1, 2009, the Company adopted a CICA handbook section relating to goodwill and intangible assets, which replaced previous 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. Adoption of this standard did not have any impact on the Company's consolidated financial statements.

Mining Exploration Costs (Emerging Issues Committee Abstract 174)

In March 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 174, "Mining Exploration Costs". The EIC provides guidance on the accounting and the impairment review of exploration costs. This abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The adoption of this new accounting policy did not have any impact on 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.

The initial scoping phase was completed by the Company in 2008. The Company 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 retirement 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. As well, the Company's external auditors have validated the areas of most significance to the Company regarding the differences between Canadian GAAP and IFRS.

Management has not yet completed its quantification of the effects of adopting IFRS, however the detailed evaluation phase is underway. 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.

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, are responsible for establishing and maintaining disclosure controls and procedures and have caused these to be designed to provide reasonable assurance that material information is made known to management, particularly during the period in which the interim filings are being prepared; and information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in securities legislation.

There have been no significant changes in the Company's disclosure controls during the quarter ended September 30, 2009 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 controls over financial reporting. Any system of internal controls 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 designed the Company's internal controls over financial reporting as of the end of the period covered by the interim filings so that the internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no significant changes to internal controls over financial reporting during the quarter ended September 30, 2009 that could have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Outlook

As of November 5, 2009, the Company had approximately $41.6 million in cash and cash equivalents and short-term investments. These funds will be used to complete the PFS on the combined Star and OS Diamond Project and, thereafter, the detailed feasibility study on the combined Star and OS Diamond Project. These funds will also be used to complete planned exploration programs on the Buffalo Hills Joint Venture 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.

A PFS on the combined Star and OS Diamond project is currently underway with results to be released as soon as available.

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's stage of development progresses.

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 pre-feasibility or exploration stage. 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.

As at September 30, 2009, the Company has determined that Star (including Star West) has established reserves. The estimation of reserves is a subjective process and is subject to a final feasibility study. Current forecasts are based on engineering data, projected future rates of production and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. Reserve estimates may be revised based on the results of future drilling, testing or production levels and changes in mine design. In addition, factors including but not limited to market fluctuations in the price of diamonds, changes in foreign exchange rates or estimated recoverable grade from Star may render the mining of ore reserves uneconomical.

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 Province of Saskatchewan, who are the Company's "Qualified Persons" under the definition of NI 43-101.

Caution regarding Forward-looking Statements

This MD&A may contain forward-looking statements as defined by certain securities laws, including the "safe harbour" provisions of the Ontario Securities Act and the United States Private Securities Litigation Reform Act of 1995. 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, and, in particular, statements regarding Shore's future operations, future exploration and development activities or other development plans contain forward-looking statements.

These forward-looking statements are based on Shore's current beliefs as well as assumptions made by and information currently available to it and involve inherent risks and uncertainties, both general and specific. Risks exist that forward-looking statements will not be achieved due to a number of factors including, but 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, news releases and technical reports. Shore's anticipation of and success in managing the foregoing risks could cause actual results to differ materially from what is anticipated in such forward-looking statements.

Although management considers the assumptions contained in forward-looking statements to be reasonable based on information currently available to it, those assumptions may prove to be incorrect. When making decisions with respect to Shore, investors and others should not place undue reliance on these statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless required by applicable securities law, Shore does not undertake to update any forward-looking statement that may be made.

Additional Information

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

SHORE GOLD INC.
Unaudited Interim Consolidated Financial Statements

For the Nine-Month Period Ended
September 30, 2009

Notice to Reader

Management has compiled the unaudited consolidated financial statements of Shore Gold Inc. for the nine-month period ended September 30, 2009 (along with the comparative interim period in 2008). The Corporation's external auditors have not reviewed these statements.

Shore Gold Inc.

(A Development Stage Entity)

Consolidated Balance Sheets

	September 30, 2009 (in thousands)	December 31, 2008 (in thousands)
Assets		
Current assets:		
Cash and cash equivalents	$ 2,764	$ 22,619
Short-term investments	13,707	5,079
Receivables	295	7,584
Prepaids	154	139
	16,920	35,421
Restricted cash (note 4)	2,307	1,807
Investments (note 5)	8,365	14,064
Mineral properties (note 6)	215,033	212,361
Investment in Wescan Goldfields Inc. (note 7)	2,198	2,234
Property and equipment	904	1,091
	$ 245,727	$ 266,978
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 583	$ 11,722
Current portion of asset retirement obligations	81	68
	664	11,790
Asset retirement obligations	1,443	1,564
Shareholders' equity:		
Share capital (note 8)	769,567	772,822
Contributed surplus (note 8 (c))	26,530	25,885
Deficit	(552,477)	(545,083)
	243,620	253,624
	$ 245,727	$ 266,978

See accompanying notes to consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009 (in thousands)	2008 (in thousands)	2009 (in thousands)	2008 (in thousands)
Revenue				
Interest and other income	$ 21	$ 307	$ 105	$ 1,399
Expenses				
Administration	885	1,002	2,817	4,104
Consulting and professional fees	413	98	882	1,099
Corporate development	62	43	223	252
Amortization and accretion	86	156	247	395
	1,446	1,299	4,169	5,850
Loss before the under noted items	(1,425)	(992)	(4,064)	(4,451)
Write-down of mineral properties (note 6)	(2)	-	(6,318)	-
Change in fair value of investments (note 5)	52	-	(417)	(2,035)
Investment in Wescan Goldfields Inc.	21	(96)	(36)	(206)
Net loss before income taxes	(1,354)	(1,088)	(10,835)	(6,692)
Future income taxes (note 9)	13	240	3,441	854
Net and comprehensive loss	(1,341)	(848)	(7,394)	(5,838)
Deficit, beginning of period	(551,136)	(92,100)	(545,083)	(87,110)
Deficit, end of period	$ (552,477)	$ (92,948)	$ (552,477)	$ (92,948)
Net loss per share				
Basic and diluted	(0.01)	(0.00)	(0.04)	(0.03)
Weighted average number of shares outstanding (000's)	199,927	183,234	199,912	182,957

See accompanying notes to consolidated financial statements

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

	Three Months Ended September 30, 2009 (in thousands)	Three Months Ended September 30, 2008 (in thousands)	Nine Months Ended September 30, 2009 (in thousands)	Nine Months Ended September 30, 2008 (in thousands)
Cash provided by (used in):				
Operations:				
Net and comprehensive loss	$ (1,341)	$ (848)	$ (7,394)	$ (5,838)
Non-cash items:				
Amortization and accretion	86	156	247	395
Write-down of mineral properties	2	-	6,318	-
Change in fair value of investments	(52)	-	417	2,035
Investment in Wescan Goldfields Inc.	(21)	96	36	206
Fair value of stock options expensed	160	200	515	2,668
Future income taxes	(13)	(240)	(3,441)	(854)
Net change in non-cash operating working capital items:				
Prepaids	41	163	(15)	(71)
Receivables	31	24	48	44
Accounts payable and accrued liabilities	44	(22)	(165)	(1,072)
	(1,063)	(471)	(3,434)	(2,487)
Investing:				
Mineral properties	(1,153)	(12,811)	(8,917)	(36,949)
Property and equipment	3	(17)	3	(130)
Short-term investments	2,490	8,741	(8,628)	28,164
Restricted cash	(500)	(562)	(500)	(1,411)
Investments	37	-	5,282	-
Net change in non-cash investing working capital items:				
Receivables	19	442	7,241	(1,334)
Accounts payable and accrued liabilities	(11)	1,361	(10,974)	(1,261)
	885	(2,846)	(16,493)	(12,921)
Financing:				
Issue of common shares (net of issue costs)	72	-	72	530
	72	-	72	530
Decrease in cash and cash equivalents	(106)	(3,317)	(19,855)	(14,878)
Cash and cash equivalents, beginning of period	2,870	20,293	22,619	31,854
Cash and cash equivalents, end of period	$ 2,764	$ 16,976	$ 2,764	$ 16,976
Cash and cash equivalents consists of:				
Cash	$ 646	$ 1,360	$ 646	$ 1,360
Treasury bills	2,118	15,616	2,118	15,616
	$ 2,764	$ 16,976	$ 2,764	$ 16,976

See accompanying notes to consolidated financial statements

SHORE GOLD INC.
(A Development Stage Entity)

Notes to Consolidated Financial Statements (for the nine-month period ended September 30, 2009)
(In thousands of Canadian dollars except 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, development, mining and sale of precious metals and gems. Substantially all of the Company's efforts are devoted to the exploration of its mineral properties. The Company does not earn 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. These consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements filed on SEDAR.

3. Changes in accounting policies

Goodwill and other intangible assets

Effective January 1, 2009, the Company adopted 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 adoption of this standard did not have any impact on the Company's consolidated financial statements.

Mining Exploration Costs (Emerging Issues Committee Abstract 174)

In March 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 174, "Mining Exploration Costs". The EIC provides guidance on the accounting and the impairment review of exploration costs. This abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The adoption of this new accounting policy did not have any impact on the Company's consolidated financial statements.

4. Restricted Cash

The Company has supplied $2.3 million (2008 – $1.8 million) of irrevocable standby letters of credit issued by a Canadian chartered bank, of which the majority are related to asset retirement obligations. During the quarter ended September 30, 2009, an additional letter of credit was issued by the Company in favour of a service provider for $0.5 million to begin planning a potential electrical power supply for Shore's Star Diamond Project.

The Company has pledged short-term investments as security for letters of credit provided. These amounts are recorded as restricted cash.

5. Investments

At September 30, 2009 the Company held $8.4 million in floating rate notes (collectively, the "Notes") with a total par value of $14.3 million. These Notes were received during January 2009 in exchange for the Company's Canadian third party asset-backed commercial paper ("ABCP") upon the successful implementation of the ABCP restructuring plan. The Company has designated the Notes as held-for-trading, which are measured at fair value.

Master Asset Vehicle ("MAV")	Class	Par Value[a]	Percent of Investment	Fair Value[b]
MAV2	Class A-1 Notes	$ 6,213	43.3%	$ 4,224
MAV2	Class A-2 Notes	6,467	45.1%	4,104
MAV2	Class B Notes	1,174	8.2%	-
MAV2	Class C Notes	428	3.0%	-
MAV3	Class 9 Notes	58	0.4%	37
Total		$ 14,340	100.0%	$ 8,365

(a) Par Value

The par value of the Notes received represents the amortized cost of the Company's investments at the time the ABCP market ceased to trade, less principal repayments received to date. During the quarter ended June 30, 2009, the Company received a principal payment of $4.4 million, which represented 99 percent of the MAV3, Class 9 notes that were received at the time of the implementation of the ABCP restructuring plan. The total par value of Notes received at the time of the implementation of the ABCP restructuring plan was $18.7 million.

(b) Fair value

The fair value of the Company's Notes at September 30, 2009 was determined using a discounted cash flow approach with the following assumptions:

	Assumption
Timing of cash flows	7 - 8 years
Interest rate	nil[1]
Weighted average discount rate	5.86 percent[2]

(1) Interest on MAV2 Notes is the 90-day Bankers' Acceptance rate less 50 basis points. The 90-day Bankers' Acceptance rate at September 30, 2009 was less than 0.5 percent, therefore the Company assumed nil interest.
(2) Excludes Class B and C Notes as fair values have been assessed as nil.

As a result of the fair value assessment of the Notes, the Company recorded an increase in fair value of $52 thousand during the quarter ended September 30, 2009 (2008 – $nil) and a cumulative $0.4 million write-down for the nine months ended September 30, 2009 (2008 – $2.0 million). A one percent change in the discount rate of this fair value assessment would result in a $0.6 million pre-tax change in the fair value of the Notes held by the Company.

During the quarter, the Company also received a quarterly interest payment of $37 thousand. For the nine month period ended September 30, 2009, the Company has received $0.9 million in interest payments (net of restructuring costs) from the ABCP previously held by the Company and from quarterly interest payments from the restructured Notes. Interest payments received or receivable are included in the fair value calculation of the Notes.

6. Mineral properties

Mineral properties for the nine-month period ended September 30, 2009 are made up of the following:

	Star Property	Fort à la Corne Property	Other Diamond Properties	Total
Balance – December 31, 2008	$ 171,136	$ 41,225	$ -	$ 212,361
Expenditures during 2009				
Exploration	1,593	7,167	230	8,990
Write-down of carrying value[a]	-	(6,088)	(230)	(6,318)
Balance – September 30, 2009	$ 172,729	$ 42,304	$ -	$ 215,033

(a) Write-down of carrying value

The Company applies undiscounted future cash flow methodologies as an initial step in assessing impairment. For the nine-month period ended September 30, 2009, an independent estimate of reserves or resources for the Star Property and the Star West property (the portion of the Star Kimberlite within the Fort à la Corne Property) were available to perform this initial step. Based on this analysis, the Company did not adjust the carrying value of the Star Property or the Star West Property for the nine-month period ended September 30, 2009.

As a Mineral Resource estimate for Orion South (a component of the Fort à la Corne Property) was completed during the quarter ending September 30, 2009, the Company was unable to perform the initial step in assessing impairment prior to this period. As a result, prior to the completion of the Mineral Resource estimate, the Company wrote down $6.1 million of expenditures that were incurred on this mineral property during the year. Exploration expenditures of $0.6 million on OS were capitalized during the quarter ended September 30, 2009.

For all other mineral properties, during the nine-month period ended September 30, 2009, the Company was unable to apply undiscounted future cash flow methodologies as an initial step in assessing impairment. As a result, the Company wrote down $2 thousand of expenditures that were incurred on these mineral properties during the quarter ended September 30, 2009 and $0.2 million for the nine-month period ended September 30, 2009.

7. Investment in Wescan Goldfields Inc.

At September 30, 2009, Shore held 12,955,567 (2008 – 11,474,086) shares and 0.74 million share purchase warrants of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture exchange. Each full warrant is exercisable at $0.35 per warrant and will expire on October 20, 2009. The Company accounts for its 16.3% investment in Wescan on an equity basis.

At September 30, 2009, the carrying value of the Company's equity interest in Wescan was $2.2 million (2008 – $2.1 million) with a fair value of $2.6 million (2008 – $3.0 million).

8. 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, 2008	199,904	$ 772,822
Future income taxes on flow-through expenditures renounced to shareholders[(a)]	-	(3,375)
Balance – June 30, 2009	199,904	769,447
Options exercised[(b)]	250	120
Balance – September 30, 2009	200,154	$ 769,567

(a) Flow-through shares

During 2008, the Company issued, through a private placement, 16.7 million flow-through shares for gross proceeds of $12.5 million. In January 2009, the Company renounced $12.5 million of tax deductions associated with qualified expenditures required to be incurred by the end of 2009. The Company recorded a future income tax liability of $3.4 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 aggregate number of shares reserved for issuance under this plan, and any other security based compensation arrangement of the Company, shall not, at the time of the stock option grant, exceed 15,768,360 shares. Options granted have an exercise price of not less than the closing price quoted on the Toronto Stock Exchange for the common shares of Shore on the trading day prior to the date on which the option is granted. Certain options vest immediately while others vest six to twelve months after grant date and all options expire 5 years from the date of the grant of the options.

The fair value of stock options issued in the nine-month period ended September 30, 2009 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 of 85.7% to 88.6% (2008 – 64.9% to 66.2%) and a risk free rate of 1.87% to 2.41% (2008 – 3.06% to 3.34%). During the quarter ended September 30, 2009, the Company granted 450,000 (2008 – 50,000) options to directors, officers or employees at an average strike price of $0.47 (2008 – $1.05). The fair value in respect of stock options granted for the quarter ended September 30, 2009 was $0.1 million (2008 – $30 thousand). The amount that vested from this issue and previous issues during the quarter was $0.2 million (2008 – $0.3 million). Of this amount $30 thousand (2008 – $0.1 million) was capitalized as an addition to mineral properties and $160 thousand (2008 – $0.2 million) was expensed. The fair value in respect of stock options granted for the nine-month period ended September 30, 2009 was $0.8 million (2008 – $2.1 million). The amount that vested from these issues and previous issues during the nine-month period was $0.7 million (2008 – $3.5 million). Of this amount $0.2 million (2008 – $0.8 million) was capitalized as an addition to mineral properties and $0.5 million (2008 – $2.7 million) was expensed.

As at September 30, 2009 the fair value of stock-based compensation related to options that will vest over the next 12 months is $0.1 million (2008 – $0.1 million).

For options outstanding (in thousands) at September 30, 2009, weighted average exercise prices are as follows:

	Options	Average Price
Balance – December 31, 2008	7,745	$ 4.78
Granted	-	-
Exercised	-	-
Expired and cancelled	(1,244)	4.76
Balance – March 31, 2009	6,501	$ 4.78
Granted	3,245	0.27
Exercised	-	-
Expired and cancelled	(138)	1.55
Balance – June 30, 2009	9,608	$ 3.30
Granted	450	0.47
Exercised	(250)	0.29
Expired and cancelled	(167)	4.10
Balance – September 30, 2009	9,641	$ 3.24

The options expire between the dates of January 2010 to July 2014.

(c) Contributed surplus

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

Balance – December 31, 2008	$ 25,885
Fair value of options vested	8
Balance – March 31, 2009	$ 25,893
Fair value of options vested	497
Balance – June 30, 2008	$ 26,390
Fair value of options vested	188
Less: amounts related to options exercised	(48)
Balance – September 30, 2008	$ 26,530

9. Future income taxes

The Company finances a portion of its exploration activities through the issuance of flow-through shares. During the first quarter of 2009, the Company renounced the deductions to investors and accordingly recorded share issue costs related to the future tax liability as a temporary difference arising from the renunciations. As a result, share capital is reduced and future income tax liabilities are increased by the estimated tax cost of the deductions renounced by the Company to the investors in the amount of $3.4 million. To the extent the Company has unrecorded tax assets, the future income tax liabilities were reduced with a corresponding credit to future income taxes.

10. Related party transactions

During the nine-month period ended September 30, 2009, management and consulting fees of $782 thousand (2008 – $754 thousand) were paid to companies controlled by certain officers of the Company. Of these fees, $145 thousand (2008 – $139 thousand) were capitalized as additions to mineral properties; $270 thousand (2008 – $261 thousand) were included in administration expense and $367 thousand (2008 – $354 thousand) were included in consulting and professional fees expense.

During the three-month period ended September 30, 2009, consulting fees of $50 thousand (2008 – $nil) were paid to a company controlled by a Director of the Company.

During the nine-month period ended September 30, 2009, the Company charged $32 thousand (2008 – $49 thousand) to Wescan for administration services. Accounts receivable includes $8 thousand (2008 – $10 thousand) due from Wescan.

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.

11. Financial instruments

As at September 30, 2009, 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 its investments in Notes which were received in exchange for the Company's investment in ABCP.

At September 30, 2009, the Company held Notes with a par value of $14.3 million (carrying value of $8.4 million), as outlined in note 5. The consolidated financial statements of the Company reflect management's best estimate of the fair value of these investments. The amount and timing of future cash flows received by the Company may differ materially from this estimate. Due to the nature of the MAV2 Notes which are not backed by traditional securitized assets (a significant component is comprised of collateral debt obligations), credit risk could potentially be significant. However, as part of the restructuring, certain financial institutions and stakeholders, as well as the governments of Canada, Ontario, Quebec and Alberta, have provided margin funding facilities that significantly reduce the risk of credit default on these investments. The maximum exposure to credit risk related to the Company's investments in these Notes at September 30, 2009 is represented by the carrying amount of $8.4 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 September 30, 2009, the Company had working capital of $16.3 million. Based on current budgets and exploration plans, management believes this working capital will be sufficient to meet financial obligations as they fall due.

12. Subsequent events

On October 13, 2009 the Company announced that it completed a private placement of 14.3 million Common Shares and 10.0 million Flow-Through Common Shares of the Company for gross proceeds of $27.5 million, of which $12.5 million will be used by Shore to incur Canadian exploration expenses prior to December 31, 2010.

SHORE GOLD INC.
CORPORATE INFORMATION

Head Office
300, 224 – 4th Ave. S.
Saskatoon, Saskatchewan
Canada S7K 5M5
Tel: (306) 664-2202
Fax: (306) 664-7181

Directors
Harvey J. Bay
Arnie E. Hillier
Kenneth E. MacNeill
Robert A. McCallum
A. Neil McMillan
Brian M. Menell
James R. Rothwell
William E. Stanley

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

Solicitors
Bennett Jones LLP
Calgary, Alberta

Auditors
KPMG LLP
Saskatoon, Saskatchewan

Bank
Canadian Western Bank
Saskatoon, Saskatchewan

Exchange Listing
TSX
224,454,242 common shares issued and outstanding as at November 5, 2009

Trading Symbol:
SGF

Website
www.shoregold.com

Email
shoregold@shoregold.com