Shore Gold Inc.

1st Quarter Report 2014

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")
For the three months ended March 31, 2014

The following discussion and analysis is prepared by Management as of May 7, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended March 31, 2014 ("financial statements for the period ended March 31, 2014"), as well as the audited consolidated financial statements and annual MD&A for the year ended December 31, 2013 available on SEDAR at www.sedar.com. Shore Gold Inc. ("Shore", "SGF", or "the Company") prepared its financial statements for the period ended March 31, 2014 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

During the first quarter of 2014, the Company's main focus was work relating to the environmental assessment process for the proposed Star – Orion South Diamond Project ("Project") and continuing to seek opportunities for development capital for the Project. The 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 Company has completed a National Instrument ("NI") 43-101 compliant Technical Report ("Feasibility Technical Report") documenting the Feasibility Study and Mineral Reserve for the Project ("Feasibility Study"), the results of which were announced in July 2011 (See SGF News Release dated July 14, 2011). 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 (including 100% of the FALC-JV). 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 (including 100% of the FALC-JV). 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 the quarter the Company also announced an estimate of the Target For Further Exploration ("TFFE", formerly known as "Potential Mineral Deposit") for five partially evaluated kimberlites and the portions of the Star and Orion South Kimberlites which fall

outside the Indicated and Inferred Resources previously estimated (See SGF News Release dated March 6, 2014).

Events relating to the Star - Orion South Diamond Project

The Company recently announced that the Canadian Environmental Assessment Agency ("CEAA" or the "Agency") has completed their technical review of the proposed Project and is in the process of finalizing the Comprehensive Study Report ("CSR"), which will be made available for public review and comment (See SGF News Release dated April 15, 2014). 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 CSR is based on information presented in Shore's Revised Environmental Impact Statement and on supplemental information submitted to the Agency in September 2012, April, June, August and December 2013 and April 2014.

The Agency will invite the public to comment on the potential environmental effects of the Project and the proposed measures to prevent or mitigate those effects as described in the CSR. The preparation of the CSR and public comment period are part of the Federal Comprehensive study type environmental assessment of the Project. The CSR will outline the Agency's conclusions regarding the potential environmental effects of the project, the proposed mitigation measures and the significance of the remaining adverse environmental effects. The CSR will also be made available for public comment, after which the Minister of Environment will take into consideration the CSR and all comments received and will issue the environmental assessment decision statement, stating whether the Project is likely to cause significant environmental effects, and if those effects are justified, accounting for the mitigation measures and follow-up program as presented in the CSR.

The Company also recently announced that a Memorandum of Understanding ("MOU") has been signed by the Company and James Smith First Nation, Peter Chapman Cree Nation and Chakastaypasin Cree Nation, collectively referred to as the James Smith Cree Nation ("JSCN") (See SGF News Release dated May 5, 2014). The terms of the MOU provide that the parties will engage in discussions concerning potential education and training, job, business and participation opportunities for members of JSCN. These discussions aim to establish mutually agreeable terms for a participation agreement in anticipation of the proposed Project.

Financial Highlights

Selected financial information of the Company for the quarters ended March 31, 2014 and 2013 is summarized as follows:

	Three Months Ended March 31, 2014 $	Three Months Ended March 31, 2013 $
Revenues (millions)	**0.0**	**0.0**
Net loss (millions)	**(1.0)**	**(1.5)**
Net loss per share (1)	**(0.00)**	**(0.01)**
Total assets (millions)	**6.1**	**11.4**
Total non-current liabilities (millions) (2)	**0.9**	**1.4**
Working capital (millions)	**3.4**	**7.2**

(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 March 31, 2014, the Company recorded a net loss of $1.0 million or $0.00 per share compared to a net loss of $1.5 million or $0.01 per share for the same period in 2013. The losses during these quarters were due to operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest revenue earned on cash and cash equivalents and short-term investments.

Revenues

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 March 31, 2014 the Company reported interest and other revenue of $13 thousand as compared to $22 thousand for the quarter ended March 31, 2013.

Expenses

Expenses incurred during the quarter ended March 31, 2014 decreased by $0.5 million to $1.0 million, compared to $1.5 million for the same period in 2013, primarily due to lower exploration and evaluation expenditures incurred. A portion of this decrease was the result of efforts to reduce ongoing site care and maintenance costs, including the elimination of warehouse leasing costs.

Exploration and evaluation expenditures were $0.4 million for the first quarter of 2014 compared to $0.8 million for the quarter ended March 31, 2013. Exploration and evaluation expenditures incurred during the quarters ended March 31, 2014 and March 31, 2013 related to the continuation of the EIA process for the Star – Orion South Diamond Project as well as on-going administration and maintenance of the Company's exploration and evaluation properties. Approximately 66 percent (2013 - 34 percent), of the

exploration and evaluation expenditures 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 March 31, 2014 decreased by $0.1 million from the same period in 2013, primarily due to measures taken to reduce operating expenses.

Investment in Wescan Goldfields Inc.

At March 31, 2014, Shore held 6.6% (December 31, 2013 – 6.6%) of the shares of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture exchange. The Company accounts for its investment in Wescan as an available-for-sale financial instrument. The fair value based on the closing trading price of the common shares of Wescan at March 31, 2014 was $52 thousand (December 31, 2013 – $26 thousand). As a result, for the quarter ended March 31, 2014 the Company recognized a $26 thousand increase (quarter ended March 31, 2013 – $13 thousand decrease) in the carrying value of its investment in Wescan. At December 31, 2012, the Company assessed that there was objective evidence that this investment was impaired. As the Company's assessment at March 31, 2014 has not changed, the change in fair value during March 31, 2014 was recognized in the consolidated statement of loss instead of comprehensive loss. At March 31, 2014, a 10 percent decrease in the market price of Wescan would result in a $5 thousand decrease in fair value.

Financing

No financing activities occurred during the three-month periods ended March 31, 2014 and March 31, 2013.

Summary of Quarterly Results

	2014	2013				2012		
	Qtr 1	**Qtr 4**	**Qtr 3**	**Qtr 2**	**Qtr 1**	**Qtr 4**	**Qtr 3**	**Qtr 2**
Revenues [(1)] ($millions)	**0.0**	0.0	0.0	0.1	0.0	0.0	0.1	0.1
Net loss [(2)] ($millions)	**1.0**	1.2	1.3	1.6	1.5	1.6	1.7	2.2
Net loss per share [(3)] ($)	**0.00**	0.00	0.00	0.01	0.01	0.01	0.01	0.01
Shares outstanding (millions)	**224.7**	224.7	224.7	224.7	224.7	224.7	224.7	224.7

(1) Revenues are 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 revenue earned.
(3) Basic and diluted.

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. During the three-month period ended March 31, 2014, Messrs. MacNeill and Read's

monthly contracted fees were $25 thousand (2013 – $36 thousand) and $19 thousand (2013 – $21 thousand), respectively.

During the three-month period ended March 31, 2014 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 $0.3 million (2012 – $0.2 million). Of these amounts, $0.2 million (2013 – $0.1 million) were included in administration expense and $0.1 million were included in exploration and evaluation expense (2013 – $0.1 million were included in consulting and professional fees expense).

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 was determined using the Black-Scholes model.

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 March 31, 2014 the Company had $3.5 million in cash and cash equivalents and short-term investments. The Company has also supplied $1.1 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 March 31, 2014 the Company had working capital of $3.4 million as compared to $4.2 million at December 31, 2013. The Company expects its current capital resources will be sufficient to carry out its present plans while it completes the environmental permitting process and attempts to secure Project financing.

At March 31, 2014 the Company had 224,739,242 shares issued and outstanding and 9,608,500 options outstanding. The number of shares remained unchanged from December 31, 2013 while options outstanding increased by 1,582,500 from December 31, 2013 due to option granted at an exercise price of $0.18.

As at May 7, 2014, the Company's issued and outstanding shares are 224,759,242, an increase of 20,000 from March 31, 2014 due to options exercised. Since the end of the first quarter of 2014, the Company's outstanding options changed by 2,215,000 to 7,393,500 as

a result of 400,000 options granted at an exercise price of $0.27, offset by option exercises of 20,000 and option expiries of 2,595,000.

Financial Instruments

As at March 31, 2014, 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 invested in Government of Canada treasury bills which are backed by the Government of Canada. At March 31, 2014, the Company's credit risk relates to its cash and cash equivalents, short-term investments, receivables and restricted cash of $4.6 million (December 31, 2013 – $5.7 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 March 31, 2014, the Company had working capital of $3.4 million, excluding restricted cash. Management believes this working capital will be sufficient to meet financial obligations as they fall due.

As at March 31, 2014, the Company had guaranteed certain liabilities by issuing $1.1 million (December 31, 2013 – $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 at March 31, 2014 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 put any of its property interests into production from its own financial resources. Financing options include joint arrangements, debt financing, equity financing or other means. The Company believes it has sufficient liquidity to continue operations until financing is arranged. However, 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 reduce or terminate its operations.

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 March 31, 2014, the Company does not have significant exposure to any of these market risks.

Critical Accounting Estimates

The financial statements for the period ended March 31, 2014 have been prepared in accordance with IFRS issued by the IASB. The Company's accounting policies are described in Note 3 to the financial statements for the year ended December 31, 2013. 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 March 31, 2014, 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 4 of the Company's financial statements for the year ended December 31, 2013.

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 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains, but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The required adoption date for IFRS 9 has now been deferred. The Company does not intend to early adopt IFRS 9 and has not yet fully evaluated the impact of this new standard.

There are no other IFRSs or 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 March 31, 2014.

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 March 31, 2014 that could have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Outlook

The Company is proceeding with the completion of the environmental permitting process and continuing to seek opportunities for development capital through participation in the Project by a third party or a syndicate of investors. Measures taken since early 2012 will help enable the Company to conserve its cash position and provide an extended operating window in which Shore can complete the environmental permitting process and continue to seek opportunities for development capital. In addition, Shore aims to undertake additional microdiamond studies on the Orion South Kimberlite with the objective of potentially upgrading Inferred to Indicated Resources on Orion South. This microdiamond work on Orion South may provide statistically sound models for future calibration of certain other kimberlites not included in the current TFFE estimate, from which TFFE level macrodiamond grade and contained carats may be estimated.
As of May 7, 2014, the Company had approximately $3.2 million in cash and cash equivalents and short-term investments (excluding $1.1 million in restricted cash). A portion of the Company's cash and cash equivalents and short-term investments will be used to advance certain aspects of the project, including the EIA and related permitting. 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 have been increasing since the beginning of 2014 and presently show a 6 percent year-on-year increase. Current rough prices are estimated to be close to 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 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 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 May 7, 2014, 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; and the Company's intention to undertake additional microdiamond studies and other exploration and development activities.

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 Months Ended
March 31, 2014

Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Shore Gold Inc. for the three months ended March 31, 2014. 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)	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 440	$ 842
Short-term investments	3,042	3,292
Receivables	10	443
Prepaids	144	46
	3,636	4,623
Restricted cash (Note 5)	1,090	1,090
Investment in Wescan Goldfields Inc. (Note 6)	52	26
Property and equipment	1,342	1,416
	$ 6,120	$ 7,155
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 181	$ 406
Current portion of environmental rehabilitation provision	35	35
	216	441
Environmental rehabilitation provision	895	891
Shareholders' equity:		
Share capital	797,824	797,824
Contributed surplus	30,095	29,948
Accumulated deficit	(822,910)	(821,949)
	5,009	5,823
	$ 6,120	$ 7,155

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 March 31, 2014	2013
Revenue		
Interest and other income	$ 13	$ 22
Expenses		
Administration	525	507
Consulting and professional fees	15	79
Corporate development	69	119
Exploration and evaluation (Note 7)	391	844
	1,000	1,549
Loss before the under noted items	(987)	(1,527)
Investment in Wescan Goldfields Inc. (Note 6)	26	(13)
Net and comprehensive loss for the period	$ (961)	$ (1,540)
Net loss per share		
Basic and diluted	$ (0.00)	$ (0.01)
Weighted average number of shares outstanding (000's)	224,739	224,739

See accompanying notes to consolidated financial statements

Shore Gold Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(Cdn$ in thousands)	Three Months Ended March 31, 2014	2013
Cash provided by (used in):		
Operations:		
Net loss	$ (961)	$ (1,540)
Adjustments:		
Amortization	71	92
(Gain) loss on disposal of property and equipment	(25)	(42)
Loss on investment in Wescan Goldfields Inc.	(26)	13
Fair value of share-based payments expensed	147	7
Unwinding of discount for environmental rehabilitation provision	4	4
Net change in non-cash operating working capital items:		
Receivables	433	12
Prepaids	(98)	(138)
Accounts payable and accrued liabilities	(225)	(156)
	(680)	(1,748)
Investing:		
Proceeds from disposal of property and equipment	28	72
Short-term investments	250	998
	278	1,070
Decrease in cash and cash equivalents	(402)	(678)
Cash and cash equivalents, beginning of period	842	1,675
Cash and cash equivalents, end of period	$ 440	$ 997
Cash and cash equivalents consists of:		
Cash	$ 300	$ 300
Treasury bills	140	697
	$ 440	$ 997

See accompanying notes to consolidated financial statements

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

(Cdn$ in thousands)	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Year Ended December 31, 2013
Share capital			
Balance, beginning of period	$ 797,824	$ 797,824	$ 797,824
Shares issued	-	-	-
Balance, end of period	$ 797,824	$ 797,824	$ 797,824
Contributed surplus			
Balance, beginning of period	$ 29,948	$ 29,794	$ 29,794
Share-based payments (Note 8)	147	7	154
Options exercised	-	-	-
Balance, end of period	$ 30,095	$ 29,801	$ 29,948
Accumulated deficit			
Balance, beginning of period	(821,949)	(816,352)	(816,352)
Loss for the period	(961)	(1,540)	(5,597)
Balance, end of period	$ (822,910)	$ (817,892)	$ (821,949)
Total equity	$ 5,009	$ 9,733	$ 5,823

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 months ended March 31, 2014 were authorized for issue by the Company's Audit Committee on May 7, 2014. 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, 2013. 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. 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 3 of the Company's consolidated financial statements for the year ended December 31, 2013. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013.

4. 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 Standard which is not yet effective for the relevant reporting periods.

i. *IFRS 9 – Financial Instruments*
IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains, but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The required adoption date for IFRS 9 has now been deferred. The Company does not intend to early adopt IFRS 9 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.

5. Restricted Cash

The Company has pledged $1,090 thousand (December 31, 2013 – $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.

6. Investment in Wescan Goldfields Inc.

At March 31, 2014, Shore held 1,295,550 (December 31, 2013 – 1,295,550) shares of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture exchange. The Company accounts for its 6.6% (December 31, 2013 – 6.6%) investment in Wescan as an available-for-sale financial asset as described in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2013. The fair value based on the closing trading price of the common shares of Wescan at March 31, 2014 was $52 thousand (December 31, 2013 – $26 thousand). As a result, for the three months ended March 31, 2014 the Company recognized a $26 thousand increase (March 31, 2013 – $13 thousand decrease), 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 March 31, 2014 has not changed, the change in fair value during the three months ended March 31, 2014 was recognized in the consolidated statement of loss as an unrealized loss instead of other comprehensive loss.

7. Exploration and evaluation expense

The Company's exploration and evaluation expense for the three months ended March 31, 2014 is comprised of the following:

	March 31, 2014	March 31, 2013
Fort à la Corne properties		
Amortization of tangible assets	$ 60	$ 68
Exploration and evaluation	291	762
Share-based payments	40	4
Buffalo Hills property		
Exploration and evaluation	-	10
Total	$ 391	$ 844

8. Share-based payments

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.

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 three months ended March 31, as presented as follows:

Expense Category included	March 31, 2014	March 31, 2013
Administration	$ 104	$ 2
Corporate development	3	1
Exploration and evaluation	40	4
Total	$ 147	$ 7

Option movements (in thousands) during the three months ended March 31, including weighted average exercise prices are as follows:

	2014		2013	
	Options	Average Price	Option s	Averag e Price
Outstanding – January 1	8,026	$ 0.53	8625	$ 0.96
Granted	1,583	0.18	-	-
Exercised	-	-	-	-
Expired	-	-	(1,700)	2.29
Forfeited	-	-	-	-
Outstanding – March 31	9,609	$ 0.47	6,925	$ 0.64
Exercisable – March 31	9,136	$ 0.49	6,765	$ 0.65

The options outstanding at March 31, 2014 have an exercise price in the range of $0.16 to $1.09 (2013 – $0.24 to $3.40) and a weighted average contractual life of 2.0 years (2013 – 2.0 years). The options expire between the dates of April 2014 to February 2019.

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 March 31 are as follows:

	March 31, 2014	March 31, 2013
Share price at grant date	$ 0.18	$ 0.28
Exercise price	$ 0.18	$ 0.28
Expected volatility	69.9 – 78.0%	88.3 – 91.1%
Option life	5 years	5 years
Expected dividends	0 %	0 %
Expected forfeiture rate	0 %	0 %
Risk-free interest rate	1.16 – 1.50%	1.55 – 1.59%
Fair value at grant date	$ 0.10 – $ 0.11	$ 0.18 – $ 0.19

9. 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:

	March 31, 2014	March 31, 2013
Short-term benefits to key management and directors	$ 72	$ 55
Consulting and management fees to related companies	133	171
Share based payments	136	-
Total compensation paid to key management personnel and directors	$ 341	$ 226

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:

	March 31, 2014	March 31, 2013
Administration	$ 249	$ 162
Exploration and evaluation	92	-
Consulting and professional fees	-	64
Total compensation paid to key management personnel and directors	$ 341	$ 226

10. 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 3 of the Company's consolidated financial statements for the year ended December 31, 2013.

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 19 of the Company's consolidated financial statements for the year ended December 31, 2013. 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 invested in Government of Canada treasury bills which are backed by the Government of Canada. At March 31, 2014, the Company's credit risk relates to its cash and cash equivalents, short-term investments, receivables and restricted cash of $4.6 million (December 31, 2013 – $5.7 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 March 31, 2014, the Company had working capital of $3.4 million, excluding restricted cash. Management believes this working capital will be sufficient to meet financial obligations as they fall due.

As at March 31, 2014, the Company had guaranteed certain liabilities by issuing $1,090 thousand (December 31, 2013 – $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 (Note 5). The Company does not include restricted cash in its working capital when analyzing its liquidity requirements. The majority of the guarantees at March 31, 2014 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. The Company believes it has sufficient liquidity to continue operations until financing is arranged. However, 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.

(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 March 31, 2014, the Company does not have significant exposure to any of these market risks.

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CORPORATE INFORMATION

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George H. Read – Senior Vice President Exploration and Development

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Calgary, Alberta

Auditors
KPMG LLP
Saskatoon, Saskatchewan

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Exchange Listing
TSX
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