

# Shore Gold Inc. announces second quarter 2011 results

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SASKATOON, Aug. 11, 2011 - Shore Gold Inc. ('Shore' or the 'Company') (SGF: TSX) reports that the unaudited results of Shore's operations for the quarter ended June 30, 2011 will be filed today on SEDAR and may be viewed at [www.sedar.com](http://www.sedar.com) once posted. A summary of key financial and operating results for the quarter is as follows:

## Highlights

- Announced combined feasibility study for the Star and Orion South Kimberlites ('Feasibility Study'), which includes a cash flow model Base Case Net Present Value ('NPV') of \$2.1 billion (using a 7 percent discount rate) for an Internal Rate of Return ('IRR') of 16 percent before taxes and royalties and an after-taxes and royalties NPV of \$1.3 billion with an IRR of 14 percent
- Announced the completion of an updated valuation of diamond parcels from the Star and Orion South Kimberlites with parcel price increases of 31 to 46 percent since February 2011
- Working capital of \$20.6 million at June 30, 2011
- Issued and outstanding shares of 224,484,242 at June 30, 2011

## Overview

During the second quarter of 2011, the Company's main focus was the completion of a combined feasibility study on the Star - Orion South Diamond Project ('Feasibility Study'), the results of which were announced on July 14, 2011. The Star - Orion South Diamond Project is situated in the Fort à la Corne kimberlite field in central Saskatchewan. The Star - Orion South Diamond Project includes the 100 percent Shore owned Star Diamond Project, as well as Star West and the Orion South Kimberlite, which fall within the adjacent Fort à la Corne Joint Venture ('FALC-JV'). Shore has a 66 percent interest in the FALC-JV and Newmont Mining Corporation of Canada Limited ('Newmont') has a 34 percent interest.

The Feasibility Study includes a cash flow model Base Case Net Present Value ('NPV') of \$2.1 billion (using a 7 percent discount rate) for an Internal Rate of Return ('IRR') of 16 percent before taxes and royalties and an after-taxes and royalties NPV of \$1.3 billion with an IRR of 14 percent (See SGF News Release dated July 14, 2011). The National Instrument ('NI') 43-101 compliant Technical Report that summarizes the Feasibility Study and mineral reserve estimate will be able to be viewed on the Company's website ([www.shoregold.com](http://www.shoregold.com)) or on SEDAR ([www.sedar.com](http://www.sedar.com)) once available.

The Company's diamond consultants, WWW International Diamond Consultants Ltd. ('WWW'), informed the Company that current rough diamond prices are significantly higher than the February 2011 pricebook used in the Feasibility Study. This increase was confirmed by an updated valuation by WWW of the diamond parcels from Star and Orion South which showed that diamond prices have increased between 31 and 46 percent above the February, 2011 prices (See SGF News Release dated July 28, 2011).

## Quarterly Results

For the quarter ended June 30, 2011, the Company recorded a comprehensive loss of \$4.8 million or \$0.02 per share compared to a comprehensive loss of \$6.4 million or \$0.03 per share for the same period in 2010. The losses during these quarters were due to ongoing operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest revenue earned on cash and cash equivalents and short-term investments. A \$0.8 million decrease to its investment in Wescan Goldfields Inc., accounted for as an available-for-sale financial instrument, also contributed to the comprehensive loss for the quarter ended June 30, 2011 as compared to the prior period.

## Year to Date Results

For the six months ended June 30, 2011, the Company recorded a comprehensive loss of \$5.7 million or \$0.03 per share compared to a comprehensive loss of \$13.0 million or \$0.06 per share for the same period in 2010. The losses were primarily due to ongoing operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest revenue earned on cash and cash equivalents and short-term investments. A \$1.3 million increase to the fair value of investments also contributed to the reduced comprehensive loss for June 30, 2011 as compared to the prior period.

Selected financial highlights include:

Consolidated Balance Sheets			As at June 30, 2011	As at December 31, 2010
Current assets			\$ 21.4 M	\$ 19.3 M
Capital and other assets			215.3 M	224.7 M
Current liabilities			0.8 M	3.7 M
Long-term liabilities			1.4 M	1.4 M
Shareholders' equity			234.5 M	238.9 M

  

Consolidated Statements of Loss and Comprehensive Loss	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest and other income	\$ 0.1 M	\$ - M	\$ 0.1 M	\$ 0.1 M
Expenses	4.1 M	6.6 M	6.7 M	12.5 M
Loss for the period before other items	(4.0) M	(6.6) M	(6.6) M	(12.4) M
Change in fair value of investments	- M	0.2 M	1.3 M	0.3 M
Change in available-for-sale financial instruments and equity investments	(0.8) M	- M	(0.4) M	- M
Comprehensive loss for the period	(4.8) M	(6.4) M	(5.7) M	(13.0) M
Comprehensive loss per share (basic and diluted)	(0.02)	(0.03)	(0.03)	(0.06)

  

Consolidated Statements of Cash			Six Months Ended June 30,	Six Months Ended June 30,
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Flows		2011	2010
Cash flows from operating activities		\$ (8.7) M	\$ (10.9) M
Cash flows from investing activities		7.3 M	11.4 M
Net increase (decrease) in cash		(1.4) M	0.5 M
Cash - beginning of period		2.8 M	2.6 M

**Outlook**  
The Company is currently focused on finalizing the NI 43-101 Technical Report and accompanying feasibility study, to enable the project participants to consider the findings. The feasibility study is anticipated to establish the basis of a development plan for the Star - Orion South Diamond Project. On the expectation the development plan will be approved, the Company is pursuing options to finance its portion of the project.

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The rising price for rough diamonds is being driven by tightening supply-demand fundamentals, which may become more pronounced in the future as old mines decline in production and close and limited new projects are developed to take their place. The potential of future diamond prices to increase at a significant pace over the next several years will benefit the long-term nature of the Company's proposed project and future prospects from the Fort à la Corne area.

As of August 11, 2011, the Company had approximately \$19.2 million in cash and cash equivalents and short-term investments (excluding the \$2.6 million in restricted cash). A portion of the Company's cash and cash equivalents and short-term investments will be used for the continuation of the EIA process, the funding of certain site power design and engineering costs, carrying out on-going administration and environmental rehabilitation of exploration and evaluation properties as well as for general corporate matters. Cash and cash equivalents and short-term investments may also be used to fund various other exploration and evaluation activities, to purchase certain assets or to acquire and explore additional properties as opportunities warrant.

### Technical Information

All technical information in this press release 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 news release contains forward-looking statements within the meaning of certain securities laws, including the 'safe harbour' provisions of Canadian securities legislation 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. Forward-looking statements in this news release include, but are not limited to, statements related to the Feasibility Study; statements and assumptions made regarding buoyancy in world diamond markets and changes in diamond supply and demand; statements related to the approval of the development of the Star - Orion South Diamond Project; statements relating to future production from and mining of the Star - Orion South Diamond Project and associated timelines; the use of funds to fund the continuation of the EIA process, future site power design and engineering costs, exploration activities or the purchase of assets and the acquisition and exploration of additional properties.

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.

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