

## Wahpeton and Shore Sign Mutual Cooperation Agreement

A Mutual Cooperation Agreement was signed June 9, by Wahpeton Dakota Nation and Shore committing the parties to a process whereby information is shared between the parties regarding availability of jobs or contracts, and availability of qualified workers, potential trainees or contractors. As well, the parties will share information about Project studies or activities and Wahpeton interests. It is hoped the agreement will help ensure representative participation from area residents, including mem-

including elders and school students were in attendance. Wahpeton is located just northeast of Prince Albert. The poster boards and handouts from the Open Houses continue to be available for viewing online at [www.shoregold.com](http://www.shoregold.com); click on "Community".

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## Shore and SaskPower Ink Agreement

In March of this year, a construction agreement was signed by Shore and SaskPower,

reducing use of fossil fuels, lessening emissions and minimizing noise. SaskPower is responsible to obtain the necessary approvals for construction of its power lines, and is doing so with respect to this line.

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## Shore and Nipawin Biomass Team Up

A June 21 Memorandum of Understanding ("MOU") between Shore and Nipawin Biomass Ethanol New Generation Cooperative Ltd. ("Nipawin Biomass") provides for the removal of waste wood from Shore's anticipated mining activities for conversion into green energy in the form of cellulose ethanol by Nipawin Biomass.

Nipawin Biomass and the Saskatchewan Research Council have jointly developed a proprietary conversion technology which will process synthesis gas from waste wood and waste farm fibre, such as flax fibre or straw, into ethanol and other alcohols. It is working toward developing a green fuel processing facility at Nipawin, Saskatchewan.

Shore's proposed project site would require approximately 4,250 hectares, less than 4% of the Fort à la Corne forest, to be cleared of timber to accommodate open pit mining and associated buildings and facilities. Clearing costs would normally be part of construction costs, amounting to tens of millions of dollars over many years. Some timber would be sold as suitable for milling, but some would be waste wood from scrub bush, commonly referred to as "slash". This waste wood could all potentially be used by Nipawin Biomass, although it would represent only a fraction of the cellulose ethanol plant's total waste product requirements.

The MOU commits the parties to working together to cut Shore's operating costs and provide Nipawin Biomass with a secure supply of waste wood at a commercially reasonable cost. The parties have also expressed a desire to involve Aboriginal people and parties in the activities connected with clearing, removal and transportation of the waste wood.

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## Shore AGM

The Annual General and Special Meeting of the shareholders of Shore was held at Saskatoon, Saskatchewan, on June 14, 2011. The purpose of the meeting was to (1) receive the financial statements of the Corporation for the year ended December 31, 2010 along with the auditor's report; (2) elect the directors of Shore for the upcoming year; (3) appoint the auditors for the upcoming year; (4) consider the Corporation's Shareholder Rights Plan, and address any other business before the meeting. Upon conclusion of the business portion of the meeting, Management presented updates on Corporate activities and shareholders



Wahpeton Elder, Bernice Waditaka and Vice President, Corporate Affairs, Eric Cline watch as Chief Leo J. Omani, Wahpeton Dakota Nation, signs the Mutual Cooperation Agreement, June 9, 2011.

bers of the First Nations and Métis communities, in the development and operation of the project, by leading to employment of and contracting with Wahpeton Dakota members. The Fort à la Corne forest, the site of the proposed Star-Orion South Diamond Project, is considered traditional territory by a number of First Nations and Métis parties, including Wahpeton Dakota Nation.

## Wahpeton - Open House

Shore staff members travelled to Wahpeton Dakota Nation on June 9 to present the Star - Orion South Diamond Project Open House to community members, who had the opportunity to become informed about the Project, provide input on the Project and to have questions answered. Community members moved around the four display stations featuring the topics of Geology, Mining and Processing, Environmental Monitoring, and Jobs and Economy. A scale model of the site, an animated mining and processing simulation, and a computer generated fly-by of the proposed site were on display to help individuals visualize the proposed Diamond Project in the Fort à la Corne Forest. Community members

Saskatchewan's Crown electrical utility. The agreement provides for Shore to fund the design and construction of a 21 km, 230 kilovolt power line from an existing line southeast of the Project site to Star-Orion South, by mid-to late 2013. This timing would maintain the Project development schedule proposed in the 2010 Pre-Feasibility Study, which anticipates diamond production in 2016.

Most of the equipment which will be used to construct, move and process at Star-Orion South will be powered by electricity, thereby re-



Diamond Development Advisory Committee meeting, February 8, 2011, Prince Albert.

had an opportunity to address questions to management.

## Shore Gold Finances

Shore's audited 2010 year end results indicate Shore ended the year with working capital of \$15.6 million, excluding \$14.3 million in long-term notes and \$2.3 million in restricted cash (pledged as security for letters of credit, and therefore not immediately available).

For the quarter ended March 31, 2011, the Company had \$13.1 million in working capital, which excludes the long-term notes (which were subsequently sold in April 2011 for \$10.2 million) and \$2.6 million in restricted cash.

As of June 2, 2011 the Company had approximately \$20.8 million in cash and cash equivalents and short-term investments, and \$2.6 million in restricted cash.

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## Increasing Diamond Values

In March, Shore announced the results of an updated valuation of diamonds from the Star and Orion South Kimberlites. Average prices from this valuation showed increases of between 28 and 130 percent above March 2008 average prices used in the 2010 Pre-Feasibility Study. Model prices determined for the diamond population of the major kimberlite units that make up the Star and Orion South Kimberlites ranged from between US \$129 and US \$355 per carat.

The valuation also identified the highest value stone recovered to date, a high-quality 11.96 carat assigned an average price of US \$15,000 per carat (stone total value: US \$179,325). This diamond, recovered from a Star Kimberlite large diameter drill hole, has been confirmed as a Type IIa (very high-quality) diamond. Two high-value stones of 10.53 carats and 4.26 carats were identified from Orion South large diameter drilling.



Wahpeton community members listen to Shore's Manager, Process Design, Jane Danoczi.

### Caution regarding Forward-Looking Statements

This newsletter 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. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "guidance", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook. In particular, statements regarding Shore's future operations, future exploration and development activities or other development plans constitute forward-looking statements. Forward-looking statements in this newsletter include, but are not limited to, the timing and scheduling of project development and diamond production, the use of particular kinds of mining equipment, the impact of higher diamond prices on project economics and reserve estimates, and opportunities for third party involvement in the Project.

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 and annual and interim MD&A, and Shore's anticipation of and success in managing the foregoing risks.

Shore cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Shore, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities legislation, Shore does not undertake to update any forward-looking statement that may be contained herein.



Signing of the Mutual Cooperation Agreement between Wahpeton Dakota Nation and Shore Gold Inc., June 9, 2011.

Updated diamond prices will be used in the final Feasibility Study, and it is expected that they will positively impact Project economics, by allowing for optimization of recovery from the Star-Orion South pits, and a revised and higher reserve estimate, given that higher prices may make recovery of more diamonds economically feasible.

Diamond prices are determined for Shore by WWW International Diamond Consultants Ltd., an industry leading rough diamond valuation consulting company.

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## Final Feasibility Study Nearing Completion

It was announced February 3, 2011 that the Full Feasibility Study for the Star-Orion South Diamond Project "is anticipated to be completed in the second quarter of 2011". At the time of writing, the study is undergoing final preparation and editing, and is due to be completed shortly.

Completion of the full Feasibility Study will represent a major milestone toward development of the Star-Orion South Diamond Project. Other major required steps include: environmental approval by Saskatchewan Environment and federal agencies, a production decision by Shore's Board of Directors and the FALC Joint Venture

(Shore 66%; Newmont Mining Corporation of Canada Limited 34%), financing arrangements and government construction permits.

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## Muskoday and Shore Sign Agreement

Muskoday First Nation and Shore signed an Information Gathering Agreement on April 19, to gather information on Aboriginal traditional land use and traditional knowledge in the Fort à la Corne forest, which includes the proposed site of the Star-Orion South Diamond Project. The agreement with Muskoday follows similar agreements concluded last year with James Smith Cree Nation, Chakastaypasin Band of the Cree, Peter Chapman First Nation, Red Earth Cree Nation, Sturgeon Lake First Nation and Métis Nation - Saskatchewan Eastern Region II and Western Region II. Vice President Corporate Affairs Eric Cline stated: "We look forward to working with Muskoday to learn more about its members' traditional activities in the area. As well, as we move forward we hope to explore possible ways to involve all members of the community, including nearby First Nations and Métis people, in diamond mining activity. Over the months ahead, we will discuss ways to best achieve that."

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### Upcoming Events

#### Diamond Development Advisory Committee Meeting

Tuesday, June 21 2011

Shore Site Tour - Fort à la Corne

