



**3rd Quarter Report  
2017**



## **MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")**

For the three and nine months ended September 30, 2017

The following discussion and analysis is prepared by Management as of November 9, 2017 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended September 30, 2017 ("financial statements for the period ended September 30, 2017"), as well as the audited consolidated financial statements and annual MD&A for the year ended December 31, 2016 available on SEDAR at [www.sedar.com](http://www.sedar.com). Shore Gold Inc. ("Shore", "SGF", or "the Company") prepared its financial statements for the period ended September 30, 2017 in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All currency amounts are quoted in Canadian Dollars, unless otherwise stated.

### **Overview**

Shore is a Canadian natural resource company focused on exploring and developing Saskatchewan's diamond resources. The Company, as a result of the recent mineral property consolidation and earn-in agreement (as discussed below), is now in an enhanced position to advance its 100% held Star - Orion South Diamond Project ("Project"), which is situated in the Fort à la Corne kimberlite field in central Saskatchewan. Indicated Mineral Resources for the Star - Orion South Diamond Project are 55.4 million carats (see SGF News Release dated November 9, 2015 and Technical Report filed December 21, 2015). In addition to the Indicated Mineral Resource Estimate, the Star and Orion South Kimberlites include Inferred Resources containing 11.5 million carats.

### **Consolidation of the Fort à la Corne mineral properties (including the Project) and Option to Joint Venture**

In June 2017, Shore announced that it had acquired (the "Newmont Acquisition") from Newmont Canada FN Holdings ULC ("Newmont") all of Newmont's participating interest in the Fort à la Corne joint venture (the "FaLC JV"), resulting in Shore owning 100% of the of the Fort à la Corne mineral properties (including the Project), and has concurrently entered into an Option to Joint Venture Agreement (the "Option Agreement") with Rio Tinto Exploration Canada Inc. ("RTEC") pursuant to which the Company has granted RTEC an option to earn up to a 60% interest in the Fort à la Corne mineral properties (including the Project) on the terms and conditions contained in the Option Agreement (see SGF News Release dated June 23, 2017). Immediately after the closing of the Newmont Acquisition and issuance of common shares, Newmont held approximately 19.9% of the Company's common shares issued and outstanding on a non-diluted basis.





## Activities relating to the Star - Orion South Diamond Project

The Company and RTEC recently announced an HQ core drilling program, consisting of ten holes and some 2,500 metres of drilling, on the Star Kimberlite (See SGF News Release dated October 12, 2017). This core drilling is required to accurately document the internal stratigraphy of the Star Kimberlite prior to a proposed sampling program, which is expected to commence in 2018. In conjunction with this diamond drill program, geotechnical investigations on the overburden will also be conducted.

During the nine months ended September 30, 2017, the Company also performed geotechnical investigations, assessments and test work that would be required for an updated feasibility study on the Project. The work completed during this period included X-ray Transmission ("XRT") recovery of diamonds from Star pyroclastic kimberlite, ore processing data review, diamond parcel characterization, kimberlite particle size analysis and overburden removal investigations (See SGF News Release dated March 6, 2017). These programs investigate the use of new technology for the efficient excavation of the open pit and improvements to the flow-sheet of the diamond processing plant, while simultaneously reducing pre-production capital costs and the time to initial diamond production.

In January 2017, the Company was informed by the Saskatchewan Minister of Environment that additional consultation is required between the government and First Nation and Métis communities for the government to meet its legal obligation with respect to duty to consult and accommodate process (See SGF News Release dated January 26, 2017). Since that time, the government proceeded with a work plan that enabled them to make significant progress by end of the third quarter of 2017. The Ministry has indicated to Shore that once consultations with potentially impacted First Nation and Métis communities are completed, all pertinent information will be reviewed before a decision is made under *The Environmental Assessment Act*. The Canadian Environmental Assessment Agency previously announced an Environmental Assessment Decision for the proposed Project in which the federal Environment Minister indicated that the Project "is not likely to cause significant adverse environmental effects when the mitigation measures described in the Comprehensive Study Report are taken into account" (See SGF News Release dated December 3, 2014).



## Financial Highlights

Select financial information of the Company for the three and nine month periods ended September 30, 2017 and 2016 is summarized as follows:

	Three Months Ended September 30, 2017 \$	Three Months Ended September 30, 2016 \$	Nine Months Ended September 30, 2017 \$	Nine Months Ended September 30, 2016 \$
<b>Interest and other income</b> (millions)	0.0	0.0	0.0	0.0
<b>Net income (loss)</b> (millions)	(0.6)	(1.1)	41.6	(4.4)
<b>Net income (loss) per share</b> <sup>(1)</sup>	(0.00)	(0.00)	0.13	(0.02)
<b>Total assets</b> (millions)	69.4	3.3	69.4	3.3
<b>Total non-current liabilities</b> (millions) <sup>(2)</sup>	1.4	0.6	1.4	0.6
<b>Working capital</b> (millions)	1.7	1.5	1.7	1.5

(1) Basic and diluted.

(2) Total non-current liabilities are comprised of environmental rehabilitation provisions (for which the Company has provided letters of credit, backed by short-term securities that are recorded on the Company's financial statements as restricted cash). At September 30, 2017, non-current liabilities also included contingent consideration relating to the Newmont Acquisition. The discounted present value of this contingent consideration at September 30, 2017 was \$0.7 million.

## Results of Operations

For the quarter ended September 30, 2017, the Company recorded a net loss of \$0.6 million or \$0.00 per share compared to a net loss of \$1.1 million or \$0.00 per share for the same period in 2016. The losses incurred during the quarters ended September 30, 2017 and 2016 were due to operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest income earned on cash and cash equivalents and short-term investments.

### Expenses

Expenses incurred during the quarter ended September 30, 2017 were \$0.6 million, compared to \$1.2 million for the same period in 2016. This decrease of \$0.6 million was primarily due to lower exploration and evaluation expenditures and administrative expenditures incurred during the quarter ended September 30, 2017.

Exploration and evaluation expenditures were \$0.5 million for the third quarter of 2017 compared to \$0.6 million for the quarter ended September 30, 2016. Exploration and evaluation expenditures incurred during the quarter ended September 30, 2017 were primarily related to geotechnical investigations and test work for the Project. Exploration and evaluation expenditures incurred during the quarter ended September 30, 2016 were primarily related to drilling programs.

Administration, consulting and professional fees, and corporate development expenditures for the quarters ended September 30, 2017 decreased by \$0.4 million from the same period in 2016 to \$0.1 million, primarily due to lower non-cash expenditures relating to share-based compensation as well as gains realized on property and equipment during the period.





### ***Financing***

During the quarter ended September 30, 2017 the Company issued 2,266,931 common shares pursuant to an agreement with a third-party consulting and professional service provider. This agreement allowed for fees to be paid by the Company in cash or the issuance of common shares at a price of approximately \$0.35 per share. During the quarter ended September 30, 2016, the Company completed a private placement of 5,000,000 Units at a price of \$0.20 per Unit for aggregate gross proceeds of \$1.0 million (see SGF News Release dated September 21, 2016). Each Unit consisted of one Common Share and one Common Share purchase warrant.

### **Year to Date**

#### ***Results of operations***

For the nine months ended September 30, 2017, the Company recorded net income of \$41.6 million or \$0.13 per share compared to a net loss of \$4.4 million or \$0.02 per share for the same period in 2016. Net income during the nine months ended September 30, 2017 was due to the partial reversal of previously recorded impairments relating to exploration and evaluation assets (\$44.5 million). The loss during the nine months ended September 30, 2016 was primarily due to ongoing operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest income earned on cash and cash equivalents and short-term investments.

#### ***Expenses***

Total operating costs for the nine months ended September 30, 2017 were \$3.0 million compared to \$4.8 million for the nine months ended September 30, 2016. This decrease was primarily due to lower exploration and evaluation expenditures incurred during the nine months ended September 30, 2017.

Exploration and evaluation expenditures for the nine months ended September 30, 2017 were \$1.6 million compared to \$2.7 million for the same period in 2016. This decrease was due to the nature of work performed. Exploration and evaluation expenditures incurred during the nine months ended September 30, 2017 primarily related to geotechnical investigations and test work for the Project. Exploration and evaluation expenditures incurred during the nine months ended September 30, 2016 primarily related to drilling programs. Approximately 43 percent (2016 - 35 percent) of the exploration and evaluation expenditures incurred during the nine months ended September 30, 2017 were made up of compensation costs and share-based payments incurred by the Company.

Administration, consulting and professional fees, and corporate development expenditures for the nine months ended September 30, 2017 decreased by \$0.7 million to \$1.4 million, compared to \$2.1 million for the same period in the prior year. This decrease was primarily due to lower share-based compensation expenses recognized and gains realized on property and equipment during the nine months ended September 30, 2017 compared to the same period in the prior year.





### *Use of proceeds*

During 2016, the Company raised \$2.0 million from flow-through financing activities to be used on exploration and evaluation activities before the end of 2017. As of September 30, 2017, \$1.6 million of qualifying expenditures have been incurred.

Flow-through proceeds raised during 2016	\$ 2.0
Flow-through expenditures incurred to September 30, 2017	<u>1.6</u>
Flow-through expenditures to be incurred by December 31, 2017	<u>\$ 0.4</u>

The Company expects that total eligible exploration and evaluation expenditures incurred by December 31, 2017 will approximate the \$2.0 million flow-through financing raised during 2016. The majority of the remaining commitment of \$0.4 million is expected to be incurred on geotechnical investigations, assessments and test work programs.

### *Premium on flow-through shares*

The Company issued flow-through shares during 2016 for a premium over the market value of the shares. The premium over the market value of the shares is recognized as a liability until such time as the Company incurs qualifying exploration expenditures. As the Company incurs qualifying expenditures in 2017, the liability to the investor is satisfied and accordingly the premium received on the initial issue of share capital is recognized in income. For the nine months ended September 30, 2017, premiums recognized were \$0.1 million.

### *Reversal of prior impairments to exploration and evaluation assets*

As a result of the Newmont Acquisition, the Company performed an assessment of the carrying value of exploration and evaluation assets. Based on this assessment, the carrying value of exploration and evaluation assets was determined to be \$66.3 million, resulting in a reversal of \$44.5 million of previously recorded impairments.

### *Financing*

In connection with the Option Agreement, RTEC subscribed for units of Shore for a gross subscription amount of \$1.0 million at a price of \$0.18 per unit, with each unit consisting of one common share in the capital of the Company and one common share purchase warrant (see SGF News Release dated June 23, 2017). Each warrant entitles the holder thereof to purchase one Common Share at a price of \$0.205 for a period of 24 months from the date of issuance. In connection to the Newmont Acquisition, 53.8 million common shares and 1.1 million common share purchase warrants were issued to Newmont. Each warrant entitles Newmont to acquire one additional common share at a price of \$0.349 per share for a period of 45 months from the date of issuance. In addition, 0.2 million options (weighted average exercise price of \$0.19) and 1.5 million broker warrants (weighted average exercise price of \$0.23) were exercised during the nine months ended September 30, 2017 for total cash proceeds of \$0.4 million. During nine months ended September 30, 2017 the Company also issued 2,266,931 common shares pursuant to an agreement with a third-party consulting and professional service provider.





During the nine months ended September 30, 2016 the Company completed a private placement of 5,000,000 Units at a price of \$0.20 per Unit, for aggregate gross proceeds of \$1.0 million.

## Summary of Quarterly Results

	2017			2016			2015	
	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4
Income <sup>(1)</sup> (\$millions)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss) <sup>(2)</sup> (\$millions)	(0.6)	43.0	(0.8)	(1.0)	(1.1)	(1.9)	(1.4)	(1.4)
Net income (loss) per share <sup>(3)</sup> (\$)	0.00	0.13	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)
Shares outstanding (millions) <sup>(4)</sup>	361.0	356.4	295.3	294.0	282.4	275.6	274.3	274.3

- (1) Income is primarily related to interest earned on the Company's cash and short-term investments.
- (2) Net income during the second quarter of 2017 was due to the reversal of previously recorded impairments to exploration and evaluation assets. Net losses in other periods relate to expenditures incurred by the Company exceeding interest income earned. Net loss during the second quarter of 2016 was higher due to exploration and evaluation expenditures incurred.
- (3) Basic and diluted.
- (4) During the third quarter of 2017, the Company issued 2.3 million common shares issued from treasury pursuant to an agreement with a third-party consulting and professional service provider. During the second quarter of 2017, 59.3 million shares of the Company were issued as a result of the Newmont Acquisition and Option Agreement. During the fourth quarter of 2016, the Company completed a private placement of 11.6 million shares of the Company. During the third quarter of 2016, the Company completed a private placement of 5.0 million shares of the Company. Other changes in shares outstanding were due to shares issued from treasury as a result of warrant, broker warrant and option exercises, vested deferred share unit ("DSU") redemptions or restricted share unit ("RSU") redemptions.

## Related Party Transactions

Messrs. Kenneth E. MacNeill (President and Chief Executive Officer) and George H. Read (Senior Vice President of Exploration and Development), through their respective consulting companies, hold management and consulting contracts with the Company. At September 30, 2017, Messrs. MacNeill and Read's monthly contracted fees were \$29 thousand (2016 – \$29 thousand) and \$22 thousand (2016 – \$22 thousand), respectively.

During the nine-month period ended September 30, 2017 total compensation paid or payable to officers (including amounts paid through companies controlled by Messrs. MacNeill and Read) and to directors of the Company was \$1.2 million (2016 – \$1.7 million). Of these amounts, \$0.9 million (2016 – \$1.3 million) were included in administration expense and \$0.3 million (2016 – \$0.4 million) were included in exploration and evaluation expense. Included in these amounts are share-based payment transactions of \$0.5 million (2016 – \$1.0 million). The decrease for the nine months ended September 30, 2017 compared to the same period in 2016 is primarily due to lower non-cash share-based payments.

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 share-based payments in the form of options was determined using the Black-Scholes model. The fair value of share-based





payments in the form of RSUs and DSUs was determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant.

## 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, development or general corporate activities it is invested in a variety of highly rated instruments. The Company expects its current capital resources will be sufficient to continue operations until further financing is arranged in 2018.

At September 30, 2017, the Company had \$1.6 million in cash and cash equivalents and short-term investments. The Company has also supplied \$0.8 million of irrevocable standby letters of credit issued by a Canadian chartered bank. The security related to the letters of credit is included in restricted cash and excluded from the Company's working capital. The majority of these securities are for environmental rehabilitation provisions. The Company does not include restricted cash in its working capital when analyzing its liquidity requirements. As well, at September 30, 2017, the Company is required to spend \$0.4 million on qualifying exploration expenditures by the end of 2017 to fulfill its obligations under its flow-through commitments.

## Capital Resources and Outstanding Share Data

As at September 30, 2017 the Company had working capital of \$1.7 million as compared to \$2.9 million at December 31, 2016. The Company believes it has sufficient liquidity to continue operations until further financing is arranged in 2018.

At September 30, 2017, the Company had 361,005,822 shares issued and outstanding. In addition, at September 30, 2017 the Company had 776,400 DSUs, 2,754,998 RSUs, 10,414,100 options (weighted average exercise price of \$0.20) and 14,161,111 warrants (weighted average exercise price of \$0.24). Options outstanding at September 30, 2017 increased by 1,211,100 from December 31, 2016 due to 1,527,000 options granted at a weighted average exercise price of \$0.20, offset by expiries of 90,000 and option exercises of 225,900. DSUs outstanding at September 30, 2017 increased by 134,900 from December 31, 2016 due to DSUs grants of 263,200, offset by DSU redemptions of 128,300. RSUs outstanding at September 30, 2017 decreased by 1,345,000 due to RSU grants of 2,270,000, offset by the redemption of 3,615,001 vested RSUs for common shares. Warrants increased by 6,661,111 from December 31, 2016 due to issuances of warrants (weighted average exercise price of \$0.23) while broker warrants decreased to nil due to 1,488,770 broker warrants being exercised (weighted average exercise price of \$0.23).





As at November 9, 2017, the Company's outstanding shares, RSUs, DSUs and warrants remained unchanged from September 30, 2017, while options have decreased by 270,000 to 10,144,100 (weighted average exercise price of \$0.20) due to expiries.

## **Financial Instruments**

As at September 30, 2017, the fair value of all of the Company's financial instruments approximates their carrying values. Certain financial instruments are exposed to the following financial risks:

### 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 considers this risk to be insignificant as the majority of the Company's cash and cash equivalents, short-term investments, and restricted cash are held by financial institutions with an A (low) credit rating or are invested in Government of Canada treasury bills which are backed by the Government of Canada. At September 30, 2017, the Company's credit risk relates to its cash and cash equivalents, short-term investments, receivables and restricted cash of \$2.5 million (December 31, 2016 – \$4.1 million).

### 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 to managing liquidity risk is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due. To ensure the Company has sufficient cash on hand, the Company prepares annual capital and operating budgets which are regularly monitored and updated as considered necessary. As at September 30, 2017, the Company had working capital of \$1.7 million (excluding restricted cash) and is required to incur a further \$0.4 million of qualifying expenditures before December 31, 2017 as a result of the flow-through share financing discussed in note 16 of the Company's consolidated financial statements for the year ended December 31, 2016. Given that cash flow from operations is negative, the Company is dependent on additional sources of financing, including additional sources of financing that would be required to complete an updated feasibility study.

As at September 30, 2017, the Company had guaranteed certain liabilities by issuing \$0.8 million (December 31, 2016 – \$1.0 million) of irrevocable standby letters of credit. The Company backs the letters of credit with investments which have been recorded on the financial statements as restricted cash. The Company does not include restricted cash in its working capital when analyzing its liquidity requirements. The majority of the guarantees relate to environmental rehabilitation provisions.

The Company currently does not have sufficient resources to finance operating activities through its 2018 fiscal year, conditions which raise material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The





Company is assessing opportunities to address the issue of liquidity. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and/or development of its projects with the possible loss of such properties.

#### Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market risks are comprised of four types: foreign currency risk, interest rate risk, commodity price risk and equity price risk. As at September 30, 2017, the Company does not have significant exposure to any of these market risks.

#### **Critical Accounting Estimates**

The financial statements for the period ended September 30, 2017 have been prepared in accordance with IFRS issued by the IASB. The Company's accounting policies are described in note 4 to the financial statements for the year ended December 31, 2016. 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.

In preparing the financial statements for the period ended September 30, 2017, significant judgments and estimations have been made by management in applying the Company's accounting policies. In particular, the significant areas of judgment and estimation uncertainty considered by management in preparing the consolidated financial statements are: joint control assessments, identification of cash generating units, exploration and evaluation expenditures, reserve and resource estimation, asset valuations and assessments for impairment, estimations for environmental rehabilitation provisions, share-based payment transactions and recovery of deferred tax assets. These are discussed in more detail in note 5 of the Company's financial statements for the year ended December 31, 2016.

A critical accounting estimate in determining the Company's financial results relates to the recoverability of the carried amounts of exploration and evaluation assets. Management assesses carrying values of these assets at each reporting date.





## Accounting Changes

### *Future Accounting Changes*

#### IFRS 9 – Financial instruments

On July 24, 2015, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not intend to early adopt IFRS 9 and has not yet fully evaluated the impact of this new standard however the impact is not expected to be material.

#### IFRS 15 – Revenue from contracts with customers

IFRS 15 will replace IAS 11, "Construction Contracts" and IAS 18, "Revenue" and related interpretations effective for annual periods commencing on or after January 1, 2018. IFRS 15 introduces a new single revenue recognition model for contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The Company does not intend to early adopt IFRS 15 and has not yet fully evaluated the impact of this new standard however the impact is not expected to be material.

#### IFRS 16 – Leases

IFRS 16 will replace IAS 17, "Leases" and related interpretations effective for annual periods commencing on or after January 1, 2019. Early application is permitted for companies that also apply IFRS 15. IFRS 16 follows a 'right-of-use' model which will require leases of more than twelve months to be reported on a company's financial statements as assets and liabilities, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The Company does not intend to early adopt IFRS 16 and has not yet fully evaluated the impact of this new standard however the impact is not expected to be material.

#### IFRS 2 – Share-based payments

In June 2016, the IASB issued amendments to IFRS 2. These amendments clarify how to account for certain share-based payment transactions, including accounting for cash-settled share-based payment transactions; accounting for share-based payment transactions with net settlement features; and accounting for modifications of share-based payment transactions from cash-settled to equity. IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company does not intend to early adopt the amendments to IFRS 2 and has not yet fully evaluated the impact of the amendments however the impact is not expected to be material.



There are no other IFRSs or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are not yet effective that would be expected to have a material impact on the Company.

### **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 these 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, 2017.

### **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 these 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 IFRS issued by the IASB and interpretations of the IFRIC.

There have been no significant changes to internal controls over financial reporting during the quarter ended September 30, 2017 that could have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.





## Outlook

The successful completion of the consolidation of the Company's Fort à la Corne mineral properties (including the Star - Orion South Diamond Project) and the concurrent earn-in arrangement with RTEC sets the stage for a new phase for the Company. It is the Company's view that Rio Tinto is one of the few companies in the world with the resources and expertise to move forward with a project of the magnitude of the Star - Orion South Diamond Project. The Company is also very pleased to have acquired the remaining portion of the Project from Newmont and having Newmont as a significant shareholder.

As of November 9, 2017, the Company had approximately \$1.4 million in cash and cash equivalents and short-term investments (excluding \$0.8 million in restricted cash). A portion of the Company's cash and cash equivalents and short-term investments will be used to complete the 2017 programs (including remaining flow-through commitments) and advance certain aspects of the Project, including the environmental assessment process and assessment and test work programs required for an updated feasibility study, as well as for general corporate matters.

## 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 a Non-Producing Company*

The principal risks faced by the Company involve: Shore's ability to obtain financing to further the exploration and development of exploration and evaluation 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 exploration and development of exploration and evaluation 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 currently 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, 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 Canada and Shore is committed to managing these issues effectively. The Company has diligently investigated title to its claims. 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 permits not being granted or 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. In addition, application for permits that will be required for the construction and operation of the proposed Project will be made following provincial and federal Ministerial approval upon conclusion of the Environmental Impact Assessment ("EIA"). While the majority of permits will be required from provincial authorities, permits required from the federal government include authorization from the Department of Fisheries and Oceans to allow anticipated changes to fish and fish habitat, permits from Natural Resources Canada for the explosives storage site and authorizations from Environment Canada and Transport Canada. The Company utilizes qualified individuals, service providers and external consultants and maintains constant communications with governmental authorities to ensure that the Company is or, in the case of the EIA, will be in compliance with all applicable rules and regulations.

All of Shore's property interests are currently in the exploration stage. The exploration, development and production of precious metals and gems such as diamonds is capital-intensive, subject to the normal risks and capital expenditure requirements associated with mining operations. While the rewards can be substantial if commercial quantities of minerals or gems are found, there can be no assurance that Shore's past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production which is attempted will be profitable.





## Technical Information

All technical information in this report has been prepared under the supervision of George Read, Senior Vice President of Exploration and Development, Professional Geoscientist in the Provinces of Saskatchewan and British Columbia and Mark Shimell, Project 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 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 MD&A include, but are not limited to, statements relating to mineral resources and/or reserves; statements related to the approval of the development of the Star - Orion South Diamond Project; statements relating to future development of the Star - Orion South Diamond Project and associated timelines; the environmental assessment and permitting process; objectives for the ensuing year, including drilling, geotechnical and sampling programs, the re-optimisation of the open pit, the optimisation of the Feasibility Study and the anticipated positive change in the economic model for the Project.

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 contractual 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](http://www.sedar.com)



**SHORE GOLD INC.**  
**Unaudited Condensed Interim Consolidated Financial Statements**

**For the Three and Nine Months Ended  
September 30, 2017**

Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Shore Gold Inc. for the three and nine months ended September 30, 2017. The Corporation's external auditors have not reviewed these condensed interim consolidated financial statements.

**Shore Gold Inc.**  
**Condensed Consolidated Statements of Financial Position**  
(unaudited)

(Cdn\$ in thousands)	September 30, 2017	December 31, 2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,388	\$ 2,829
Short-term investments	255	251
Receivables	89	26
Prepays	102	62
	<u>1,834</u>	<u>3,168</u>
Restricted cash (note 6)	752	1,026
Investment in Wescan Goldfields Inc. (note 7)	58	58
Property and equipment	365	421
Exploration and evaluation assets (note 8)	66,344	-
	<u>\$ 69,353</u>	<u>\$ 4,673</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 135	\$ 260
	<u>135</u>	<u>260</u>
Premium on flow-through shares	41	179
Environmental rehabilitation provision	622	615
Contingent consideration (note 8)	730	-
Shareholders' equity:		
Share capital	832,753	810,190
Warrants	603	379
Broker warrants	-	84
Contributed surplus	32,358	32,441
Accumulated deficit	(797,889)	(839,475)
	<u>67,825</u>	<u>3,619</u>
	<u>\$ 69,353</u>	<u>\$ 4,673</u>

See accompanying notes to consolidated financial statements

**Shore Gold Inc.**  
**Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**  
(unaudited)

(Cdn\$ in thousands, except for share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Income</b>				
Interest and other income	\$ 9	\$ 5	\$ 25	\$ 24
<b>Expenses</b>				
Administration	98	403	1,200	1,934
Consulting and professional fees	3	101	203	150
Corporate development	9	7	33	28
Exploration and evaluation (note 9)	499	648	1,623	2,676
	609	1,159	3,059	4,788
<b>Loss before the under noted items</b>	(600)	(1,154)	(3,034)	(4,764)
Flow-through share premium	41	90	138	399
Impairments to exploration and evaluation assets (note 8)	(27)	-	44,482	-
<b>Net and comprehensive income (loss) for the period</b>	\$ (586)	\$ (1,064)	\$ 41,586	\$ (4,365)
<b>Net income (loss) per share</b>				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ 0.13	\$ (0.02)
<b>Weighted average number of shares outstanding (000's)</b>	359,696	277,385	318,624	275,419

See accompanying notes to consolidated financial statements

**Shore Gold Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(unaudited)

(Cdn\$ in thousands)	Nine Months Ended September 30,	
	2017	2016
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net income (loss)	\$ 41,586	\$ (4,365)
Adjustments:		
Amortization	63	122
Loss (gain) on disposal of property and equipment	(421)	(54)
Reversal of prior impairments to exploration and evaluation assets	(44,482)	-
Fair value of share-based payments expensed	651	1,131
Unwinding of discount for environmental rehabilitation provision	7	3
Flow-through share premium	(138)	(399)
Net change in non-cash operating working capital items:		
Receivables	(63)	14
Prepays	(40)	(49)
Accounts payable and accrued liabilities	(125)	(54)
	(2,962)	(3,651)
<b>Investing:</b>		
Proceeds relating to property and equipment	425	68
Short-term investments	(4)	-
Restricted cash	274	-
Exploration and evaluation assets	(1,295)	-
	(600)	68
<b>Financing:</b>		
Issue of equity (net of issue costs)	2,121	999
	2,121	999
<b>Decrease in cash and cash equivalents</b>	(1,441)	(2,584)
<b>Cash and cash equivalents, beginning of period</b>	2,829	3,956
<b>Cash and cash equivalents, end of period</b>	\$ 1,388	\$ 1,372
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 1,387	\$ 1,371
Treasury bills	1	1
	\$ 1,388	\$ 1,372

See accompanying notes to consolidated financial statements

**Shore Gold Inc.**  
**Condensed Consolidated Statements of Changes in Equity**  
(unaudited)

(Cdn\$ in thousands)	Nine Months Ended September 30,		Year Ended December 31,
	2017	2016	2016
<b>Share capital</b>			
Balance, beginning of period	\$ 810,190	\$ 806,889	\$ 806,889
Shares issued (note 10)	22,563	1,298	3,301
Balance, end of period	<u>\$ 832,753</u>	<u>\$ 808,187</u>	<u>\$ 810,190</u>
<b>Warrants</b>			
Balance, beginning of period	\$ 379	\$ 668	\$ 668
Issued (note 10)	224	258	379
Expired	-	-	(668)
Balance, end of period	<u>\$ 603</u>	<u>\$ 926</u>	<u>\$ 379</u>
<b>Broker warrants</b>			
Balance, beginning of period	\$ 84	\$ 195	\$ 195
Issued	-	-	32
Exercised (note 10)	(84)	-	-
Expired	-	(143)	(143)
Balance, end of period	<u>\$ -</u>	<u>\$ 52</u>	<u>\$ 84</u>
<b>Contributed surplus</b>			
Balance, beginning of period	\$ 32,441	\$ 30,910	\$ 30,910
Share-based payments - options (note 11)	176	292	296
Share-based payments - deferred share units (note 11)	50	63	63
Share-based payments - restricted share units (note 11)	425	776	930
Options exercised	(26)	-	(12)
Restricted share unit redemptions	(683)	(557)	(557)
Deferred share unit redemptions	(25)	-	-
Expired equity	-	143	811
Balance, end of period	<u>\$ 32,358</u>	<u>\$ 31,627</u>	<u>\$ 32,441</u>
<b>Accumulated deficit</b>			
Balance, beginning of period	(839,475)	(834,091)	(834,091)
Income (loss) for the period	41,586	(4,365)	(5,384)
Balance, end of period	<u>\$ (797,889)</u>	<u>\$ (838,456)</u>	<u>\$ (839,475)</u>
<b>Total equity</b>	<u>\$ 67,825</u>	<u>\$ 2,336</u>	<u>\$ 3,619</u>

See accompanying notes to consolidated financial statements

# SHORE GOLD INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2017

(In thousands of Canadian dollars except as otherwise noted)

### 1. Corporate Information

Shore Gold Inc. (“Shore” or the “Company”) was incorporated under the Canada Business Corporations Act on April 29, 1985 whose shares are publicly traded on the Toronto Stock Exchange. The principal activities of Shore are the exploration, development and production of diamonds.

### 2. Basis of preparation

The condensed interim consolidated financial statements of Shore for the three and nine months ended September 30, 2017 were authorized for issue by the Company’s Audit Committee on November 9, 2017. The condensed interim consolidated financial statements of Shore and all its subsidiaries have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The Company’s financial statements have been prepared on a historical cost basis, except as disclosed, using the Company’s functional currency of Canadian dollars.

In preparing the financial statements for the period ended September 30, 2017, significant judgments and estimations have been made by management in applying the Company’s accounting policies. In particular, the significant areas of judgment and estimation uncertainty considered by management in preparing the consolidated financial statements are: joint control assessments, identification of cash generating units (“CGUs”), exploration and evaluation expenditures, reserve and resource estimation, asset valuations and assessments for impairment, estimations for environmental rehabilitation provisions, share-based payment transactions and recovery of deferred tax assets. These are discussed in more detail in note 5 of the Company’s consolidated financial statements for the year ended December 31, 2016.

### 3. Going Concern

These financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company’s ability to continue as a going concern. At September 30, 2017, the Company had working capital of \$1.7 million, of which \$0.4 million is committed to be spent on qualifying exploration expenditures before December 31, 2017, leaving \$1.3 million to finance operating activities. The ability of the Company to continue as a going concern and fund general and administrative expenses in an orderly manner will require further equity issues or other forms of financings in 2018. There is no assurance that the Company will be successful in obtaining required financing at an acceptable cost as and when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration plans, forfeit rights in its properties or reduce or terminate its operations.

These financial statements do not include any adjustments to carrying values of assets and liabilities, reported expense and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate.

### 4. Summary of significant accounting policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those disclosed in note 4 of the Company’s consolidated financial statements for the year ended December 31, 2016. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

## 5. IFRS standards, amendments and interpretations

### (a) IFRS standards, amendments and interpretations issued but not yet effective

At the date of authorization of these consolidated financial statements, the IASB has issued the following new standards which are not yet effective for the relevant reporting periods.

#### i. IFRS 9 – Financial instruments

On July 24, 2015 the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not intend to early adopt IFRS 9 and has not yet fully evaluated the impact of this new standard however the impact is not expected to be material.

#### ii. IFRS 15 – Revenue from contracts with customers

IFRS 15 will replace IAS 11, "Construction Contracts" and IAS 18, "Revenue" and related interpretations effective for annual periods commencing on or after January 1, 2018. IFRS 15 introduces a new single revenue recognition model for contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The Company does not intend to early adopt IFRS 15 and has not yet fully evaluated the impact of this new standard however the impact is not expected to be material.

#### iii. IFRS 16 – Leases

IFRS 16 will replace IAS 17, "Leases" and related interpretations effective for annual periods commencing on or after January 1, 2019. Early application is permitted for companies that also apply IFRS 15. IFRS 16 follows a 'right-of-use' model which will require leases of more than twelve months to be reported on a company's financial statements as assets and liabilities, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The Company does not intend to early adopt IFRS 16 and has not yet fully evaluated the impact of this new standard however the impact is not expected to be material.

#### iv. IFRS 2 – Share-based payments

In June 2016, the IASB issued amendments to IFRS 2. These amendments clarify how to account for certain share-based payment transactions, including accounting for cash-settled share-based payment transactions; accounting for share-based payment transactions with net settlement features; and accounting for modifications of share-based payment transactions from cash-settled to equity. IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company does not intend to early adopt the amendments to IFRS 2 and has not yet fully evaluated the impact of the amendments however the impact is not expected to be material.

There are no other IFRSs or IFRIC interpretations that have been issued and are not yet effective that would be expected to have a material impact on the Company.

## 6. Restricted cash

The Company has pledged \$752 thousand (December 31, 2016 – \$1,026 thousand) in short-term investments as security for letters of credit provided, of which the majority are related to the provision for decommissioning and rehabilitation. These short-term investments are recorded as restricted cash.

## 7. Investment in Wescan Goldfields Inc.

At September 30, 2017, Shore held 5,806,634 (December 31, 2016 – 5,806,634) shares of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture exchange. The Company considers certain judgments and assumptions when assessing whether significant influence exists over its investments. This includes an assessment of the Company's ability to participate in financial and operating policy decisions of the investee. The existence and effect of potential voting rights held by the investor or other entities were also considered. Based on these judgments and assumptions, the Company has assessed the Company's investment in Wescan as an available-for-sale financial asset.

At September 30, 2017, the carrying value of this investment was \$58 thousand (December 31, 2016 – \$58 thousand). At December 31, 2011, the Company assessed that there was objective evidence that this investment was impaired. As the Company's impairment assessment at September 30, 2017 has not changed, no reversal of impairment has been recognized. The fair value of this investment, based on the closing trading price at September 30, 2017, was \$406 thousand (December 31, 2016 – \$523 thousand).

## 8. Exploration and evaluation assets

Exploration and evaluation assets are made up of the following:

	Fort à la Corne properties (a)
Balance – December 31, 2016	\$ -
Newmont Acquisition – June 22, 2017	21,862
Partial reversal of prior impairments	44,482
Balance – September 30, 2017	\$ 66,344

### (a) Fort à la Corne properties

As of September 30, 2017, Shore holds a 100% interest in the Fort à la Corne properties located in the central part of Saskatchewan, Canada. These properties are accounted for as one CGU.

During the quarter ended June 30, 2017, the Company acquired (the "Newmont Acquisition") from Newmont Canada FN Holdings ULC ("Newmont") all of Newmont's participating interest in the Fort à la Corne joint venture (the "FalC JV"), resulting in Shore owning 100% of the Fort à la Corne properties, and concurrently entered into an Option to Joint Venture Agreement (the "Option Agreement") with Rio Tinto Exploration Canada Inc. ("RTEC") pursuant to which the Company has granted RTEC an option to earn up to a 60% interest in the Fort à la Corne properties on the terms and conditions contained in the Option Agreement. The Newmont Acquisition was completed pursuant to a Participating Interest Purchase Agreement effective as of June 22, 2017 between Shore, its wholly owned subsidiary, Kensington Resources Ltd. ("Kensington"), and Newmont whereby Newmont sold its entire interest in the FalC JV to Shore in consideration for 53,764,357 common shares of Shore, 1,105,556 common share purchase warrants and a contingent payment as described below. As additional consideration for Newmont's interest in the FalC JV, the Company has agreed to grant Newmont a participation right to subscribe for and purchase such number of common shares in order to maintain its proportionate interest in the share capital of the Company; Newmont may exercise this right each time Shore undertakes financing (subject to certain exemptions) at the same price and terms as the financing. Prior to the completion of the Newmont Acquisition, Shore held a 69 percent interest in the FalC JV and Newmont had a 31 percent interest. Immediately after the closing of the Newmont Acquisition and issuance of common shares, Newmont held approximately 19.9% of the common shares issued and outstanding on a non-diluted basis. Following the Newmont Acquisition, Kensington transferred its interest in the FalC JV to Shore and thereafter, the FalC JV was terminated.

The Company has also agreed that Newmont will receive a contingent payment in the aggregate amount of \$3.2 million if a positive decision is made to develop a mine on the Project. Shore, in its sole discretion (subject to regulatory approvals), may satisfy the contingent payment due to Newmont through a cash payment or the issuance of common shares. An estimate of the discounted present value of this contingent consideration was performed by management at June 30, 2017, using a risk-free discount rate that reflects current market assessments of the time value of money. This was determined to be \$730 thousand.

The carrying value of the Fort à la Corne properties represents the acquisition of minority interests of the Fort à la Corne properties since 2005, net of impairments. The decline in the Company's share price during 2011 resulted in the Company's market capitalization at December 31, 2011 being substantially less than the carrying value of the Company's net assets. Due to the existence of this indicator of impairment, the Company was required to assess the exploration and evaluation assets for impairment by comparing the carrying value of these assets to estimated discounted future cash flows. Due to the uncertainty surrounding project financing, the Company was unable to determine a reliable weighted average cost of capital to perform this assessment. As a result, the Company wrote down the carrying value of the Fort à la Corne properties to nil at December 31, 2011. Based on the recent transaction with Newmont, the Company performed an assessment of the carrying value of exploration and evaluation assets. As a result, the carrying

value of exploration and evaluation assets was determined to be \$66,344 thousand, resulting in a reversal of \$44,482 thousand of previously recorded impairments.

## 9. Exploration and evaluation expense

The Company's exploration and evaluation expense for the nine months ended September 30, 2017 is comprised of the following:

	September 30, 2017	September 30, 2016
Fort à la Corne properties		
Amortization of tangible assets	\$ 49	\$ 102
Exploration and evaluation	1,402	2,249
Share-based payments	172	325
Buffalo Hills property		
Exploration and evaluation	-	-
<b>Total</b>	<b>\$ 1,623</b>	<b>\$ 2,676</b>

## 10. Share capital and reserves

### Authorized

The authorized share capital of the Company consists of unlimited common shares with no par value.

The common shares of the Company are entitled to dividends pro-rated when declared by the Board of Directors and to one vote per share at meetings of the shareholders of the Company. Upon dissolution or any other distribution of assets, the shareholders are entitled to receive a pro-rata share of such distribution.

Common shares issued and fully paid:

	Common Shares (in thousands)	Amount (in thousands)
Balance – December 31, 2016	293,961	\$ 810,190
Restricted Share Units redeemed	3,615	683
Deferred Share Units redeemed	128	25
Options exercised	226	68
Broker warrants exercised	1,489	421
Issuance of shares (net of issue costs) (a)	53,764	19,583
Issuance of shares (net of issue costs) (b)	5,556	991
Issuance of shares (net of issue costs) (c)	2,267	792
<b>Balance – September 30, 2017</b>	<b>361,006</b>	<b>\$ 832,753</b>

### (a) Issuance of shares

On June 22, 2017, Newmont sold its entire interest in the FalC JV to Shore (as described in note 8) in consideration for 53,764,357 common shares of Shore and 1,105,556 common share purchase warrants.

### (b) Issuance of shares

On June 22, 2017, in connection with the Option Agreement (as described in note 8), RTEC agreed to subscribe for 5,555,555 Units at a price of \$0.18 per Unit, for aggregate gross proceeds of \$1.0 million. Each Unit consisted of one common share and one common share purchase warrant.

### (c) Issuance of shares

On July 27, 2017 the Company issued 2,266,931 common shares of Shore pursuant to an agreement with a third-party consulting and professional service provider. This agreement allowed for a fee of \$800 thousand to be paid by the Company in cash or the issuance of common shares at a price of approximately \$0.35 per share.

### Broker warrants reserve

On certain issues of common shares, the Company issued broker warrants as partial consideration to the agent for services associated with the share issuance. Each broker warrant entitles the agent to acquire one common share of the Company for a period of 12 to 24 months after closing. The broker warrant reserve is used to recognize the fair value of outstanding warrants. If the broker warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively. A summary of the outstanding broker warrants is as follows:

	Broker Warrants (in thousands)	Average Price	Amount (in thousands)
Balance - December 31, 2016	1,489	\$ 0.23	\$ 84
Exercised	(1,489)	\$ 0.23	(84)
Balance – September 30, 2017	-	\$ 0.00	\$ -

### Warrant reserve

On certain issues of common shares, the Company has issued warrants with the common shares entitling the holder to acquire additional common shares of the Company. The warrant reserve is used to recognize the fair value of outstanding warrants. If the warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively. A summary of the outstanding warrants is as follows:

	Warrants (in thousands)	Average Price	Expiry Date	Amount (in thousands)
Balance – December 31, 2016	7,500	\$ 0.250		\$ 379
Issued June 22, 2017 (a)	5,556	0.205	June 22, 2019	-
Issued June 22, 2017 (b)	1,105	0.349	March 22, 2021	224
Balance – September 30, 2017	14,161	\$ 0.240		\$ 603

- (a) Each warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.205 for a period of 24 months from the date of issuance. Given the consideration received, no value was assessed to the warrants.
- (b) Each warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.349 for a period of 45 months from the date of issuance. The warrants were fair valued at \$224 thousand. The fair value of the warrants issued was determined using the Black-Scholes pricing model with the following assumptions: a volatility factor of 79.7%, risk-free rate of return of 1.05%, expected dividend of 0%, and expected term of 45 months.

## **11. Share-based payments**

### (a) 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. 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 granted under the plan expire 5 years from the date of the grant of the options. All options are to be settled by physical delivery of shares. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company's Deferred Share Unit Plan and the Company's Performance Share Unit and Restricted Share Unit Plan.

Option movements (in thousands) during the nine months ended September 30, including weighted average exercise prices, are as follows:

	2017		2016	
	Options	Average Price	Options	Average Price
Outstanding – January 1	9,203	\$ 0.30	8,573	\$ 0.30
Granted	1,527	0.20	2,320	0.20
Exercised	(226)	0.19	(125)	0.18
Expired	(90)	0.28	(1,565)	0.73
Outstanding – September 30,	10,414	\$ 0.20	9,203	\$ 0.20
Exercisable – September 30,	10,227	\$ 0.20	9,066	\$ 0.20

The options outstanding at September 30, 2017 have an exercise price in the range of \$0.16 to \$0.27 (2016 – \$0.16 to \$0.28) and a weighted average contractual life of 2.6 years (2016 – 3.3 years). The options expire between the dates of October 2017 to September 2022.

The expense related to the Company's share-based payments as a result of certain options vesting over the period is recognized in the comprehensive statement of income (loss) for the nine months ended September 30, as presented as follows:

Expense Category included	September 30, 2017	September 30, 2016
Administration	\$ 154	\$ 207
Exploration and evaluation	22	85
Total	\$ 176	\$ 292

The grant date fair value of stock options issued under the plan is estimated using the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The option life is estimated based on the weighted average historical life of options that have been granted by the Company. The inputs used in the measurement of the fair values at grant date of the share-based payments during the nine months ended September 30, are as follows:

	September 30, 2017	September 30, 2016
Share price at grant date	\$ 0.19 – 0.235	\$ 0.20
Exercise price	\$ 0.19 – 0.235	\$ 0.20
Expected volatility	75.5 – 78.0%	80.0 – 82.6%
Option life	5 years	5 years
Expected dividends	0 %	0 %
Expected forfeiture rate	0 %	0 %
Risk-free interest rate	0.89 – 1.66%	0.64 – 0.73%
Fair value at grant date	\$ 0.11 – 0.15	\$ 0.12 – 0.13

(b) Deferred share unit plan

The Company has established a deferred share unit plan (the "DSU Plan"), which provides for the grant of deferred share units ("DSUs") to eligible directors of the Company. The DSUs provide for the payment of certain amounts, or the issuance of common shares, to eligible directors. The Company does not intend to make cash payments and there is no history of the Company making cash payments under the DSU plan and, as such, the DSUs are accounted for within shareholders' equity. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company's Performance Share Unit and Restricted Share Unit Plan and the Company's Share Option Plan. As these DSUs are expected to be settled with equity, an amount equal to the stock-based compensation expense is initially credited to contributed surplus and transferred to share capital if and when the deferred share unit is exercised.

DSU movements (in thousands) during the nine months ended September 30 are as follows:

	September 30, 2017	September 30, 2016
Outstanding – January 1	642	329
Granted	263	313
Redeemed for common shares from treasury	(129)	-
<b>Outstanding – September 30</b>	<b>776</b>	<b>642</b>

The expense related to the Company's share-based payments as a result of DSUs vesting over the period is recognized in the comprehensive statement of income (loss) for the nine months ended September 30, as presented as follows:

Expense category included	September 30, 2017	September 30, 2016
Administration	\$ 50	\$ 63
<b>Total</b>	<b>\$ 50</b>	<b>\$ 63</b>

(c) Performance share unit and restricted share unit plan

The Company has established a performance share unit and restricted share unit plan (the "Unit Plan"), which provides for the grant of performance share units ("PSUs") and restricted share units ("RSUs") to eligible officers and employees of the Company. Upon vesting, the PSUs and/or the RSUs provide for the payment of certain amounts, or the issuance of common shares, to the participants. The Company does not intend to make cash payments and there is no history of the Company making cash payments under the Unit plan and, as such, the PSUs and RSUs are accounted for within shareholders' equity. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company's Deferred Share Unit Plan and the Company's Share Option Plan. As PSUs and RSUs are expected to be settled with equity, an amount equal to compensation expense is initially credited to contributed surplus, recognized over the term of the vesting period, and transferred to share capital if and when the units are exercised.

As of September 30, 2017, no PSUs have been granted. RSU movements (in thousands) during the nine months ended September 30 are as follows:

	September 30, 2017	September 30, 2016
Outstanding – January 1	4,100	3,333
Granted	2,270	3,725
Redeemed for common shares from treasury	(3,615)	(2,958)
<b>Outstanding – September 30</b>	<b>2,755</b>	<b>4,100</b>

The expense related to the Company's share-based payments as a result of RSUs vesting over the period is recognized in the comprehensive statement of income (loss) for the nine months ended September 30, as presented as follows:

Expense category included	September 30, 2017	September 30, 2016
Administration	\$ 275	\$ 537
Exploration and evaluation	150	239
<b>Total</b>	<b>\$ 425</b>	<b>\$ 776</b>

## 12. Related party transactions

### Related party transactions with key management personnel

The Company pays certain of its key management personnel through companies owned by certain executive officers and directors. Those companies are as follows:

MacNeill Brothers Oil and Gas Ltd.  
George Read Consulting Inc.

Compensation of key management personnel and directors, including payments made or payable to related parties owned by executive officers and directors, is as follows:

	September 30, 2017	September 30, 2016
Short-term benefits to key management and directors	\$ 246	\$ 252
Consulting and management fees to related companies	461	461
Share based payments	542	965
<b>Total compensation paid to key management personnel and directors</b>	<b>\$ 1,249</b>	<b>\$ 1,678</b>

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel and directors. 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. The fair value of share-based payments was determined using the Black-Scholes model. The fair value of share-based payments in the form of RSUs and DSUs was determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant.

The compensation paid or payable to key management personnel and directors are included in the Company's statement of comprehensive income (loss) as follows:

	September 30, 2017	September 30, 2016
Administration	\$ 923	\$ 1,249
Exploration and evaluation	326	429
<b>Total compensation paid to key management personnel and directors</b>	<b>\$ 1,249</b>	<b>\$ 1,678</b>

### 13. Financial instruments

Fair values have been determined for measurement and/or disclosure purposes based on the fair value hierarchy for financial instruments that require fair value measurement after initial recognition. The classification of each financial instrument is described in note 4 of the Company's consolidated financial statements for the year ended December 31, 2016.

The carrying amounts for cash and cash equivalents, short-term investments, receivables, restricted cash and trade payables approximate their fair value due to the short-term nature of these instruments. These financial instruments are carried at amortized costs.

All financial instruments measured at fair value are categorized into one of three hierarchy levels as described in note 20 of the Company's consolidated financial statements for the year ended December 31, 2016. These financial instruments include the Company's investment in Wescan. The fair value of the Company's investment in Wescan is based on quoted prices in active markets (level 1).

#### Risk management

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 considers this risk to be insignificant as the majority of the Company's cash and cash equivalents, short-term investments, and restricted cash are held by financial institutions with an A (low) credit rating or are invested in Government of Canada treasury bills which are backed by the Government of Canada. At September 30, 2017, the Company's credit risk relates to its cash and cash equivalents, short-term investments, receivables and restricted cash of \$2.5 million (December 31, 2016 – \$4.1 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 to managing liquidity risk is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due. To ensure the Company has sufficient cash on hand, the

Company prepares annual capital and operating budgets which are regularly monitored and updated as considered necessary. As at September 30, 2017, the Company had working capital of \$1.7 million and is required to incur qualifying expenditures of \$0.4 million before December 31, 2017 as a result of the flow-through share financing discussed in note 16 of the Company's consolidated financial statements for the year ended December 31, 2016. Given that cash flow from operations is negative, the Company is dependent on additional sources of financing, including additional sources of financing that would be required to complete an updated feasibility study.

As at September 30, 2017, the Company had guaranteed certain liabilities by issuing \$752 thousand (December 31, 2016 – \$1,026 thousand) of irrevocable standby letters of credit. The Company backs the letters of credit with investments which have been recorded on the financial statements as restricted cash. The Company does not include restricted cash in its working capital when analyzing its liquidity requirements. The majority of the guarantees at September 30, 2017 relate to environmental rehabilitation provisions.

The Company currently does not have sufficient resources to finance operating activities through its 2018 fiscal year, conditions which raise material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The Company is assessing opportunities to address the issue of liquidity. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

(c) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market risks are comprised of four types: foreign currency risk, interest rate risk, commodity price risk and equity price risk. As at September 30, 2017, the Company does not have significant exposure to any of these market risks.

**SHORE GOLD INC.**  
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Saskatoon, Saskatchewan

**Exchange Listing**

TSX

361,005,822 common shares issued and outstanding as at November 9, 2017

**Trading Symbol:**

SGF

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