

**NEWS RELEASE**

**Stock Symbol: SGF: TSX**

**September 26, 2016  
Saskatoon, Saskatchewan**

**STAR-ORION SOUTH DIAMOND PROJECT  
TEST WORK PROGRESS TOWARDS UPDATED FEASIBILITY STUDY**

George H. Read, P. Geo., Senior Vice President Exploration and Development of Shore Gold Inc. (“Shore” or the “Company”) is pleased to announce that Shore has successfully completed significant aspects of test work towards the Updated Feasibility Study on the Star-Orion South Diamond Project. The work completed in recent months includes: Autogenous (“AG”) mill test work on Star pyroclastic kimberlite; X-ray Transmissivity (“XRT”) recovery of diamonds from Star pyroclastic kimberlite; Geotechnical investigations of the mechanical properties of the Lower Colorado Shale using an in-situ pressure meter; Mine planning scenarios to investigate the economics of higher grade starter pits; Investigation and optimization of in-pit continuous mining systems for both the removal of overburden and ore recovery. 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.

**AG Mill Test Work**

A 38 tonne sample of Star Early Joli Fou (“EJF”) pyroclastic kimberlite was processed by SGS Canada Inc. at their milling facilities in Lakefield, Ontario. Prior to the 2011 Feasibility Study (“FS”) AG milling tested had only been conducted on Orion South EJF kimberlite breccia and the FS had recommended that the AG milling test be expanded to include the significantly harder EJF pyroclastic kimberlite. The AG mill test work produced 31 tonnes of milled product recovered between -32+1 millimetres. All -1.0 millimetre material reported to waste. This test work and scale up analysis has indicated that AG milling is the appropriate method of ore treatment for diamond liberation under large throughput conditions of some 45,000 tonnes per day.

**XRT Diamond Recovery Test Work**

Some 2.8 tonnes of AG milled product was shipped to the test facilities of Steinert in Cologne, Germany for diamond recovery test work using XRT sorting machines. XRT sorters are able to discriminate individual particles in the feed through sorter, based on their degree of x-ray absorption. The AG milled product was screened into the following size fractions: -32+16 millimetre, -16+8 millimetre and -8+4 millimetre, which were each spiked with specific numbers of natural diamonds and polyoxymethylene tracers and processed through the XRT sorter. All diamonds and tracers were recovered down to 8 millimetres. The results of the test showed that XRT is viable as a replacement, for +8 millimetre fractions, for dense media separation in the re-design of the process plant, potentially reducing capital costs of the plant, and simplifying the overall flow sheet, leading to reduced operating costs and a smaller environmental footprint.

**Geotechnical Investigations**

The Lower Colorado Shale, present across the Star deposit, and partially across Orion South, is the primary constraint on the slope angles of the pit designs. Due to the depth of burial and the nature of the shale, proper geotechnical assessments have always worked with less than optimal samples, leading to conservatism in the slope design. Steepening of the slopes would lead to lower stripping costs and reduced capital expenditure. The 2016 drill program included a geotechnical investigation of the Lower Colorado Shale, utilizing an in-situ pressure meter. The results of this test work provided more robust details of the shale strength parameters, which will result in more accurate analysis of long term slope stability, with the potential to lower capital and operating costs.

## **Mine Planning Scenarios**

Mine planning scenarios are under way, to ascertain if a smaller high grade starter pit can achieve a shorter capital payback period, while also allowing later stages of the pits to be developed in a cost effective manner. Initial designs on Orion South show a higher grade Phase 1 pit that avoids the Lower Colorado Shale, lowering the strip ratio as the majority of increased resources came from inferred material within the feasibility study pits, previously counted as waste.

## **Investigation of In-pit Continuous Mining Systems**

Following the recommendations from the FS, Shore is investigating the use of continuous mining systems for overburden removal, including Dozer push and Dozer traps for the upper sands and clays, and bucket wheels and / or bucket chains coupled with large capacity, high speed, shiftable conveyors delivering the material to out-of-pit spreaders and stackers. Design considerations for the efficient use of these systems include incorporating straight mining faces with lengths up to 1.6 km in the sand, clay and till to maximize the production of these types of equipment. Current production rates for large scale dozer traps are some 700 bank cubic metres per hour, while bucket wheel excavators can provide in excess of 20,000 tonnes per hour, over operating conditions very similar to the Fort a la Corne in central Saskatchewan. Large capacity, in-pit, shiftable conveyors are currently in operation in Germany, Brazil, Australia, India, China and Russia. Shore visited active coal mines in Germany during August 2016 for an on-site inspection as well as discussions with mine operators and equipment manufacturers/suppliers of these continuous mining systems. The continuous mining systems used in these German coal mines have been active, in some cases, for over 40 years, in overburden stripping of a similar magnitude to the Star and Orion South Kimberlites.

Senior Vice President Exploration and Development, George Read, states: “Work has been completed and is active on a number of fronts towards the Updated Feasibility Study. This Updated Feasibility Study will be based on the 55.4 million carat Revised Resource Estimate completed in 2015. Capital and operating cost savings are possible through the application of proven technology to the overburden removal and a redesign of the diamond processing plant, principally using XRT technology for recovery of diamonds from the +8 millimetre size fractions.”

The Star-Orion South Diamond Project is located in central Saskatchewan some 60 kilometres east of the city of Prince Albert. The Project is in close proximity to established infrastructure, including paved highways and the electrical power grid, which provide significant advantages for future mine development. The Technical Report on the Revised Resource Estimate for the Star-Orion South Diamond Project dated November 9, 2015 provided an updated Mineral Resource Estimate for the Star and Orion South kimberlite deposits: Indicated Mineral Resource of 393 million tonnes containing 55.4 million carats of diamonds at a weighted average price of US\$210 per carat. In addition to the Indicated Mineral Resource Estimate, the Star and Orion South Kimberlites include Inferred Resources containing 11.5 million carats.

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 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.

Shore is a Canadian based corporation engaged in the acquisition, exploration and development of mineral properties. Shares of the Company trade on the TSX Exchange under the trading symbol “SGF”.

## **Caution Regarding Forward-Looking Statements**

This news release contains forward-looking statements as defined by 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. By their nature, statements referring to mineral reserves, mineral resources or TFFE constitute forward-looking statements.

Forward-looking statements in this press release include, but are not limited to statements with respect to Shore's objectives for the ensuing year including, the optimization of the feasibility study, anticipated capital and operating cost savings and the anticipated positive change in the economic model for the Project; the aim of Shore to undertake additional studies and the potential updating of the Feasibility Study.

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 prices, 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, development, closure, 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. 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 is made herein.

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