Shore Gold Inc.

2nd Quarter Report
2015

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")
For the three and six months ended June 30, 2015

The following discussion and analysis is prepared by Management as of August 13, 2015 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended June 30, 2015 ("financial statements for the period ended June 30, 2014"), as well as the audited consolidated financial statements and annual MD&A for the year ended December 31, 2014 available on SEDAR at www.sedar.com. Shore Gold Inc. ("Shore", "SGF", or "the Company") prepared its financial statements for the period ended June 30, 2015 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

The Company previously completed a National Instrument ("NI") 43-101 compliant Technical Report ("Feasibility Technical Report") documenting the Feasibility Study and Mineral Reserve for the Star – Orion South Diamond Project ("Feasibility Study"), the results of which were announced in July 2011 (See SGF News Release dated July 14, 2011). The Star – Orion South Diamond Project ("Project") is situated in the Fort à la Corne kimberlite field in central Saskatchewan. The Project includes the 100 percent Shore owned Star Diamond Project, as well as Star West and the Orion South Kimberlite, which fall within the adjacent Fort à la Corne Joint Venture ("FALC-JV"). Shore has a 68 percent interest in the FALC-JV and Newmont Canada FN Holdings ULC ("Newmont") has a 32 percent interest.

The Feasibility Study includes a cash flow model Base Case net present value ("NPV") of $2.1 billion (using a 7 percent discount rate) for an Internal Rate of Return ("IRR") of 16 percent before taxes and royalties and an after-taxes and royalties NPV of $1.3 billion with an IRR of 14 percent. The cash flow model of the Feasibility Study is based on Probable Mineral Reserves of 279 million diluted tonnes of kimberlite at a weighted average grade of 12.3 carats per hundred tonnes ("cpht") containing 34.4 million carats at a weighted average price of US$242 per carat. The full details of the Feasibility Technical Report can be viewed on the Company's website (www.shoregold.com) or on SEDAR (www.sedar.com).

During December 2014, the Canadian Environmental Assessment Agency ("CEAA" or the "Agency") announced an Environmental Assessment Decision for the proposed Project (See SGF News Release dated December 3, 2014). The Honourable Leona Aglukkaq, Environment Minister, announced 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". The CEAA is the lead agency for

the Federal government and Saskatchewan Ministry of Environment ("Ministry") is the lead agency on behalf of the Province, which are jointly conducting the environmental assessment of the proposed Project.

The Company also announced that it has filed the final Environmental Impact Statement ("EIS") for the Project to the Ministry and the CEAA (See SGF News Release dated August 6, 2014). The EIS was prepared at the request of the Ministry and includes all updates, revisions, information requests and the Company's responses. The Final EIS was released for public comment by the Saskatchewan Ministry of Environment in January 2015. The public was invited to comment on the EIS and the Ministry's technical review comments.

Events relating to the Star - Orion South Diamond Project

During the six months ended June 30, 2015 the Company announced a 2015 large diameter drilling ("LDD") program (see SGF News Release dated February 19, 2015) as well as a related core drilling program (see SGF News Release dated March 27, 2015) on the Orion South Kimberlite. The core drilling was required to accurately document the internal stratigraphy of the Orion South Kimberlite prior to the commencement of the LDD program. The LDD drilling program aims to estimate macro-diamond grade information from strategically located drillholes and this diamond grade information will be used to re-estimate the Mineral Resource estimate for the Orion South Kimberlite. This is the first step in a process designed to improve the Mineral Resource estimate on the Orion South Kimberlite. The original evaluation of the Orion South Kimberlite, using underground bulk sampling and LDD mini-bulk sampling, was curtailed by the world financial crisis of late 2008.

In June 2015 the Company announced that both the core and LDD drilling on the Orion South Kimberlite have been successfully completed (see SGF News Release dated June 15, 2015). The LDD program included twelve 24 inch holes totaling 2,559.9 metres that sampled a total of 1,027.48 metres of Early Joli Fou and Pense kimberlite units within the Orion South Kimberlite. The samples are being processed at Rio Tinto Canada Diamond Exploration Inc's Thunder Bay Mineral Processing Laboratory.

The core drilling program included 18 vertical NQ (48 millimetre) diamond drill holes totaling 3,617 metres that intersected 1,208 metres of Early Joli Fou ("EJF") and Pense kimberlite, confirming significant new intersections of kimberlite on the western flank and southern part of the Orion South Kimberlite. These significant new kimberlite intersections (up to 112 metres) extend the existing 100 metre grid drilling program already completed on Orion South. The core will be logged in detail by Shore geologists and the results will be added to the existing geological model, expanding the model to the west and the south.

Financial Highlights

Select financial information of the Company for the three and six month periods ended June 30, 2015 and 2014 is summarized as follows:

	Three Months Ended June 30, 2015 $	Three Months Ended June 30, 2014 $	Six Months Ended June 30, 2015 $	Six Months Ended June 30, 2014 $
Interest and other income (millions)	0.0	0.0	0.0	0.0
Net loss (millions)	4.4	0.9	5.6	1.8
Net loss per share (1)	0.02	0.00	0.02	0.01
Total assets (millions)	6.9	5.3	6.9	5.3
Total non-current liabilities (millions) (2)	0.6	0.9	0.6	0.9
Working capital (millions)	3.4	2.7	3.4	2.7

(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.

Results of Operations

For the quarter ended June 30, 2015, the Company recorded a net loss of $4.4 million or $0.02 per share compared to a net loss of $0.9 million or $0.00 per share for the same period in 2014. The losses during these quarters 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.

Interest and other income

The Company invested excess cash reserves in interest-bearing short-term deposits while ensuring funds were available to meet cash outflow requirements associated with the Company's exploration and evaluation projects and for general corporate matters. For the quarter ended June 30, 2015 the Company reported interest and other income of $19 thousand as compared to $11 thousand for the quarter ended June 30, 2014.

Expenses

Expenses incurred during the quarter ended June 30, 2015 increased to $4.4 million, compared to $0.9 million for the same period in 2014. This increase was primarily due to higher exploration and evaluation expenditures incurred during the quarter ended June 30, 2015 due to costs relating to the drilling programs.

Exploration and evaluation expenditures were $3.8 million for the second quarter of 2015 compared to $0.3 million for the quarter ended June 30, 2014. Exploration and evaluation expenditures incurred during the quarter ended June 30, 2015 were primarily related to the drilling programs as well as the continuation of the environmental assessment process for the Project. Exploration and evaluation expenditures incurred during the quarter ended June 30, 2014 related to the continuation of the environmental assessment process for the

Project as well as on-going administration and maintenance of the Company's exploration and evaluation properties. Approximately 4 percent (2014 - 57 percent) of the exploration and evaluation expenditures incurred during the quarter ended June 30, 2015 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 quarters ended June 30, 2015 remained consistent with the same period in 2014 at $0.6 million.

Financing

During the quarter ended June 30, 2015 the Company completed a private placement of 10,000,000 Units at a price of $0.20 per Unit, for aggregate gross proceeds of $2.0 million (see SGF News Release dated June 12, 2015). Each Unit consisted of one Common Share and one Common Share purchase warrant. Each warrant will entitle the holder thereof to purchase one Common Share at a price of $0.25 for a period of 18 months from the date of issuance. During the quarter ended June 30, 2014 there were 20,000 options exercised resulting in additional cash flow from financing activities of $3 thousand.

Year to Date

Results of Operations

For the six months ended June 30, 2015, the Company recorded a net loss of $5.6 million or $0.02 per share compared to a net loss of $1.8 million or $0.01 per share for the same period in 2014. The losses were 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. Losses during the six months ended June 30, 2015 were higher than the same period in the previous year as a result of higher exploration and evaluation expenditures incurred relating to the drilling programs.

Interest and other income

The Company invested excess cash reserves in interest bearing short-term deposits while ensuring funds would be available for cash outflow requirements associated with the Company's exploration projects and for general corporate matters. For the six months ended June 30, 2015 and 2014 the Company reported interest and other income of $40 thousand and $24 thousand respectively.

Expenses

Total operating costs for the six months ended June 30, 2015 were $5.6 million compared to $1.9 million for the six months ended June 30, 2014. This increase was primarily due to higher exploration and evaluation expenditures incurred during the six months ended June 30, 2015.

Exploration and evaluation expenditures for the six months ended June 30, 2015 were $4.3 million compared to $0.7 million for the same period in 2014. This increase was due to the

nature of work performed on the Star – Orion South Diamond Project. Exploration and evaluation expenditures incurred during the six months ended June 30, 2015 primarily related to the 2015 drilling programs as well as continuation of the environmental assessment process for the Project. Exploration and evaluation expenditures incurred during the six months ended June 30, 2014 related to the continuation of the environmental assessment process for the Project as well as on-going administration and maintenance of the Company's exploration and evaluation properties. Approximately 9 percent (2014 - 62 percent) of the exploration and evaluation expenditures incurred during the six months ended June 30, 2015 were made up of compensation costs and share-based payments incurred by the Company.

Administration, consulting and professional fees, and corporate development expenditures increased by $0.1 million for the six months ended June 30, 2015 to $1.3 million compared to $1.2 million for the same period in the prior year. This increase was primarily due to higher stock based compensation expenses recognized during the six months ended June 30, 2015, offset by lower compensation costs incurred.

Use of proceeds

During 2014, the Company raised $5.5 million from flow-through financing activities to be used on exploration and evaluation activities before the end of 2015. As of June 30, 2015, $4.1 million of these proceeds have been used in the following manner:

Flow-through proceeds raised during 2014	**$ 5.5**
Orion South 2015 drilling programs	4.1
Remaining flow-through expenditures to be incurred by December 31, 2015	**$ 1.4**

The Company expects that the exploration and evaluation expenditures incurred in 2015 will approximate the $5.5 million flow-through financing raised during 2014. The majority of the remaining commitment of $1.4 million is expected to be incurred on work relating to the Orion South drilling programs.

Financing

During the six months ended June 30, 2015 the Company completed a private placement of 10,000,000 Units at a price of $0.20 per Unit, for aggregate gross proceeds of $2.0 million (see SGF News Release dated June 12, 2015). Each Unit consisted of one Common Share and one Common Share purchase warrant. Each warrant will entitle the holder thereof to purchase one Common Share at a price of $0.25 for a period of 18 months from the date of issuance. During the six months ended June 30, 2014 there were 20,000 options exercised resulting in additional cash flow from financing activities of $3 thousand.

Summary of Quarterly Results

	2015		2014				2013	
	Qtr 2	**Qtr 1**	**Qtr 4**	**Qtr 3**	**Qtr 2**	**Qtr 1**	**Qtr 4**	**Qtr 3**
Income (1) ($millions)	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net loss (2) ($millions)	**4.4**	1.2	0.4	0.8	0.9	0.9	1.1	1.3
Net loss per share (3) ($)	**0.02**	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Shares outstanding (4)	**256.5**	246.5	246.7	224.8	224.8	224.7	224.7	224.7

(1) Income is primarily related to interest earned on the Company's cash and short-term investments.

(2) Net losses relate to expenditures incurred by the Company exceeding interest income earned. Net losses during the second quarter of 2015 were higher due to costs incurred relating to the 2015 drilling programs. Net loss during the fourth quarter of 2014 was lower as a result of adjustments to environmental reclamation provisions.

(3) Basic and diluted.

(4) During the second quarter of 2015, the Company announced the successful completion of a private placement of 10.0 million shares of the Company. Changes during the first quarter of 2015 relate to return to treasury of certain share certificates pursuant to the Plan of Arrangement between Kensington Resources Ltd. ("Kensington") and Shore Gold Inc. effective October 28, 2005. Those Kensington shareholders that did not submit a Letter of Transmittal to change their shares from Kensington to Shore have lost the right to do so. As a result, these shares were cancelled and removed from Shore's share register. Other changes are due to option exercises. During the fourth quarter of 2014, the Company announced the successful completion of a bought deal private placement of 21.9 million flow-through shares of the Company.

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 June 30, 2015, Messrs. MacNeill and Read's monthly contracted fees were $18 thousand (2014 – $25 thousand) and $14 thousand (2014 – $19 thousand), respectively.

During the six-month period ended June 30, 2015 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 $0.8 million (2014 – $0.5 million). Of these amounts, $0.6 million (2014 – $0.4 million) were included in administration expense and $0.2 million were included in exploration and evaluation expense (2014 – $0.1 million). Included in these amounts are share-based payment transactions of $0.4 million (2014 – $0.2 million)

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 value of share-based payments in the form of deferred share units was determined based on the closing price of the Company's common shares at 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 or development activities it is invested in a variety of highly rated instruments. The Company expects its current capital resources will be sufficient to carry out its present plans.

At June 30, 2015 the Company had $4.5 million in cash and cash equivalents and short-term investments. The Company has also supplied $1.0 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.

Capital Resources and Outstanding Share Data

As at June 30, 2015 the Company had working capital of $3.4 million as compared to $6.4 million at December 31, 2014. The Company expects its current capital resources will be sufficient to carry out its present plans while it completes the drilling programs, environmental permitting process and attempts to secure Project financing.

At June 30, 2015 the Company had 256,452,038 shares issued, 329,000 deferred share units, 8,738,000 options outstanding (weighted average exercise price of $0.30), 10,000,000 warrants (weighted average exercise price of $0.25) and 1,314,402 broker warrants (weighted average exercise price of $0.25). The number of shares and warrants increased from December 31, 2014 primarily due to the $2.0 million private placement financing which was completed on June 12, 2015. This increase in shares outstanding was offset by the return to treasury of certain share certificates pursuant to the Plan of Arrangement between Kensington Resources Ltd. ("Kensington") and Shore Gold Inc. effective October 28, 2005. Those Kensington shareholders that did not submit a Letter of Transmittal to change their shares from Kensington to Shore, have lost the right to do so. As a result, these shares were cancelled and removed from Shore's share register.

At the June 2015 annual general and special meeting, shareholders approved a Deferred Share Unit 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 the participants. 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. During the quarter ended June 30, 2015, 329,000 DSUs were granted to eligible directors.

Options outstanding at June 30, 2015 increased by 1,699,500 from December 31, 2014 to 8,738,000, due to 3,559,500 options granted at a weighted average exercise price of $0.21, offset by option expiries of 1,860,000. Broker warrants remain unchanged from December 31, 2014.

As at August 13, 2015, the Company's issued and outstanding shares, warrants, broker warrants and DSUs remained unchanged from June 30, 2015. Options increased by 150,000 to 8,888,000, due to option grants.

At the June 2015 annual general and special meeting, shareholders approved a Performance Share Unit and Restricted Share Unit Plan ("Unit Plan"), which provides for the grant of performance share units ("PSUs") or Restricted Share Units ("RSUs") to eligible officers and employees of the Company. The PSUs and 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 Unit Plan. As of June 30, 2015 no PSUs or RSUs had been granted. As of August 13, 2015, the Company has 5,000,000 RSUs outstanding.

Financial Instruments

As at June 30, 2015, the fair value of all of the Company's financial instruments approximates their carrying value. Certain financial instruments are exposed to the following financial risks:

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 June 30, 2015, the Company's credit risk relates to its cash and cash equivalents, short-term investments, receivables and restricted cash of $5.8 million (December 31, 2014 – $7.8 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 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 June 30, 2015, the Company had working capital of $3.4 million (excluding restricted cash) and is required to incur qualifying expenditures of $1.4 million before December 31, 2015 as a result of the flow-through share financing discussed in note 16 of the Company's financial statements for the year ended December 31, 2014. Given that the Company does not have an operating asset, the Company is dependent on additional sources of financing which will be required in 2016.

As at June 30, 2015, the Company had guaranteed certain liabilities by issuing $1.0 million (December 31, 2014 – $1.1 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 is pursuing options to finance the further exploration and development of the Star – Orion South project as it currently does not have sufficient funds to bring any of its property interests into production from its own financial resources. Financing options include joint venture arrangements, debt financing, equity financing or other means. 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.

The Company currently does not have sufficient resources to finance operating activities through its 2016 fiscal year, conditions which raise significant doubt about the Company's ability to continue as a going concern. The Company is assessing opportunities to address the issue of liquidity.

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 June 30, 2015, the Company does not have significant exposure to any of these market risks.

Critical Accounting Estimates

The financial statements for the period ended June 30, 2015 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, 2014. 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 June 30, 2015, 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, 2014.

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

<u>FRS 9 – Financial Instruments</u>
On July 24, 2014 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.

<u>IFRS 15 – Revenue from contracts with customers</u>
On July 22, 2015, the IASB unanimously affirmed its proposal to defer the effective date of IFRS 15, "Revenue from Contracts with Customers" to January 1, 2018. 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.

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 June 30, 2015.

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 June 30, 2015 that could have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Outlook

Additional exploration and evaluation on the Orion South Kimberlite is being carried out during 2015. The LDD and related core drilling program is the first step in a process designed to improve the Mineral Resource estimate on the Orion South Kimberlite. In addition, the Company is proceeding with the environmental assessment process and is continuing to seek opportunities for development capital through participation in the Project by a third party or a syndicate of investors.

As of August 13, 2015, the Company had approximately $2.9 million in cash and cash equivalents and short-term investments (excluding $1.0 million in restricted cash). A portion of the Company's cash and cash equivalents and short-term investments will be used to complete the 2015 drilling programs as well as advance certain aspects of the

project, including the environmental assessment process, as well as general corporate matters. The Company continues to evaluate opportunities for development capital.

Diamond prices increased rapidly in 2011, reaching a peak in early August of that year, when the price of rough softened as a result of world financial uncertainties, particularly in Europe. Rough prices rose during the first quarter of 2012 but the world financial situation once again caused the price of rough to decrease during the second and third quarters of 2012. Rough prices have, however, increased since the end of the third quarter of 2012 with overall rough diamond prices at the end of 2012 increasing slightly from rough diamond prices at the end of 2011. Rough prices increased in 2014 up until September when prices softened. Current rough prices are estimated to be near the price used in the 2011 Feasibility Study.

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 development and exploration 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 assessment. 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 Project environmental assessment, will be in compliance with all applicable rules and regulations.

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

As at August 13, 2015, the Company has determined that the Project has established reserves. Current forecasts are based on engineering data, projected future rates of production and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. Reserve estimates may be revised based on the results of future drilling, testing or production levels and changes in mine design. In addition, factors including but not limited to market fluctuations in the price of diamonds, changes in foreign exchange rates or estimated recoverable grade from the Project may render the mining of ore reserves uneconomical.

Technical Information

All technical information in this report has been prepared under the supervision of George Read, Senior Vice President of Exploration and Development, Professional Geoscientist in the Provinces of Saskatchewan and British Columbia and 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 related to the Feasibility Study; 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; the Company's intention to seek developmental capital though participation by a third party or syndicate of investors; the LDD and core drilling programs and Shore's objectives for the ensuing year including the anticipated improvement in the Mineral Resource Estimate, the re-optimization of the open pit, the re-estimation of mineral resources, the optimization 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

SHORE GOLD INC.
Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended
June 30, 2015

Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Shore Gold Inc. for the three and six months ended June 30, 2015. 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)	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 3,427	$ 5,616
Short-term investments	1,089	1,022
Receivables	230	64
Prepaids	112	66
	4,858	6,768
Restricted cash (note 6)	1,026	1,090
Investment in Wescan Goldfields Inc. (note 7)	58	87
Property and equipment	963	1,058
	$ 6,905	$ 9,003
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,455	$ 377
	1,455	377
Environmental rehabilitation provision	598	596
Shareholders' equity:		
Share capital	803,937	802,662
Warrants	668	-
Broker warrants	143	143
Contributed surplus	30,694	30,200
Accumulated deficit	(830,590)	(824,975)
	4,852	8,030
	$ 6,905	$ 9,003

See accompanying notes to consolidated financial statements

Shore Gold Inc.

Condensed Consolidated Statements of Loss and Comprehensive Loss

(unaudited)

(Cdn$ in thousands, except for share data)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Income				
Interest and other income	$ 19	$ 11	$ 40	$ 24
Expenses				
Administration	486	488	1,129	1,013
Consulting and professional fees	95	34	111	49
Corporate development	43	53	95	122
Exploration and evaluation (note 8)	3,823	300	4,291	691
	4,447	875	5,626	1,875
Loss before the under noted items	(4,428)	(864)	(5,586)	(1,851)
Investment in Wescan Goldfields Inc. (note 7)	-	(13)	(29)	13
Net and comprehensive loss for the period	$ (4,428)	$ (877)	$ (5,615)	$ (1,838)
Net loss per share				
Basic and diluted	$ (0.02)	$ (0.00)	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding (000's)	248,432	224,756	247,533	224,748

See accompanying notes to consolidated financial statements

Shore Gold Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(Cdn$ in thousands)	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash provided by (used in):		
Operations:		
Net loss	$ (5,615)	$ (1,838)
Adjustments:		
Amortization	100	140
Loss (gain) on disposal of property and equipment	5	(70)
Investment in Wescan Goldfields Inc.	29	(13)
Fair value of share-based payments expensed	494	229
Unwinding of discount for environmental rehabilitation provision	2	8
Net change in non-cash operating working capital items:		
Receivables	(166)	423
Prepaids	(46)	(76)
Accounts payable and accrued liabilities	1,078	(214)
	(4,119)	(1,411)
Investing:		
Proceeds from disposal of property and equipment	(2)	103
Purchases of property and equipment	(8)	-
Short-term investments	(67)	1,008
	(13)	1,111
Financing:		
Issue of common shares (net of issue costs)	1,943	3
	1,943	3
Decrease in cash and cash equivalents	(2,189)	(297)
Cash and cash equivalents, beginning of period	5,616	842
Cash and cash equivalents, end of period	$ 3,427	$ 545
Cash and cash equivalents consists of:		
Cash	$ 3,426	$ 295
Treasury bills	1	250
	$ 3,427	$ 545

See accompanying notes to consolidated financial statements

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

(Cdn$ in thousands)	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Year Ended December 31, 2014
Share capital			
Balance, beginning of period	$ 802,662	$ 797,824	$ 797,824
Shares issued (note 9)	1,275	4	4,838
Balance, end of period	$ 803,937	$ 797,828	$ 802,662
Warrants			
Balance, beginning of period	$ -	$ -	$ -
Issued (note 9)	668	-	-
Balance, end of period	$ 668	$ -	$ -
Broker warrants			
Balance, beginning of period	$ 143	$ -	$ -
Issued	-	-	143
Balance, end of period	$ 143	$ -	$ 143
Contributed surplus			
Balance, beginning of period	$ 30,200	$ 29,948	$ 29,948
Share-based payments - options (note 10)	431	229	253
Share-based payments - deferred share units (note 10)	63	-	-
Options exercised	-	(1)	(1)
Balance, end of period	$ 30,694	$ 30,176	$ 30,200
Accumulated deficit			
Balance, beginning of period	(824,975)	(821,949)	(821,949)
Loss for the period	(5,615)	(1,838)	(3,026)
Balance, end of period	$ (830,590)	$ (823,787)	$ (824,975)
Total equity	$ 4,852	$ 4,217	$ 8,030

See accompanying notes to consolidated financial statements

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 six months ended June 30, 2015 were authorized for issue by the Company's Audit Committee on August 13, 2015. 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 these condensed interim consolidated financial statements, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those disclosed in note 4 of the Company's consolidated financial statements for the year ended December 31, 2014. In particular, the significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are: reserve and resource estimation, exploration and evaluation expenditures, impairment of exploration and evaluation assets, environmental rehabilitation provisions, recovery of deferred tax assets and share-based payment transactions.

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 June 30, 2015, the Company had working capital of $3.4 million, of which $1.4 million is committed to be spent on qualifying exploration expenditures before December 31, 2015, leaving $2.0 million which is insufficient to finance operating activities through its 2016 fiscal year. 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 2016. 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, 2014. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

5. IFRS standards, amendments and interpretations

(a) <u>IFRS standards, amendments and interpretations issued but not yet effective</u>

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

i. *<u>IFRS 9 – Financial Instruments</u>*

On July 24, 2014 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.

ii. *<u>IFRS 15 – Revenue from contracts with customers</u>*

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.

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 $1,026 thousand (December 31, 2014 – $1,090 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 June 30, 2015, Shore held 5,806,634 (December 31, 2014 – 5,806,634) shares of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture exchange. The Company accounts for its 21.7% (December 31, 2014 – 21.7%) investment in Wescan as an available-for-sale financial asset as described in note 4 of the Company's consolidated financial statements for the year ended December 31, 2014. At June 30, 2015, the carrying value of this investment was $58 thousand (December 31, 2014 – $87 thousand). As a result, for the three and six months ended June 30, 2015 the Company recognized a $29 thousand decrease (June 30, 2014 – $13 thousand increase) in the carrying value of its investment in Wescan. At December 31, 2011, the Company assessed that there was objective evidence that this investment was impaired. As the Company's impairment assessment at June 30, 2015 has not changed, the change in fair value during the three and six months ended June 30, 2015 was recognized in the consolidated statement of loss as an unrealized loss instead of other comprehensive loss. If an impairment loss in respect of an available-for-sale financial asset has been recorded in the consolidated statement of loss, it cannot be reversed in future periods. The fair value of this investment based on the closing trading price at June 30, 2015 was $145 thousand (December 31, 2014 – $87 thousand).

8. Exploration and evaluation expense

The Company's exploration and evaluation expense for the six months ended June 30, 2015 is comprised of the following:

	June 30, 2015	June 30, 2014
Fort à la Corne properties		
Amortization of tangible assets	$ 83	$ 118
Exploration and evaluation	4,099	525
Share-based payments	109	48
Buffalo Hills property		
Exploration and evaluation	-	-
Total	$ 4,291	$ 691

9. Share capital and reserves

Common shares issued and fully paid:

	Common Shares (in thousands)	Amount (in thousands)
Balance – December 31, 2014	246,666	$ 802,662
Issue of shares (net of issue costs and fair value of warrants) (a)	10,000	1,275
Shares returned to treasury (b)	(214)	-
Balance – June 30, 2015	256,452	$ 803,937

(a) On June 12, 2015 the Company completed a private placement of 10,000,000 Units at a price of $0.20 per Unit, for aggregate gross proceeds of $2,000,000. Each Unit consisted of one Common Share and one Common Share purchase warrant.

(b) Shares returned to treasury during the six months ended June 30, 2015 were due to the return to treasury of certain share certificates pursuant to the Plan of Arrangement between Kensington Resources Ltd. ("Kensington") and Shore Gold Inc. effective October 28, 2005. Those Kensington shareholders that did not submit a Letter of Transmittal to change their shares from Kensington to Shore, have lost the right to do so. As a result, these shares were cancelled and removed from Shore's share register.

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	Amount	Average Price
Balance - December 31, 2014	-	$ -	$ -
Issued (June 12, 2015 – 18 month term) (a)	10,000,000	668	0.25
Expired	-	-	-
Balance - June 30, 2015	10,000,000	$ 668	$ 0.25

(a) Each warrant will entitle the holder thereof to purchase one Common Share at a price of $0.25 for a period of 18 months from the date of issuance. The warrants issued were fair valued at $668 thousand. The fair value of the warrants issued was determined using the Black-Scholes option-pricing model with the following assumptions: a volatility factor of 91.8%, risk-free rate of return of 0.64%, expected dividend of 0%, and expected term of 18 months.

10. 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.

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 loss for the six months ended June 30, as presented as follows:

Expense Category included	June 30, 2015	June 30, 2014
Administration	$ 307	$ 174
Corporate development	15	7
Exploration and evaluation	109	48
Total	$ 431	$ 229

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

	2015		2014	
	Options	Average Price	Options	Average Price
Outstanding – January 1	7,039	$ 0.50	8,026	$ 0.53
Granted	3,559	0.21	1,983	0.18
Exercised	-	-	(20)	0.17
Expired	(1,860)	0.89	(2,595)	0.33
Outstanding – June 30	8,738	$ 0.30	7,394	$ 0.51
Exercisable – June 30	8,321	$ 0.30	7,011	$ 0.53

The options outstanding at June 30, 2015 have an exercise price in the range of $0.16 to $0.82 (2014 – $0.16 to $1.09) and a weighted average contractual life of 3.4 years (2014 – 2.6 years). The options expire between the dates of April 2016 to June 2020.

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 six months ended June 30 are as follows:

	June 30, 2015	June 30, 2014
Share price at grant date	$ 0.18 – 0.21	$ 0.18 – 0.27
Exercise price	$ 0.18 – 0.21	$ 0.18 – 0.27
Expected volatility	76.1 – 82.0%	69.9 – 80.0%
Option life	5 years	5 years
Expected dividends	0 %	0 %
Expected forfeiture rate	0 %	0 %
Risk-free interest rate	0.58 – 0.94%	1.16 – 1.66%
Fair value at grant date	$ 0.12 – $ 0.13	$ 0.10 – $ 0.17

(b) Deferred share unit plan

At the June 2015 annual general and special meeting, shareholders approved 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. The value of stock-based compensation recognized in respect of DSUs is measured based on the closing price of the Company's common shares at the date of grant and is based on the DSUs that are expected to vest. 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 share unit is exercised.

During the quarter ended June 30, 2015, 329,000 DSUs were granted to eligible directors. 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 loss for the six months ended June 30, as presented as follows:

Expense Category included	June 30, 2015	June 30, 2014
Administration	$ 63	$ -
Total	$ 63	$ -

(c) Performance share unit and restricted share unit plan

At the June 2015 annual general and special meeting, shareholders approved 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 June 30, 2015 no PSUs or RSUs have been granted.

11. 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:

	June 30, 2015	June 30, 2014
Short-term benefits to key management and directors	$ 122	$ 144
Consulting and management fees to related companies	200	266
Share based payments	433	136
Total compensation paid to key management personnel and directors	$ 755	$ 546

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

	June 30, 2015	June 30, 2014
Administration	$ 591	$ 396
Exploration and evaluation	164	150
Total compensation paid to key management personnel and directors	$ 755	$ 546

12. 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, 2014.

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, 2014. 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 June 30, 2015, the Company's credit risk relates to its cash and cash equivalents, short-term investments, receivables and restricted cash of $5.8 million (December 31, 2014 – $7.8 million).

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due. 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 June 30, 2015, the Company had working capital of $3.4 million and is required to incur qualifying expenditures of $1.4 million before December 31, 2015 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, 2014. Given that the Company does not have an operating asset, the Company is dependent on additional sources of financing required in 2016.

As at June 30, 2015, the Company had guaranteed certain liabilities by issuing $1,026 thousand (December 31, 2014 – $1,090 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 June 30, 2015 relate to environmental rehabilitation provisions.

The Company is pursuing options to finance the further exploration and development of the Star – Orion South project as it currently does not have sufficient funds to bring any of its property interests into production from its own financial resources. Financing options include joint venture arrangements, debt financing, equity financing or other means. 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.

The Company currently does not have sufficient resources to finance operating activities through its 2015 fiscal year, conditions which raise significant doubt about the Company's ability to continue as a going concern. The Company is assessing opportunities to address the issue of liquidity.

(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 June 30, 2015, the Company does not have significant exposure to any of these market risks.

SHORE GOLD INC.
CORPORATE INFORMATION

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