Pilotgold
The Science of Discovery©

2012
ANNUAL REPORT

Here's to finding the sweet spot

The Pacific Ocean covers one-third of the earth's surface. Rolling across 64 million square miles, it touches 85,000 miles of coastline. And generates an infinite number of waves. To a surfer, finding the sweet spot means carefully considering and precisely calculating hundreds of variables. The wind. The tide. The swell. Successfully navigating them all in pursuit of the perfect wave is nothing short of a science.

At Pilot Gold, that's something we understand. And admire. For us, finding the sweet spot isn't a game of guesswork or chance. To make the big discoveries, with the lowest investment of time and capital, and successfully unlock the greatest value for our shareholders, we believe it's a matter of science—the Science of Discovery©.

Chairman's Message

2012 was a transformative year for Pilot Gold. With a well-defined focus, exceptional projects, strong working capital and an extremely motivated management team and board, we were one of the best performing companies in the Canadian exploration sector.

Despite recent headwinds facing the resource industry, we believe that gold—as the world's universal currency—is a smart place to be. Good projects in good jurisdictions are hard to find. We already have three. And thanks to the support of our shareholders, we also have the capital needed to unlock their value. We are now in the driver's seat on our key projects, with the ability to execute on our own timeline.

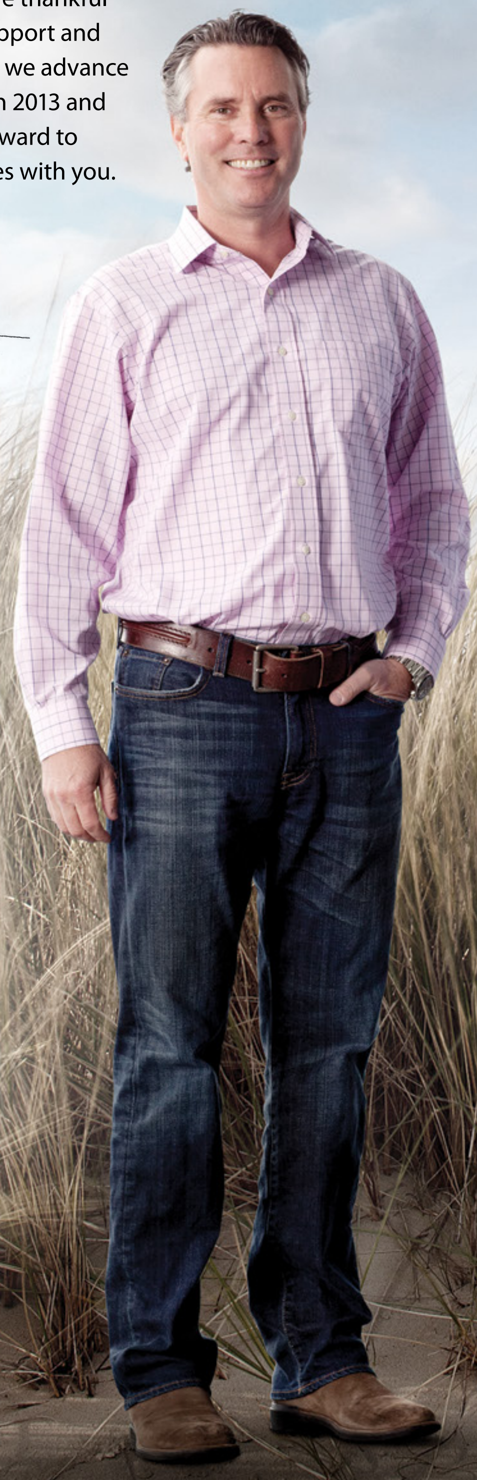
Our team, which has largely been together for the last 10 years, shares a sense of purpose and direction. Even in difficult markets, such as those in 2012, we have shown that we can execute, advance our projects and successfully meet milestones. An initial resource estimate and PEA on Halilağa, excellent drill results at TV Tower and Kinsley, and a $37.5-million financing were differentiating achievements for Pilot Gold last year.

I want to congratulate CEO Matt Lennox-King and his team for their success in 2012. While I am pleased with the progress made last year, I am just as excited about our plans for 2013. We are confident that the projects we are working on and the team that is managing them will deliver real value to our shareholders in the coming years.

Top-tier assets such as ours in good jurisdictions will remain attractive. Turkey and Nevada have proven to be excellent places for us to do business—both provide support to the gold industry and have a history of permitting mines.

As we explore a bit off the beaten path, establishing new gold districts in Turkey (the Biga) and Nevada (Eastern Great Basin), management remains confident that we are in the right places from a geological point of view.

At Pilot Gold, we remain dedicated to creating value for our shareholders. We appreciate your commitment to the company, and are thankful for your ongoing support and encouragement. As we advance our projects through 2013 and beyond, we look forward to sharing our successes with you.

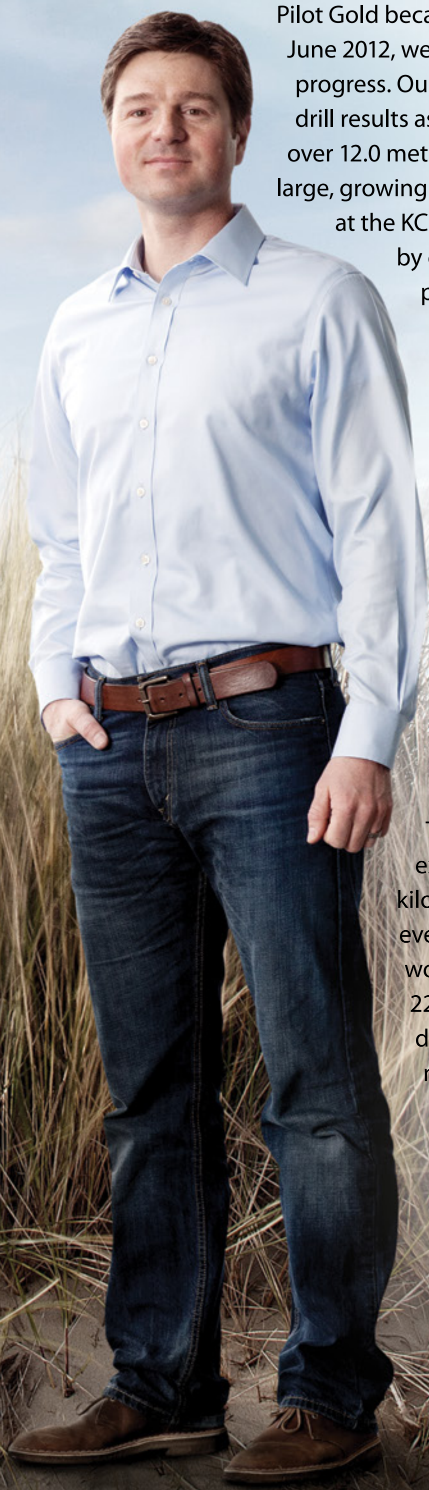


Sincerely,

Mark O'Dea
Chairman

President's Message

2012 was a milestone year for Pilot Gold. We became operator at the TV Tower project, made strong strides at Kinsley Mountain, and guided the Halilağa copper-gold project through key value-added catalysts, including a PEA.



Recently, we have focused on TV Tower, one of the world's most compelling exploration projects. Since Pilot Gold became project operator in June 2012, we have made meaningful progress. Our drill program returned drill results as strong as 227 g/t gold over 12.0 metres and confirmed a large, growing gold and silver system at the KCD target. We are excited by our 2013 TV Tower drill program, which is focussed on expanding KCD and testing two other priority targets—Kayali, an oxide-gold target, and Columbaz, a high-grade gold vein system.

In 2012, we completed a drill program at Kinsley designed to expand the mineralized zones identified by previous operators. Results demonstrated Carlin Type gold mineralization extending over 2.2 kilometres and open in every direction. Our 2013 work program will include 22,000 metres of drilling designed to extend mineralization and test outlying priority targets.

Recently, Pilot Gold increased its interest in the Kinsley project to 65% and increased our land package, reflecting our confidence in Kinsley's potential.

We also made strong progress at Halilağa, announcing results of a preliminary economic assessment and completing a maiden resource estimate for the copper-gold project. In 2013, we plan to continue economic, metallurgical, hydrological, environmental and engineering studies to support the conceptual economics and potential of this unique project.

Pilot Gold accessed the capital markets in the fall of 2012, securing sufficient working capital to drive our projects through key near and mid-term milestones. We continue to maintain our commitments to our local communities and workplace health and safety, providing social and economic benefits in Turkey and Nevada and a safe and responsive work environment.

Many factors underpin our success, chiefly the support of our shareholders, the dedication and expertise of our staff, and an unwavering commitment to our core philosophy—identify and advance high-quality assets that have the potential to become future mines, with a focus on grade, scope, access to infrastructure and mining-friendly jurisdictions. Our current portfolio precisely reflects this philosophy and, we believe, provides an excellent opportunity to create value.

We will continue to apply our exploration philosophy, strategically allocate capital and leverage the Science of Discovery© as we seek to unlock the deep potential that we believe exists at TV Tower, Kinsley and Halilağa.

Thank you for your ongoing support.

Matthew Lennox-King
President & CEO

Financial Statements

Management's Discussion and Analysis

Year ended December 31, 2012

This Management's Discussion and Analysis, dated as of March 27, 2013, is for the year ended December 31, 2012 (the "MD&A"), and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 of Pilot Gold Inc. (in this MD&A, also referred to as "Pilot Gold" or, the "Company", or "we" or, "our" or, "us"), the related notes thereto (together, the "Annual Financial Statements"), and other corporate filings, including our Annual Information Form for the year ended December 31, 2012, dated March 27, 2013 ("AIF"), available under Pilot Gold's company profile on SEDAR at www.sedar.com.

Management is responsible for the consolidated financial statements referred to in this MD&A, and provides officers' disclosure certifications filed with Canadian provincial securities commissions. The Audit Committee reviews the consolidated financial statements and MD&A, and recommends approval to the Company's Board of Directors (the "Board").

We report our financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. Our significant accounting policies are presented in Note 3 of the Annual Financial Statements. We followed these accounting policies consistently throughout the year.

As noted elsewhere in this MD&A and in the Annual Financial Statements, in the absence of any specified accounting treatment under IFRS, we chose to apply the continuity of interest basis of accounting to account for the impact of the Fronteer Arrangement, reflected in our comparative results. We have also elected to defer all exploration and evaluation costs relating to our mineral exploration property interests.

Our reporting currency is the United States dollar ("\$"). All dollar figures in this MD&A are expressed in United States dollars unless otherwise stated. As at December 31, 2012, the value of C\$1.00 was \$1.01[1].

This MD&A contains forward-looking statements that involve numerous risks and uncertainties. The Company continually seeks to minimize its exposure to business risks, but by the nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties, or those described under the heading *"Risk Factors"* in our AIF, which can be found on Pilot Gold's SEDAR profile at www.sedar.com, and those set forth in this MD&A under the headings *"Cautionary Notes Regarding Forward-Looking Statements"* and *"Industry and Economic Factors that May Affect our Business"* materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

The terms "Measured", "Indicated" and "Inferred" Resources are used herein. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of a Mineral Resource is economically or legally mineable.

1 Nominal noon rate as per the Bank of Canada. Canadian dollars herein expressed as "C\$".

HIGHLIGHTS AND SIGNIFICANT SUBSEQUENT EVENTS

- Raised funds to strengthen our treasury, providing the Company sufficient capital to carry out more than 50,000 metres of drilling in 2013 focused on TV Tower and Kinsley:
  - Raised $37.5 million pursuant to the closing of a bought-deal financing and two concurrent private placements with subsidiaries of Newmont Mining Corporation ("Newmont") and Teck Resources Limited ("Teck"). Newmont and Teck both elected to exercise their respective participation rights to maintain their relative shareholding in the Company.
  - Subsequent to year end, sold the Regent property for $3 million in cash while retaining exposure to production through a net profits royalty of 15% and a sliding scale gold equivalent bonus payment.
- Advanced the Halilağa copper-gold deposit and highlighted it as a compelling development opportunity:
  - Completed a preliminary economic assessment illustrating the concept of a straightforward open-pit mining operation.
  - Continued advancing the project's potential by commissioning additional tax, economic, metallurgical, hydrological, environmental and engineering studies, while continuing property exploration.
- Demonstrated the potential for a significant gold and silver endowment at the TV Tower gold-silver property:
  - Became project operator and secured the right to acquire a further 20% interest, allowing Pilot Gold to aggressively drive exploration on the project.
  - Reported strong intervals of gold and silver mineralization throughout the year at the KCD target. Highlights include: 5.94 g/t gold, 12.6 g/t silver, and 0.53% copper over 137.1 metres in KCD-39; 69.0 g/t silver over 94.0 metres in KCD-104; and 227 g/t gold over 12.0 metres in KCD-50.
  - Identified a substantial, near-surface zone of silver-only mineralization that overlies the high-grade gold-silver-copper zone at the KCD target.
  - Completed the $5 million first-year minimum earn-in expenditure commitment in January 2013.
- Demonstrated the Kinsley project's ability to host gold mineralization to the north of the mined pits and previously identified gold trend:
  - In February 2013, earned-in to a 65% interest pursuant to satisfaction of minimum expenditure requirements and exploration success on the property.
  - Increased exposure to Kinsley through a subscription in common shares and share purchase warrants of Nevada Sunrise Gold Corporation, our partner on the project.
  - Completed approximately 11,870 metres of resource definition and exploration drilling in 63 holes in 2012, highlights of which include: 5.48 g/t gold over 20.4 metres in PK14C, 2.3 g/t gold over 19.8 metres in PK057, and 6.03 g/t gold over 13.7 metres in PK061. Drilling to date has demonstrated mineralization extending over an existing 2.2 kilometre-long northwest trend cut by north-northeast trending, higher-grade corridors of unknown extent.
  - Created a contiguous property; consolidated access to and more than doubled the property size by staking an additional 188 claims since acquiring the earn-in option to Kinsley.

OUTLOOK

Pilot Gold enjoyed significant exploration and capital markets success in 2012, supporting our vision to become the leading gold exploration company in Turkey and Nevada. We plan significant investments in 2013 as we continue to advance our three key projects:

- **TV Tower:** In 2013 we plan co-ordinated testing of multiple targets while completing 15,000 metres of resource definition and exploration drilling at the Küçükdağ [pronounced: k-chŭk-dă] ("KCD") high grade gold-copper-silver target, and an additional 7,500 metres at each of the Kayalı and Sarp/Columbaz targets. We aim to have an initial resource estimate for KCD by year end. We have initiated metallurgical testing at KCD, and have begun preliminary engineering, environmental, cultural and economic studies on TV Tower in order to demonstrate the value and potential of this project. Pursuant to the TV Tower Agreement (as defined in this MD&A) we hold an option to increase our interest from 40% to 60%, subject to meeting certain requirements over the next three years. We anticipate surpassing the second-year expenditure requirements in 2013.

- **Kinsley:** The 2013 work program at Kinsley includes $5.2 million in expenditures and 22,000 metres of core and reverse circulation ("RC") drilling designed to establish an initial resource under and adjacent to the historic pits, and to test priority exploration targets on flanking and outlying areas. The 2013 work program also includes preliminary metallurgical, engineering, and related studies. Our partner, NEV, holds a 35% interest in Kinsley, and upon election to participate, will be responsible for its pro rata share of costs for this year's program.
- **Halilağa:** A subsidiary of Teck, our partner at Halilağa, has expressed commitment to advance and continue to maximize the opportunity at Halilağa. In 2013 we plan to continue strategic studies including economic, metallurgical, hydrological, environmental and engineering analysis to validate the conceptual economics and potential of this porphyry project.
- **Portfolio:** In Nevada, our portfolio of projects includes a number of early-stage exploration opportunities with untapped potential. Promising projects in Nevada include the Griffon and Antelope sediment-hosted gold properties, as well as the Brik and Viper properties on which our team made new gold discoveries in 2011. We will continue to seek opportunities, similar to our recent success with the sale of the Regent property, to augment and extract value from our portfolio.

Actual expenditures through the year ended December 31, 2012, as compared to the 2012 budgeted cash exploration and development expenditures for our material properties and the 2013 budget, are summarized in the following table:

		Our share (in $ '000s) of:			
		Actual Expenditures for 2012	2012 Budget (revised)[1]	2013 Budget	Pilot Gold ownership
PROJECT	**MINERALS**				
TV Tower	gold, silver, copper	4,770	4,131	7,922	40% [2]
Kinsley	gold	3,498	2,869	3,388	65% [3]
Halilağa	copper, gold, molybdenum	1,633	1,949	233	40% [4]
TOTAL		**9,901**	**8,949**	**11, 543**	

(1) A revised 2012 Budget for Pilot Gold's key properties was approved by the Board at a meeting in July 2012 to reflect Pilot Gold's assumption of the role of Operator at TV Tower, the initial earn-in at Kinsley and the increased budget at Halilağa as determined by TMST.

(2) Pilot Gold is currently working to increase its ownership interest at TV Tower to 60% (from 40%) in accordance with an option agreement. The initial $5 million minimum expenditure requirement was surpassed in January 2013.

(3) The Company's interest in Kinsley increased from 51% to 65% pursuant to having notified Nevada Sunrise Gold Corporation ("NEV") on February 8, 2013 that we had met the $3 million earn-in expenditure requirement.

(4) Amounts budgeted for 2013 for Halilağa include Pilot Gold's share for activities such as joint venture monitoring, attending joint venture meetings and legal expenses as well as an estimate of the Company's share of joint venture expenditures as undertaken by Teck. Teck have not advised us of the final budget for Halilağa.

OVERALL PERFORMANCE

Overview

Pilot Gold is a gold exploration company led by a proven, technically focused management team dedicated to the discovery and advancement of high-quality projects featuring strong grades and meaningful size in mining-friendly jurisdictions. Pilot Gold is principally engaged in the acquisition, exploration and development of mineral properties in Turkey and Nevada.

The April 6, 2011, closing of the Fronteer Arrangement (as defined and discussed in our AIF) and subsequent listing on the Toronto Stock Exchange (the "TSX") of the Company's common shares ("Common Shares") marked the start of independent operations for Pilot Gold. The closing of a $C25-million financing (the "2011 Bought-Deal") on June 14, 2011, provided the Company the capital required to commence work on our portfolio of projects in Turkey and Nevada, and the flexibility to seek out additional opportunities to increase shareholder value.

Further strengthening our treasury, we closed a bought-deal short form prospectus offering (the "2012 Bought-Deal") on November 1, 2012, pursuant to which the Company issued

17,825,000 units of the Corporation ("PLG Units") at a price of C$1.65 per Unit to raise aggregate gross proceeds of C$29,411,250. Each PLG Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole common share purchase warrant, a "Share Purchase Warrant"). Each Share Purchase Warrant entitles the holder to acquire one Common Share at a price of C$2.20 until October 31, 2014. The Share Purchase Warrants are listed on the TSX under the symbol "PLG.WT". Concurrent private placements with subsidiaries of Teck and Newmont (the "Teck Subscription", and the "Newmont Subscription", respectively and together with the 2012 Bought-Deal, the "2012 Offering") closed on November 1, 2012. To maintain their respective pro rata interest in accordance with the participation rights (further detailed in our AIF), 3,669,482 Units on the same terms as those issued under the 2012 Bought-Deal were issued pursuant to the Newmont Subscription, and 1,230,565 Units on the same terms as those issued under the 2012 Offering were issued pursuant to the Teck Subscription. The Teck Subscription and Newmont Subscription raised additional aggregate gross proceeds of C$8,085,078. Units purchased by Newmont and TMST were subject to a four-month statutory hold period.

Material exploration and development projects

With the exception of Halilağa, the Company's exploration projects are early stage and do not contain any mineral resource estimates as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The potential quantities and grades disclosed herein relating to targets at TV Tower and Kinsley are conceptual in nature and there has been insufficient exploration to define a mineral resource for the targets disclosed herein. It is uncertain if further exploration will result in these targets being delineated as a mineral resource.

Additional information about each of our material projects is also summarized in our AIF, and can be viewed at SEDAR at www.sedar.com.

TV Tower (40% owner and Operator)

The TV Tower property ("TV Tower") is an extensive, target-rich, epithermal gold-silver property in northwestern Turkey located close to established infrastructure. Drilling to date has returned some of the highest-grade gold, silver and copper drilling intervals reported in northwestern Turkey.

TV Tower consists of approximately 7,109 hectares of mineral tenure in eight contiguous licences. The property is located approximately 20 kilometres northwest of Halilağa, and is interpreted to host multiple epithermal gold-silver and potentially porphyry systems, similar to the neighbouring Ağıdağı and Kirazlı gold properties of Alamos Gold Inc. ("Alamos"). Our 40% interest is held through a shareholding in Orta Truva Madencilik Şanayi ve Ticaret Anonim Şirketi ("Orta Truva"), a Turkish Joint Stock Company. Our joint venture partner at Orta Truva is Teck Madencilik Sanayi Ticaret A.Ş. ("TMST"), an indirect subsidiary of Teck.

On June 20, 2012, we became Operator of, and secured a right to acquire an additional 20% interest (to an aggregate of 60%) in, Orta Truva, and thus indirectly, a further 20% of TV Tower (the "TV Tower Earn-in") pursuant to a joint venture and earn-in agreement (the "TV Tower Agreement").

To acquire the additional 20% interest, Pilot Gold:

- must incur $21 million in eligible exploration expenditures ("Eligible Expenditures", as that term is defined in the TV Tower Agreement) over three years (the "TV Tower Expenditure Requirement"), with a minimum expenditure of $5 million in the first year (completed), $7 million in the second year (underway), and $9 million in the third year.
- issued 3,275,000 Common Shares and 3,000,000 Common Share purchase warrants ("Teck Warrants") to TMST. Each Teck Warrant is exercisable for a period of three years from the date of issue and is exercisable for one Common Share at an exercise price of C$3.00 per share;
- must issue 1,637,500 Common Shares to TMST on each of the first and second anniversaries of the date the TV Tower Agreement was signed, should Pilot Gold elect to continue with the earn-in; and
- must make a one-time cash payment to TMST, equal to $20 per ounce of gold, applicable on 20% on the gold ounces delineated at TV Tower in excess of 750,000 ounces defined as compliant Measured, Indicated or Inferred resources in a NI 43-101 technical report, prepared generally concurrent with the completion of the TV Tower Expenditure Requirement (the "Additional Consideration").

On March 18, 2013, the Company notified Teck that we had completed the $5-million first-year minimum committed expenditure amount in January 2013. We issued 1,637,500 Common Shares to TMST in connection with accomplishing this first milestone on March 19, 2013. Through successful execution on our 2013 Budget, we will surpass the year-two expenditure commitment.

Although Pilot Gold will be the Operator at TV Tower during the period in which we incur the TV Tower Expenditure Requirement, our current interest in Orta Truva will remain unchanged at 40% until we complete the earn-in requirements. Upon satisfaction of the TV Tower Earn-in we will remain Operator so long as we remain the majority owner.

On August 8, 2012, we announced the commencement of a 16,000-metre resource definition and exploration drill program of diamond core drilling at TV Tower for the first year of the TV Tower Earn-in. Through the date of this MD&A, we have completed 14,440 metres of drilling, comprising 70 diamond drill holes focused on the KCD target. The program to date was designed to infill and expand the gold-silver-copper mineralized footprint recognized in 2011 drilling. Drilling in 2012 at KCD has returned some of the highest-grade gold, silver and copper drill intercepts ever reported in northwestern Turkey.

2012 Highlights at TV Tower include:

- KCD-39, the second hole drilled at KCD by Pilot Gold, returned long intervals of high grade gold, silver and copper, including 5.94 grams per tonne ("g/t") gold ("Au"), 12.6 g/t silver ("Ag") and 0.53% copper ("Cu") over 137.1 metres, extending the high-grade gold/silver/copper breccia zone in discovery hole KCD-02 over 50 metres to the south. KCD-49, drilled a short distance away to the southeast, returned 11.63 g/t Au over 32.5 metres, further extending this zone. KCD-50, drilled approximately 70 metres to the northwest of KCD-39, returned 227 g/t Au over 12.0 metres, in an intercept with abundant visible gold. Subsequent closely spaced drilling around this intercept shows that high gold grades extend in all directions from this intercept in a tabular zone, and are continuous with mineralization at the base of KCD-39.
- Step-out drilling to the southeast, north and northwest of these holes has extended the gold zone over a distance of approximately 250 x 400 metres. It is open down-dip to the north and laterally to the northwest. Gold is hosted in breccias, veins and zones of vuggy silica alteration.
- A large, blanket-style zone of silver mineralization was identified, partially overlying the gold zone. This zone averages several tens to over 100 metres in thickness, with grades ranging from 20 to over 300 g/t silver. The zone has been tested by drilling over an area measuring approximately 400 x 600 metres, and is open to the north and west. KCD-94 returned 85.9 g/t silver over 135.5 metres in this silver zone.
- Identification of several new drill targets on the property, including Gümüşlük, Columbaz and Kartaldağ West. Included in this exercise was the recognition that there are a number of low-sulphidation gold-silver veins on the property with bonanza grades from surface sampling.

The exploration program at TV Tower also included property-wide airborne geophysics surface mapping and extensive soil and rock geochemical sampling. From January 1, 2012 to December 31, 2012, we incurred $4.77 million in Eligible Expenditures at TV Tower compared to a budget of $4.13 million. Our total expenditures were slightly higher than budget despite having signed the TV Tower Agreement later than originally anticipated, as we agreed with Teck that expenditures incurred since the start of 2012 (when TMST was the Operator) would be considered.

We briefly paused drilling in February and early March, 2013 to avoid inclement weather conditions, allow our exploration team to properly assess results and data received to date, and to plan the 2013 program. Drilling has recommenced on TV Tower with three drills currently operating on the property.

Further information relating to TV Tower is available in the technical report entitled: *"Updated Technical Report on the TV Tower Exploration Property"* dated August 3, 2012, and effective July 15, 2013 prepared by Paul Gribble of Tetra Tech WEI Inc., available under Pilot Gold's issuer profile at SEDAR at www.sedar.com.

Kinsley (65% owner and Operator)

Kinsley Mountain ("Kinsley") is a sediment-hosted gold property along the Long Canyon Trend with a stratigraphy, structure and mineralization-style common to other sediment-hosted gold systems in northeast Nevada. The Kinsley property consists of 380 claims comprising 3,096 hectares, and hosts a past-producing mine with numerous untested sediment-hosted exploration targets, including several on claims staked by Pilot Gold in 2012.

We acquired an earn-in option to Kinsley in 2011 and in May 2012, completed our expenditure commitment to earn an initial 51% interest. We immediately elected to continue working toward an earn-in to an additional 14% (in aggregate a 65% interest), which was completed in February 2013. Intor Resources Corporation ("Intor"), a subsidiary of NEV, holds the remaining 35% interest and is subject to dilution should it fail to fund its share of programs going forward.

The 2012 program included approximately 11,870 metres of infill and step-out core and RC drilling designed to define and expand the mineralized zones identified by previous operators near the margins of open pits at the past-producing Kinsley Mountain Mine, and an extensive geochemistry and geological mapping program in the surrounding area. Staking by the Company expanded the Kinsley area, consolidated access to the main mineralized trends to the North, and joined two previously separate claim blocks, creating a contiguous property.

The Company's exploration program has begun to demonstrate the size potential and high grade underground potential of Kinsley, with drilling to date demonstrating mineralization extending over an existing, 2.2 kilometre-long northwest trend cut by north-northeast trending, higher-grade corridors of unknown extent.

Highlights from the year include:

- 5.48 g/t Au over 20.4 metres, including 16.43 g/t Au over 5.5 metres in hole PK014C;
- 2.30 g/t Au over 19.8 metres in hole PK057, 50 metres northwest of the nearest historic pit;
- 6.03 g/t Au over 13.7 metres in hole PK061 including 15.18 g/t Au over 4.6 metres, on the west side of Kinsley Mountain; and
- 9.5 g/t Au over 4.6 metres in hole PK067 including 20.5 g/t Au over 1.5 metres.

New mineralized zones were also intersected in drilling in Candland Canyon, east of the mine complex, and in the Western Flank area to the northwest of the mine, which has been expanded to cover an area 600 metres by 100 metres. In conjunction with drilling, a comprehensive regional soil and rock sampling and geological mapping effort to identify new targets was completed, encompassing both the original 141 claims, and 239 claims staked by the Company to the north and southeast of the existing pits in largely unexplored areas. This effort identified jasperoid samples with highly anomalous pathfinder element geochemistry extending the entire length of the range, a distance of over 7 km to the north of the mine.

The Company has submitted an application to the United States Interior Department's Bureau of Land Management (the "BLM") for a Plan of Operations ("PoO") which will allow for expanded exploration activities in the southern third of the property beyond the previously disturbed areas. Until this permit is approved, the Company's drilling activities will be limited to the area under a BLM Notice of Intent that authorizes five acres of disturbance on the property. We continue to complete target generation and data analysis activities as we prepare for the next phase of exploration on the property, and are finalizing the terms of the joint venture agreement with Intor.

Through December 31, 2012, we had capitalized $3.67 million in expenditures at Kinsley. Capitalized costs include values attributable to stock-based compensation, share issuances and other non-cash items directly relating to the advancement of the property that are not eligible toward earn-in. Because of our initial success at Kinsley, we accelerated exploration and increased the level of activity on the property, incurring cash expenditures of $3.50 million and as a result, exceeded the 2012 budget by approximately $0.62 million. Our budget for 2013 was reduced slightly from that which was previously reported as a reflection of anticipated timing of receipt of an approved PoO.

Further information relating to Kinsley is available in the technical reports entitled: *"Technical Report on the Kinsley Project, Elko County, Nevada, U.S.A.",* dated March 26, 2012, effective February 15, 2012 prepared by Michael M. Gustin, CPG, Moira Smith, Ph.D., P.Geo., and Kent Samuelson; available on SEDAR under Pilot Gold's issuer profile at SEDAR at www.sedar.com.

Halilağa (40% owner, and non-operator)

Halilağa is a copper-gold porphyry ("Halilağa") located 20 kilometres southeast of TV Tower, with a preliminary economic assessment (the "Halilağa PEA") illustrating that conceptually, Halilağa may support (within the very preliminary parameters of a PEA) with conservative commodity price assumptions in today's cost environment, a straightforward open pit mine, utilizing conventional milling and flotation.

The Company's interest in Halilağa is held through a 40% shareholding in Truva Bakır Maden İşletmeleri Anonim Şirketi ("Truva Bakır"). TMST is our partner and holds the remaining 60% of this Turkish entity.

On October 10, 2012, the Company completed and subsequently filed the Halilağa PEA which updated the March 23, 2012 technical report on the property. The Halilağa PEA includes a project-first independent resource estimate on Halilağa's Kestane copper-gold porphyry [pronounced: kĕs-tā-nē].

The summary disclosure set forth below relating to Halilağa is derived from the Halilağa PEA unless otherwise expressly noted, and provides only a preliminary overview of the project's economics based on broad, factored assumptions. The Halilağa PEA is preliminary in nature; readers are cautioned that the economic analysis summarized in the Halilağa PEA and highlighted in this MD&A are only intended to provide an initial, high-level review of the project. Further studies, including engineering and economics, are required (typically as a Pre-Feasibility Study ("PFS")) with regards to infrastructure and operational methodologies. Moreover, the Halilağa PEA mine plan and economic model include the use of a significant portion of Inferred resources which are considered to be too speculative geologically to be used in an economic analysis, except as permitted by NI 43-101 for use in PEAs, as mineral resources that are not mineral reserves do not have demonstrated economic viability and are too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves. Accordingly, at the present level of development there are no mineral reserves at Halilağa. Furthermore, as the Halilağa PEA reflects various technical and economic conditions at the time of writing and given the nature of the mining business, these conditions can change significantly over relatively short periods of time. Consequently, actual results may be significantly more or less favourable. Due to the uncertainty that may be attached to Inferred Mineral Resources, there is no guarantee that Inferred resources can be converted to Indicated or Measured resources as a result of continued exploration or Mineral Reserves once economic considerations are applied, nor is there any guarantee that the project economics or production profile described in the Halilağa PEA would be achieved.

The proposed concept outlined in the Halilağa PEA is to develop a green-fields copper-gold deposit with open pit mining and conventional milling and flotation concentration methods. The illustrative mining sequence was divided into a number of stages designed to maximize grade, reduce pre-stripping requirements in the early years and, maintain the plant at full production capacity[2].

Based on current knowledge and assumptions, the preliminary economic analysis summarized in the Halilağa PEA suggests that the project has positive economics (within the very preliminary parameters of a PEA) and could be advanced to the next level of study by conducting the work indicated in the recommendations section therein. Management believes that Halilağa is a compelling development project and demonstrates the potential:

(i) economic benefits of the higher grades of copper and gold at surface, and

(ii) benefits of available and proximate infrastructure for mine development.

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2 The mineral resources used in the plan and economic analysis include 56% Indicated resources, and 44% Inferred mineral resources. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them to be categorized as mineral reserves, and there is no certainty that the inferred resources will be upgraded to a higher resource category

The combination of higher grades that are mineable in the first three years, Halilağa's proximity to favourable infrastructure and location in a jurisdiction that is open to mine development, provide convincing support for continued resource conversion and expansion, as well as geotechnical, metallurgical and engineering studies.

The project site is relatively undeveloped but has road access and electrical grid power supply. Labour supply and industrial service providers are also available in the region.

The initial Halilağa resource[3] based on results from 30,004 metres of drilling in 72 drill holes through October 17, 2011, comprises:

	Tonnes (000's)	Average Cu grade (%)	Average Au grade (g/t)	Average Mo grade (%)	Contained Cu (000's lb.)	Contained Au (000's oz.)
Sulphide resource (A)						
Indicated	168,167	0.30	0.31	0.006	1,112,223	1,665
Inferred	198,668	0.23	0.26	0.007	1,007,361	1,661
Oxide resource (B)						
Inferred	4,914		0.60		—	95

Strip Ratio: 2.5 : 1

A. At a 0.2% Cu equivalent cut-off grade
B. At a 0.2 g/t Au cut-off grade

Key assumptions of the Halilağa PEA[4]

- Production rate: 50,000 tonnes per day, with about 243.3 million tonnes ("Mt") of mineralized material mined and processed during the project life (137 Mt [56%] of the planned material to be processed is classified as Indicated, the remainder as Inferred).
- Overall strip ratio (the ratio of waste rock to economic mineralized rock): Approximately 1:1.
- Average grade of the plant feed: 0.28% Cu and 0.3 g/t Au.
- Mine production life: 14 years.

A simplified economic model was developed to determine the pre-tax and after tax net present value ("NPV"), payback period and internal rate of return ("IRR") for Halilağa. Three metal price scenarios were used and for each case, the copper and gold prices were held constant throughout the project life[5].

3 The mineral resource estimate was prepared by Mr. James Gray, P.Geo., of Advantage Geoservices Ltd., in accordance with the CIM Standards, as amended. Mr. Gray is an independent qualified person as defined by NI 43-101 ("QP").

Copper, gold and molydbedum grades were estimated by inverse distance squared weighting of two metre composited sample data. The interpolation used structural and rock type controls on sample selection and search orientation. Blocks were estimated based on a minimum of five samples, a maximum of 24 samples and a maximum of seven samples per hole. Composites were capped by rock type. In total, metal removed through the capping process was low as is typical in porphyry style mineralization: 0.8% copper, 1.2% gold and 10% molybdenum. Average rock type densities were assigned to blocks based on the results of 2,466 measurements.

The resource was classified based on spatial parameters related to available composite data as Indicated or Inferred. Measures were taken to ensure the resource meets the condition of "reasonable prospects of economic extraction" as suggested under NI 43-101. A Lerchs-Grossman pit shell was generated for the purpose of resource tabulation. This pit volume was generated using MineSight® software using a copper price of $4.0/lb applied to copper equivalent grade and an overall pit slope of 45°. Only blocks within the pit volume are included in the declared resource. Within the pit shell, estimated blocks were assigned as Inferred Mineral Resource and upgraded to Indicated where:

· estimated by two holes and within 25 metres of a drill hole, or

· estimated by two holes and within 50 metres of the second closest hole, or

· estimated by three holes and within 25 metres of a drill hole, or

· estimated by three holes and within 80 metres of the second closest hole, or

· estimated by three holes and within 100 metres of the third closest hole, or

· estimated by four holes if the average distance to samples is ≤ 100 metres.

For the main sulphide resource, a cut-off of 0.2 percent copper equivalent (% CuEq) is felt to be reasonable based on a production rate of 50,000 to 70,000 tonne/day from a pit feeding a mill and flotation plant where total operating costs would be in the range of $10-12 per tonne. Due to the differing metallurgical characteristics and anticipated metal extraction methods, the oxide resource is tabled separately. Although the gold resource is extractable, it is not expected that the base metals within the oxide zone will be recoverable. The cut-off of 0.2 g/t gold is judged as reasonable based on other heap leach gold projects including Alamos' nearby Ağıdağı project.

Mineral Resources and Mineral Reserves are subject to risks related to metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political, and other relevant issues, that are beyond the control of the Company. However, based on recent work, the authors of the Halilağa PEA note that they anticipate that a good portion of the current Mineral Resource could be converted to Mineral Reserves with future drilling.

4 It is anticipated that there would be a five-year feasibility, permitting and pre-production construction period as well as a reclamation period in addition to the proposed 14 year mine production life.

5 Common assumptions to all three cases include:
- 100% equity financing;
- 20% corporate income tax, no withholding taxes and VAT recovery;
- No tax incentives for large projects from the Turkish government;
- 1.3% royalty on payable copper and 2.6% royalty on payable gold; and
- Mineable tonnes and grade in the life of mine schedule based on open pit ("OP") optimization conducted using "Case A" metal prices.

The base case (the "Base Case") used for open pit optimization (Case "A" in the Halilağa PEA) referenced recent SEDAR filings to determine approximate metal prices. Using a copper price of $2.90 / lb. and a gold price of $1,200 / oz. the Base Case demonstrated the following:

Parameter	Pre-tax Results	After-tax Results
$NPV_{0\%}$	$1.418 billion	$1.115 billion
$NPV_{7\%}$	$0.675 billion	$0.474 billion
IRR	26%	20%
Payback period (production years)	2.1	2.7

Using approximate metals prices based on the London Metal Exchange fixed three-year average to the end of April 2012 (Case "B" in the Halilağa PEA, the "Optimistic Case") of $3.30/ lb. Cu and $1,350/oz. Au., and a 7% NPV, it is estimated that the project would generate $1.081 billion pre-tax (IRR: 35%; payback 1.5 production years) and $0.799 billion after-tax (IRR: 27%; payback 2.1 production years) over the life of mine.

Sensitivity analysis in the Halilağa PEA demonstrates that a 20% increase in metal prices leads to an increase from $0.474 billion to $0.958 billion in the after-tax $NPV_{7\%}$ results.

Including a contingency of 25% for all items except mining equipment (determined using a contingency of 5%), the capital cost ("CAPEX") estimate for the project totalled $1.169 billion. Project costs were estimated from a combination of sources including first principles, reference projects, vendor's quotes, cost service publications and the experiences of SRK and Ausenco. Working CAPEX was included in the year -1 processing costs.

Operating Expenditures ("OPEX") for the project amount to $2.139 billion over the life of mine, and assume owner-operated mining including technical/supervisory support staff.

The authors of the Halilağa PEA believe that the project should be taken to the next level of engineering study and economic assessment, typically a PFS. It is estimated in the Halilağa PEA that a PFS, along with all of the accompanying engineering and field work, would cost approximately $5 million (exclusive of a recommended program of additional geology and drilling to potentially increase the percentage of Indicated resources in a subsequent assessment of the resource).

Some of opportunities and corresponding impacts identified by the authors of the Halilağa PEA include:

- An increase in metal value from the prices assumed in the Halilağa PEA would have a significant economic benefit. In Case A, a 1% increase in either the gold price or gold grade (while maintaining tonnage) increases the pre-tax $NPV_{7\%}$ by approximately $25 million.
- Reducing taxation or providing other forms of investment incentive could improve the project NPV.
- The expansion of the deposit may be possible with further resource drilling, and could then potentially lead to a bigger pit and reduced strip ratio.
- Approximately $190 million in CAPEX could be saved if mining was done by a contractor.

For further details on the Halilağa PEA, refer to the NI 43-101 technical report, entitled *"Preliminary Economic Assessment Technical Report for the Halilaga Project, Turkey"*, dated August 27, 2012, prepared by Gordon Doerksen, P. Eng of JDS Energy and Mining Inc., Dino Pilotto, P.Eng and Maritz Rykaart, P.Eng of SRK Consulting (Canada) Inc. ("SRK"), Kevin Scott, P.Eng of Ausenco Solutions Canada Inc. ("Ausenco"), Garth Kirkham, P.Geo. of Kirkham Geosystems Ltd., and James Gray, P.Geo. of Advantage Geoservices Ltd , a copy of which is available on Pilot Gold's website at www.pilotgold.com or under the Company's profile on SEDAR at www.sedar.com

The first round of assays from 2012 (not included in the Halilağa PEA) returned broad intervals of continuous copper-gold mineralization in all holes, including 0.64 g/t Au and 0.52% Cu over 134.90 metres in HD-115. Of the eight holes completed in Phase One, six were infill holes within the defined resource while the remaining two, HD-108 and HD-110, were drilled beyond the resource area, and at least 100 metres from the nearest previously reported drill holes. All Phase One drill holes intersected copper-gold porphyry-style mineralization, including notable high-grade intervals in holes HD-108, HD-109 and HD-115. Although the 2012 plan called for 8,750 metres, only 7,484 metres comprising 24 drill holes of infill and exploration core drilling were completed as Teck and Pilot Gold directed effort instead to assessing and undertaking strategic next-steps following the release of the Halilağa PEA.

Budgeted expenditures for 2012 were $4.87 million, with Pilot Gold's share totalling $1.95 million. Our share of actual expenditures through the end of 2012 was $1.63 million.

Halilağa Permitting Update

In accordance with requirements of Turkish Mining Law, on February 14, 2012 on behalf of Truva Bakır, TMST, as project operator, prepared and submitted an Environmental Impact Assessment ("EIA") report to the Ministry of Environment and Urbanism in Turkey (the "Ministry") in connection with an application to advance the principal licenses that comprise Halilağa. The EIA report contemplates a small-scale copper-gold test-mining scenario as part of an ongoing effort to advance understanding of Halilağa. On March 20, 2012, TMST notified Pilot Gold that the EIA report had been accepted by the Ministry. An approval letter was received from the undersecretary of the Turkish Minister of Environment further to a review by the Turkish Mining Bureau committee. On May 16, 2012, TMST received a renewed operations license, renewing the exploration permit at Halilağa. Shortly thereafter, TMST informed Pilot Gold that a variety of the necessary operating permits had also been received to keep the operation licenses covering the resource area in good standing. Truva Bakır has concurrently applied for, and awaits approval of a business operating permit relating to workplace safety and sanitation (a "GSM permit") from the Office of the Governor of Çanakkale (the "Governor"). The GSM permit is the final permit required to obtain a copper-gold Operations Permit, allowing copper-gold related activity beyond exploration at Halilağa to continue. TMST applied for a GSM permit on receipt of the approved EIA report. Receipt of the GSM permit from the Governor is pending. It is the Corporation's understanding that a decision on issuance of the GSM permit is being deferred until there is initial resolution of the challenge lodged against the Ministry for its approval of the EIA, as described herein. Although there is no known history of a GSM permit being denied or revoked by the Governor, should TMST fail to receive this permit, it will restrict the ability to progress beyond the exploration stage at Halilağa, as it relates to copper-gold.

In August 2012, Truva Bakır was informed that the Ministry had been served a legal petition by certain claimants in Turkey to annul the Ministry's approval of the EIA report (the "EIA Challenge"). The petition filed with the Çanakkale Administrative Court (the "Court") names the Ministry as the respondent and does not name Truva Bakır or its shareholders. The petition also requests suspension of any activities contemplated in the EIA by way of an interim decision from the Court. The Ministry has responded to the petition by way of written submission to the Court. Truva Bakır has applied to be recognized as a party impacted by the process and awaits the Court's decision. The Court has recently appointed experts as part of the initial discovery process, and has determined to formally commence proceedings upon receipt of the expert's report.

As of the date of this MD&A, the claimants had made no further submission to the Court, nor lodged any rebuttal or response to the Ministry's initial report defending its process and the approval of the EIA. The allotted timeframe in which the claimants can submit a response without a Court-approved extension has expired. The mandate of the Court-appointed experts will be limited to those submissions formally made to the Court. A site visit by the Court-appointed experts is anticipated during Spring 2013.

Pilot Gold believes the petition is without merit, and even if successful and the EIA is annulled, the ability to continue planned 2013 exploration activities at Halilağa will be unaffected. Should the EIA be annulled, Truva Bakır would revisit the EIA process and submit an updated EIA to address identified issues. Truva Bakır has also been advised that the petition does not challenge or impact the underlying tenure on the licenses that comprise Halilağa. In the event that a different or larger project is contemplated it would then require a separate EIA and be subject to the Turkish process for public disclosure.

Further detail relating to the EIA process, and related risks is described in our AIF, and in the Halilağa PEA filed under the Company's profile on SEDAR at www.sedar.com.

Other property interests

Regent

The Company announced on January 10, 2013 that it had signed and closed a definitive purchase agreement (the "Regent Agreement") to sell 100% of the Regent exploration property to Rawhide Mining LLC ("RMC") for $3 million in cash. Regent is located in Elko County, Nevada, approximately 2.5 kilometres northwest of the RMC-operated Denton-Rawhide Mine. RMC reports that gold and silver production is ongoing at the Denton-Rawhide Mine. The heap leach pads have reportedly been expanded and RMC advises they have expanding operations.

Pursuant to the Regent Agreement, Pilot Gold will retain a net profits royalty of 15% (the "Regent NPR") on Regent and is entitled to a sliding scale gold equivalent bonus payment (the "Regent Gold Bonus") as detailed below, each of which is payable in certain circumstances after RMC has achieved production at Regent.

The Regent NPR is calculated on net profits from Regent, after RMC recovers $3 million in upfront cash payments to Pilot Gold and its development costs to take Regent to production.

The Regent Gold Bonus is payable to Pilot Gold for any gold-equivalent ounces from Regent placed on the RMC leach pad in excess of 115,000 ounces based on the following:

Gold price/oz.	Gold Bonus payable price/oz.
$1,800 or more	$29.050
$1,700 to $1,800	$23.275
$1,600 to $1,700	$17.500
$1,500 to $1,600	$11.550
$1,400 to $1,500	$ 5.775
Less than $1,400	$ 0.000

There are no NI 43-101-compliant resources or reserves at Regent. There is no certainty that any amount relating to the NPI or Regent Gold Bonus will be realized. Accordingly, the Company has not recorded an asset relating to the NPI, or the Regent Gold Bonus.

Portfolio

Pilot Gold has several other property interests in the United States, providing a portfolio of opportunities for growth. They include:

- the recently acquired Gold Bug property, a large low-sulphidation epithermal gold-silver project located in the Eastern Calderas region of Nevada, featuring multiple untested targets, and
- an earn-in option to the Griffon property, a past-producing sediment-hosted gold system on the southern extension of the Cortez Trend that appears to share some of the same geology as Kinsley.

The aggregate budget for 2012 on these two properties was $0.41 million. Total costs incurred through 2012 were $0.53 million, including acquisition costs but less stock based compensation. The combined 2013 Budget for Gold Bug and Griffon is $0.66 million.

The Company anticipates that although each of the other portfolio properties warrant continued exploration, only holding costs will be incurred in 2013.

Additional information about our pipeline projects is summarized in our AIF, filed on SEDAR at www.sedar.com.

SELECTED ANNUAL FINANCIAL INFORMATION

As described in our Annual Financial Statements, Pilot Gold ceased to be a wholly owned subsidiary of Fronteer Gold Inc. ("Fronteer") on April 6, 2011, pursuant to an arrangement agreement between Newmont, Fronteer and Pilot Gold, whereby Newmont acquired all the outstanding common shares of Fronteer by way of a plan of arrangement (the "Fronteer Arrangement"). The effective date of the Fronteer Arrangement was determined to be March 30, 2011 (the "Arrangement Date").

The Fronteer Arrangement has been determined to be a common control transaction, and has been accounted for using the continuity of interest method of accounting. Pursuant to the application of continuity of interest accounting, those balances and transactions relating to the period through to the Arrangement Date reflect an allocation of cash flows, expenditures and activities based on the amounts recorded by Fronteer attributable to Pilot Gold's assets and business.

The percentage derived from the total exploration expenditure, up to the Arrangement Date, incurred by Fronteer in this comparative period on Pilot Gold's properties, over Fronteer's total exploration and development expenditures for this same period, was used to determine the appropriate balance to record in our Annual Financial Statements for those items of general and administrative expenses, wages and salaries, stock-based compensation and other overhead costs not directly chargeable to the Company through to the Arrangement Date. Accordingly, discussion in this MD&A related to the results of our operations up to the Arrangement Date reflects the allocation of costs from Fronteer pursuant to the application of continuity of interest accounting.

The financial data presented below for the current and comparative periods was prepared in accordance with IFRS. Because Pilot Gold Inc., parent company to the group, raises its financing and incurs head office expenses in Canadian dollars, it has been determined to have a Canadian dollar functional currency. In order to enhance comparability with our peers and as a better representation of the principal currency used by the mining and mineral exploration industry, the presentation currency of our Annual Financial Statements is United States dollars.

The Company's operations are in one industry – the exploration for gold, copper and other precious and base metals. At December 31, 2012, Pilot Gold has three geographic segments: Canada, the USA, and Turkey. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the one industry in which we operate provides the most meaningful information to a user.

The selected period information and summary of financial results in this MD&A should be read in conjunction with the Annual Financial Statements.

Results of Operations

The following financial data (in thousands, except per share data) are derived from our consolidated financial statements for the fiscal years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010
Total revenues	-$nil	-$nil	$-nil
Net loss for the year	$8,019	$11,841	$1,507
Basic and diluted loss per share			
Basic	$0.12	$0.21	$0.03
Diluted	$0.12	$0.21	$0.03

Fiscal year ended December 31, 2012 vs. fiscal year ended December 31, 2011

The most significant contributors to the loss for the year ended December 31, 2012 were the cost of wages and benefits of $2.30 million (2011: $1.20 million), stock-based compensation of $1.72 million (2011: $5.90 million) and office and general expenses of $1.52 million (2011: $1.24 million). The loss per share for the year ended December 31, 2012 was $0.12 (December 31, 2011: $0.21). Expenses for the year ended December 31, 2012 were offset by income resultant from management fees arising from our qualifying expenditures on the TV Tower project of $0.37 million (2011: $nil) and the reversal of a previous impairment of the VAT receivable in Turkey ($0.31 million).

Wages and benefits

In the year ended December 31, 2012, Pilot Gold recorded $2.30 million (December 31, 2011: $1.20 million) to wages and benefits expense. The balance of wages and benefits has increased when compared to the prior year, reflecting the April 2011 start date for many of our employees – reducing the total cost in the comparative period, as well as a result of an annual wage increase awarded to the majority of our team effective January 2012. Our 2012 budget for wages and benefits not attributable to deferred exploration was $2.1 million. The expense through December 31, 2012 is generally consistent with the amount budgeted and includes compensation expenses invoiced by Oxygen Capital Corp. ("Oxygen") in accordance with a management services agreement the Company entered into with effect of August 1, 2012 (the "Oxygen Agreement"; see also in this MD&A, "Related Party Transactions"). The comparative period includes an allocation of Fronteer's wages and benefits costs as employment relationships with the majority of our personnel began after March 30, 2011. Prior to this date, Pilot Gold had no employees and no related cash flows.

Consistent with our accounting policies relating to the capitalization of exploration expenditures, in any period a significant portion of our remuneration costs are capitalized to our exploration properties based on the nature of work undertaken. Wages and benefits included on our statement of loss reflect only those costs not attributable to either exploration on specific projects, or property investigation. During the year ended December 31, 2012, we capitalized $0.73 million (December 31, 2011: $0.49 million) in wages and benefits to our property interests.

Stock-based compensation

For the year ended December 31, 2012, $1.72 million was expensed for stock-based compensation (December 31, 2011: $5.90 million). This total does not include amounts recorded as part of property investigation expense ($0.23 million), or capitalized to mineral properties ($0.24 million). Despite a Company-wide grant of stock options to purchase Common Shares ("Options") in 2012, stock-based compensation is lower than in the comparative year as a significant number of Options granted as part of the "Initial Option Grant" (being the Company-wide grant of Options to directors, management, employees and certain significant contractors of the Company shortly after the listing of our Common Shares) vested in April 2011, and neither the Option grant in 2012, nor the number of Options vesting in the current year were as large.

In determining the fair market value of stock-based compensation granted to employees and non-employees, management make significant assumptions and estimates. These estimates have an effect on the stock-based compensation expense recognized and the contributed surplus balance on our statements of financial position. Management has made estimates of the life of the Options, the expected volatility and the expected dividend yields that could materially affect the fair market value of this type of security. The estimates were chosen after reviewing the historical life of the Options and analyzing share price history and that of a peer group to determine volatility.

Generally, stock-based compensation expense should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are cancelled in a period. It is expected that Options will typically be granted once each year, resulting in a higher stock based compensation expense in the particular quarter of the grant, as opposed to those other quarters of the year.

Office and general

In the year ended December 31, 2012, office and general expenditures reflecting activities at our offices in Canada, the United States and Turkey, amounted to $1.52 million (December 31, 2011: $1.24 million). Expenses reported that relate to the comparative period include ramp-up costs following our initial public listing in April 2011 and costs allocated to the Company in accordance with continuity of interest accounting in the first three months of 2011. Our 2012 budget for office and general expense was $1.11 million. The expense through December 31, 2012 is higher than the amount budgeted as a result of additional costs incurred relating to our website re-launch, replenishment of office supplies, and renewals for software and subscriptions. For a portion of 2012, certain of our office-related costs were offset by recoveries from Blue Gold Mining Inc. ("Blue Gold"), further to an administrative services agreement with that company. As of August 1, 2012, office and general comprises primary expenses recharged to the Company by Oxygen.

Property investigation

In the year ended December 31, 2012, the Company incurred property investigation costs of $0.56 million (December 31, 2011: $1.71 million). Costs of property investigation are expensed until a new project is acquired or the rights to explore the property have been established. Project investigation is a core part of our business and growth strategy and we remain active in identifying projects that will enhance our growth pipeline, including identifying near term producing assets for acquisition. In the current year we shifted focus to our existing projects, reducing the cost attributable to property investigation.

The TV Tower Agreement, effective June 20, 2012, specifies that Eligible Expenditures incurred beginning January 1, 2012 qualify toward earn-in. Because $0.31 million in Eligible Expenditures were originally recorded to property investigation during Q1 2012, this amount was reversed accordingly and recorded to the Earn-in Option for TV Tower.

Write-down of mineral property interest

During the year ended December 31, 2012 the Company wrote-down the value of deferred exploration expenditures relating to the Hannapah, Baxter Springs, Cold Springs, Sandy and Yuntdağ exploration properties, further to a review and prioritisation of the Company's portfolio of mineral property assets. A total of $0.54 million in deferred exploration expenditures were recorded to the consolidated statement of loss at December 31, 2012 as a result. Claims fees relating to Baxter Springs, Cold Springs and Sandy have been paid to maintain these three properties in good standing through August 31, 2013. Claims for Hannapah and Yuntdağ were not renewed. Further to an assessment of the fair value less costs to sell relating to the anticipated sale of Regent and of Buckskin North shortly after year end, $0.98 million was written down at December 31, 2012, with the remaining balance of deferred exploration costs relating to these two properties being the estimated recoverable amount. Regent and Buckskin North have been classified as assets held for sale on our statement of financial position. There were no indicators of impairment on the Company's other assets. These write-downs, and the subsequent disposal of Regent had no effect on continuing operations.

Change in fair value of financial instruments

The balance of our derivative financial instruments includes 1,000,000 share purchase warrants of Rae-Wallace ("RW Warrants") acquired pursuant to the Fronteer Arrangement and 3,125,000 and NEV Share purchase warrants ("NEV Warrants").

Changes to the fair value of our derivative financial instruments are recorded to income (loss) in each period. The value of share purchase warrants is determined using the Black-Scholes option-pricing model. In estimating the value of the warrants, we make assumptions about the volatility of underlying share prices of the shares and warrants held and the expected life of these warrants. These estimates affect the warrant value recognized and the underlying gain or loss recorded as mark-to-market adjustments. The estimates are chosen after analyzing the share price history and management's intentions about holding the investment. As it relates specifically to the RW Warrants, the estimate of fair value has been determined by looking at comparable corporations listed on a recognized exchange.

On February 14, 2012, the Company agreed to purchase, 6,250,000 units of NEV at a price of C$0.12 per NEV Unit. The private placement in NEV closed on March 23, 2012. On closing, the fair value of each NEV Share was C$0.20. Accordingly, we recognized a "Day 1" gain of $0.50 million in the statement of loss. The fair value adjusted amount of C$0.20 per NEV Share on recognition was determined to be our deemed cost.

For both the common shares of NEV ("NEV Shares") and those common shares of Rae-Wallace ("RW Shares") held, the fair value as at December 31, 2012 was deemed to have shown a significant decline in value as compared to the deemed cost. As this is regarded as an objective indicator of impairment, we recognised $0.73 million, being the aggregate of all losses previously recorded in Other Comprehensive Income, in the statement of loss at December 31, 2012. Unrecognized gains and losses of the NEV Shares and the RW Shares at each period end will also be recognized in the statement of loss in future periods.

Management fees

During the period the Company has received a total of $0.38 million ($-nil) in management fees primarily as a result of a service agreement between the Company and Orta Truva. These fees relate mainly to the mark-up on Eligible Expenditures on TV Tower as per the terms of the agreement.

VAT receivable

In the year ended 2011 the VAT receivable in our Turkish subsidiary was written down by $0.29 million after being deemed not recoverable by management, due to the activity of our Turkish operations at that time. A change in the activity in our Turkish operations, particularly assuming Operatorship at TV Tower, led management to re-assess the recoverability of the VAT during the current year, and it was deemed fully recoverable. The write up of $0.31 million differs from our original write down due to foreign exchange differences.

Other comprehensive loss

The net balance of other comprehensive loss for the year ended December 31, 2012 was $0.63 million (December 31, 2011: $1.58 million). The year ended December 31, 2012 includes a $0.69 million gain (December 31, 2011: loss of $1.52 million) from the impact of exchange gains and losses arising from exchange differences further to the translation of our foreign operations with a non-United States dollar functional currency and a net value loss on those financial assets we did not conclude (as discussed above under Change in fair value of financial instruments) to impair during the year ($0.07 million). The impact from exchange differences will vary from period to period depending on the rate of exchange. In the period between January 1, 2012 and December 31, 2012, there was a 1.4% change in the exchange rate between the United States and Canadian dollars.

Fiscal year ended December 31, 2011 vs. fiscal year ended December 31, 2010

For the year ended December 31, 2011, we reported a net loss of $11.84 million compared to a net loss of $1.51 million for the year ended December 31, 2010. The loss per share for the year ended December 31, 2011 was $0.21 (December 31, 2010: $0.03). The most significant contributors to the losses for the year ended December 31, 2011 were stock based compensation ($5.90 million) and property investigation ($1.71 million). In the comparative period, the most significant contributors to the losses were depreciation and wages as allocated from Fronteer.

Wages and benefits

In the year ended December 31, 2011, Pilot Gold recorded $1.20 million (December 31, 2010: $0.35 million) to wages and benefits expense. Employment relationships with the majority of our personnel began on April 6, 2011; prior to this date, Pilot Gold had no employees, and no related cash flows.

Stock-based compensation

The amount expensed for stock-based compensation, not included as part of property investigation expense ($0.43 million) or capitalized to mineral properties ($0.29 million) for the year ended December 31, 2011 of $5.90 million (December 31, 2010: $0.21 million) is higher than the comparative period due the timing of the Initial Option Grant in April 2011. The balance shown in the comparative period is an amount allocated under continuity of interest accounting. Of those Options granted in April 2011, we have recorded $4.41 million as an expense attributable to those Options with immediate vesting.

Office and general

In the year ended December 31, 2011, office and general expenditures amounted to $1.24 million (December 31, 2010: $0.20 million). In the second quarter of 2011 we incurred a number of office start-up costs following the close of the Fronteer Arrangement not expected to recur through subsequent periods. Beginning in the third quarter of 2011, certain of our office-related costs were off-set by recoveries from Blue Gold further to the administrative services agreement with that company (see also in this MD&A, "Related Party Transactions"). All 2010 comparative amounts reflect an allocation of Fronteer's costs under continuity of interest accounting.

Property investigation

In the year ended December 31, 2011, the Company incurred property investigation costs of $1.71 million (December 31, 2010: $-nil). Following closing of the 2011 Bought-Deal (defined herein), we undertook a process to upgrade our portfolio of mineral property interests and to review other opportunities in jurisdictions familiar to our team. Attributable costs include wages and salaries, an allocation of stock-based compensation, travel and fees paid to consultants and advisors. There were no similar efforts in the comparative period.

Professional fees

Professional fees in the year ended December 31, 2011 were $0.47 million (December 31, 2010: $0.13 million), and include primarily to legal, accounting and audit costs as well as advisory services relating to the Company's information technology needs at each of our locations. In the approximately nine-months since the closing of the Fronteer Arrangement, particularly in the second quarter of 2011, specific professional fees include advisory services typical to the start-up of a new business, such as the drafting of key agreements, including those for employees, as well as advisory services related to compliance with regulatory requirements and costs associated with our initial listing.

Write-down of deferred exploration expenditures

In connection with the 2011 disposal of the Aktarma and Ispir exploration properties to Global Resources Corporation Limited ("GRCL"), we wrote these properties down to their recoverable values. Adjusted for the impact of foreign exchange, the write-down for the year ended December 31, 2011 was $0.14 million (December 31, 2010: $-nil).

Change in fair value of financial instruments

Changes to the fair value of our derivative financial instruments, which in 2011 comprised 1,000,000 RW Warrants are recorded to income (loss) in each period.

Other net income (expenses)

Other net expenses in the 2011 financial statements included amounts resulting from continuity of interest accounting.

Other comprehensive income (loss)

The net balance of other comprehensive loss for the year ended December 31, 2011 was $1.58 million (December 31, 2010: income of $0.04 million). Other comprehensive income (loss) includes the impact of i) Exchange differences on translating foreign operations; ii) Net fair value gain (loss) on financial assets; and iii) Exchange on unrealized loss on long-term investments.

The year ended December 31, 2011 includes a $1.52 million loss (December 31, 2010: gain of $0.05 million) from the impact of exchange gains and losses arising from exchange differences further to the translation of our foreign operations with a non-United States dollar functional currency, and a net value loss on financial assets of $0.08 million during the year ended December 31, 2011 (year ended December 31, 2010, $0.01) relating to the revaluation of common shares we hold in other publicly listed companies. The translation impact will vary from period to period depending on the rate of exchange; in the period between January 1, 2011 and December 31, 2011, there was a 1.84% change in the exchange rate between the United States and Canadian dollars.

Financial Position

The following financial data are derived from our financial statements as at December 31, 2012, 2011 and 2010:

	December 31, 2012	December 31, 2011	December 31, 2010
Total assets	$72.39 million	$37.49 million	$7.91 million
Long-term liabilities	$0.04 million	$0.07 million	$0.00 million
Cash dividends declared	$nil	$nil	$nil

Total Assets

Total assets have increased since December 31, 2011, by $34.90 million to $72.39 million, reflecting an increase to the (i) balance we hold in cash and short term investments following the closing of the 2012 Bought-Deal; and (ii) the value of Common Shares and Teck Warrants issued to Teck, and those legal costs paid to acquire the Earn-in Option, off-set by those cash outflows for general exploration and administration activities and net changes to the value of investments in NEV and Rae-Wallace.

Between December 31, 2010 and December 31, 2011, total assets also increased significantly to $37.49 million as at December 31, 2011 (December 31, 2010: $7.91 million), and comprises primarily cash and short term investments of $18.42 million (December 2010: $0.09 million) and $9.13 million (December 31, 2010: $3.05 million) capitalized to our exploration properties. The increase to cash and short term investments reflects the receipt of $24.4 million cash pursuant to the closing on June 14, 2011, of the 2011 Bought-Deal, and the receipt of $9.8 million upon the close of the Fronteer Arrangement on April 4, 2011, off-set by those cash outflows for general exploration and administration activities. The increase to the value of our exploration properties reflects the initial effort and associated deferred exploration expenditures on our properties subsequent to listing on the TSX through the year ended December 31, 2011.

We have not yet completed feasibility studies to determine whether any of our exploration properties contain resources that are economically recoverable. All direct costs associated with exploration of these properties are capitalized as incurred. If the property proceeds to development, these costs become part of pre-production and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related deferred expenditures are written-off.

Non-current liabilities

At each of December 31, 2012, and 2011, our non-current liabilities comprise liabilities recorded in recognition of a legal obligation in Turkey to accrue for lump-sum termination payments for employees when their employment is terminated due to retirement or for reasons other than resignation or misconduct. There was no similar balance recorded at December 31, 2010 as there was no such obligation. The years ended December 31, 2011 and 2010 also include deferred tax liabilities. In the current period our operating losses are sufficient to cover any liabilities, and hence none has been recorded.

Shareholders' equity

The Company issued an aggregate of 26,000,047 Common Shares, 3,000,000 Teck Warrants and 11,362,524 Share Purchase Warrants during the year ended December 31, 2012 in relation to the TV Tower Agreement and the 2012 Bought-Deal. Share issue costs associated with the 2012 Bought-Deal were approximately C$1.93 million. In addition an aggregate of 125,000 Common Shares to other public companies in connection with earn-in agreements to acquire, or maintain our interest in exploration properties in the United States.

During the year ended December 31, 2011, the Company issued 8,333,334 Common Shares relating to the 2011 Bought-Deal, 48,201,952 Common Shares in advance of, and in connection with the closing of the Fronteer Arrangement and 50,000 Common Shares as partial consideration for the purchase of the Kinsley Earn-in Option.

The weighted average fair value Warrants granted during the period determined using Black-Scholes was C$0.36 per option. The weighted average significant inputs into the model were share price of C$1.54 at the grant date, exercise price C$2.37, volatility of 61%, dividend yield of 0%, an expected life of 2.21 years and annual risk-free interest rate of 1.08%.

The weighted average fair value of Options granted during the period determined using Black-Scholes was C$0.64 per option. The weighted average significant inputs into the model were share price of C$1.06 at the grant date, exercise price C$1.32, volatility of 80.9%, dividend yield of 0%, an expected Option life of 5 years and an annual risk-free interest rate of 1.26%. A 2.77% forfeiture rate is applied to the Option expense.

Refer also to discussion in this MD&A under heading, "Outstanding Share Data". The Company has not declared any dividends since incorporation.

SUMMARY OF QUARTERLY RESULTS

The following information (in thousands of $, except per share amounts) is prepared in accordance with IFRS and is derived from and should be read in conjunction with, our unaudited condensed interim consolidated financial statements for each of the past eight quarters, as well as the Annual Financial Statements. Consistent with the preparation and presentation in our Annual Financial Statements, these unaudited quarterly results are presented in United States dollars. The determination of functional currency for the Company and each of its subsidiaries and associates is unchanged from that which is consolidated in the Annual Financial Statements.

Condensed consolidated statements of loss and comprehensive income (loss)

	Dec 31 2012	Sep 30 2012	Jun 30 2012	Mar 31 2012	Dec 31 2011	Sept 30 2011	Jun 30 2011	Mar 31 2011 *
Continuing operations								
Loss from continuing operations after tax	(3,361)	(1,814)	(1,383)	(1,461)	(2,099)	(2,058)	(7,270)	(414)
Other comprehensive income								
Exchange differences on translating foreign operations	(121)	809	(464)	469	556	(2,373)	273	20
Net value gain (loss) on financial assets	917	(322)	(516)	(146)	(2)	(49)	(214)	180
Loss per share from continuing operations								
Basic and diluted	(0.03)	(0.03)	(0.02)	(0.02)	(0.04)	(0.03)	(0.14)	(0.01)

In the quarter ended December 31, 2012, our loss from continuing operations of $3,36 million includes $0.98 million for the write down of the Regent property to net realisable value, $0.73 million in losses relating to our equity investments previously recognised in other comprehensive income and $0.63 million relating to 2012 bonuses to employees and service providers paid in 2013, offset by $0.38 million in management fees received on Eligible Expenditures on the TV Tower project. Consistent with previous quarters, net cash outflows were primarily directed to the exploration and development of the Company's exploration properties, and in funding paid to our associates.

In the quarter ended September 30, 2012, our loss from continuing operations of $1.81 million included $0.54 million in the write-down of deferred exploration expenditures and was offset by the reversal of the write down of the VAT in our Turkish subsidiary of $0.31 million.

In the three-month period ended June 30, 2012, our net loss from continuing operations of $1.38 million includes the reversal of the write-down of a property option relating to mineral property rights in Peru (the "RW Option") held at the time by Rae-Wallace Mining Company ("Rae-Wallace") and exchange gains relating to our US dollar cash balances held in Canada ($0.12 million).

In the three-month period ended March 31, 2012, our net loss from continuing operations of $1.46 million includes a favourable change in the fair value of our long-term investments ($0.8 million), owing primarily to an increase to the fair value of the NEV Shares and NEV Warrants, and exchange gains arising on the translation of foreign operations of $0.47 million further to the appreciation of the Canadian dollar versus the US dollar. In the three months ended March 31, 2012, we also determined to write off the capitalized costs acquired from Fronteer relating to the RW Option ($0.18 million) further to the unlikelihood we would recover such costs, or elect to proceed with the RW Option.

The net loss for the three-month period ended December 31, 2011 reflects a similar loss as recorded in the previous three-month period of $2.10 million, and similar cash outflows from operating activities of $1.34 million. The consistency as compared to the prior quarter is a reflection of the normalization of our business, post Fronteer Arrangement. In the three-month period ended December 31, 2011 our other comprehensive loss was impacted by $0.56 million on translation of our foreign operations due to the appreciation of the Canadian dollar relative to the US dollar.

In the three-month period ended September 30, 2011 our condensed consolidated statements of loss and comprehensive loss reflected those costs incurred undertaking general exploration and property investigation on a number of potential targets ($0.78 million), office and general costs ($0.37 million), the non-cash impact of stock-based compensation ($0.5 million) and a non-cash charge of $0.02 million arising from a decline in the fair value of shares and warrants we hold in other public companies. The total loss for that three-month period was $2.06 million, with cash outflows from operating activities of $1.75 million.

In the three-month period ended June 30, 2011 our condensed consolidated statements of loss and comprehensive loss reflected a number of start-up, initial-public listing and post-Fronteer Arrangement costs as well as the impact of the inaugural stock-based compensation grant, resulting in a loss for that period of $7.27 million, and cash outflows from operating activities of $1.08 million. During the three month period ended June 30, 2011, we also closed the 2011 Bought-Deal, impacting our cash flows from financing activity in that period.

The balances presented for the three month period ended March 31, 2011 reflect entirely the allocation of costs from Fronteer, consistent with the continuity of interest basis of accounting, as if Pilot Gold had been an independent entity through March 30, 2011. The net loss through this period is non-cash, and represents an allocation of costs incurred and the operations on properties ultimately acquired by Pilot Gold.

LIQUIDITY AND CAPITAL RESOURCES

Pursuant to the closing of three related and concurrent financings (together, the "Offering", as described in this MD&A), receipt of partial consideration from the sale of the Regent property, and the balance of existing treasury, as at the date of this MD&A, the Company has approximately $36 million available in cash and short-term investments.

With no debt, the Company's working capital balance as at this date of this MD&A is approximately $37 million. The value of the Company's equity investments for which a market price per share is available is $0.8 million.

Pilot Gold manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties.

Although we have no revenue-producing operations, and earn only minimal income through management fees, investment income on treasury, amounts arising through various property option agreements and occasionally as a result of the disposal of an exploration asset, the closing of the Offering in November 2012 positions the Company to advance our material properties without the need to raise additional capital in the medium-term. On an ongoing basis, management evaluates and adjusts its planned level of activities, including planned exploration, development, permitting activities, and committed administrative costs, to ensure that adequate levels of working capital are maintained. We believe that this approach, given the relative size of Pilot Gold, is reasonable.

Our global budget, including exploration and administration for 2013 is $18.52 million. We anticipate spending $7.92 million at TV Tower, $3.39 million at Kinsley, $0.23 million at Halilağa, and approximately $1.50 million on other exploration activities. General and administrative costs of $5.30 million include salaries, professional fees and those costs associated with running the Company's offices in Vancouver, Nevada and Turkey as well as for investment in capital equipment and review of new opportunities. Management believes that the available funds are sufficient for current operations and will enable Pilot Gold to execute its planned exploration and development program on its material properties for at least one year, assuming no other factors change.

A summary of the planned use of proceeds detailed in the Company's (final) short form prospectus dated October 25, 2012 (the "Prospectus"), predicated on the base financing amount contemplated in the Offering, subject to discretion to change such allocation, is as follows:

Activity or Nature of Expenditure (through the end of 2014)	Approximate Use of Net Proceeds (C$)
Exploration and Development of TV Tower	14.9 million
Exploration and Development of Kinsley	9.1 million
Exploration and Development on portfolio of other mineral property interests in Nevada and Turkey	2.8 million
Working Capital	4.1 million
Total	**30.9 million**

Funds raised further to the exercise of the over-allotment option provided to the underwriters of the 2012 Bought-Deal are expected to be allocated towards the further development of TV Tower and Kinsley. Our approved budget for 2013, as described in this MD&A is in line with table above.

In 2011, we successfully closed the 2011 Bought-Deal, providing net proceeds of $24.1 million to the Company, with share issue costs of approximately $1.7 million. For a summary of our planned use of proceeds relating to the 2011 Bought-Deal see our MD&A for the year ended December 31, 2011. Expenditures relating to our material properties have to date been in line with anticipated use of proceeds from the 2011 Bought Deal.

The properties in which we currently have an interest are in the exploration and development stage; accordingly we are dependent on external financing, including the proceeds of future equity issuances or debt financing, to fund our activities. Circumstances that could impair our ability to raise additional funds, or our ability to undertake transactions are discussed in our AIF under the heading "Risk Factors". There is no assurance that we will be able to raise the necessary funds through capital raisings in the future.

We have not issued any dividends and management does not expect this will change in the near future.

Investments

At the effective date of this MD&A, the market value of our portfolio of investment holdings is approximately $0.81 million, and includes:

- Gold Springs LLC: Subsequent to year end we declined to participate in the proposed exploration program at the Gold Springs project led by High Desert Gold Corporation ("High Desert"). Gold Springs is held by Gold Springs LLC, a Nevada partnership entity. The result of which was a dilution from the previous 29% interest to a 17.5% interest, and in accordance with IFRS, the de-recognition of our investment as an associate, and a revaluation of our reduced interest as an investment.
- Nevada Sunrise Gold Corporation: In the first quarter of 2012, in order to secure an additional interest in Kinsley, we participated in a private placement in NEV, our minority partner at Kinsley. Through the offering, which closed on March 23, 2012, we hold 6,250,000 NEV Shares and 3,125,000 NEV Warrants, and retain a right to participate in future financings to maintain this position. The fair value of the NEV Shares and NEV Warrants at the date of this MD&A is $0.39 million.
- Rae-Wallace Mining Company: Pursuant to the closing of the Fronteer Arrangement we acquired 2,000,000 RW Shares, and 1,000,000 RW Warrants. On July 18, 2012, as partial consideration in exchange for waiving our rights to the RW Option, we received an additional 1,985,100 RW Shares and an extension to the expiry date of the RW Warrants already held. The RW Shares are quoted as pink sheets and are not currently trading on a recognized exchange.
- Global Resources Corporation Limited: As consideration for the sale of the Aktarma and Ispir properties to GRCL in 2011, we received 250,000 common shares of GRCL. During the second quarter of 2012 we also received an additional 100,000 shares in GRCL in exchange for providing that company with a six-month extension to their earn-in option at our Yuntdağ property in Turkey. Ultimately GRCL terminated the earn-in on Yuntdağ, and we abandoned the license. GRCL trades on the Australian Securities Exchange.

Contractual obligations

Mineral Properties and Capital Expenditures

We have obligations in connection with certain of our mineral property interests that require either:

(iii) cash payments to be made to the government or underlying land or mineral interest owners; or

(iv) minimum expenditure requirements in order to maintain our rights to such mineral interests.

Although most of these are not firm commitments, with such obligations being eliminated should we choose to no longer invest funds exploring the property, we have certain obligations relating to TV Tower and Gold Bug:

TV Tower: The $5 million minimum first-year TV Tower Expenditure Requirement is a committed expenditure, whereby Pilot Gold must make a cash payment to TMST for the portion of the $5 million not incurred before the first anniversary of the TV Tower Agreement regardless as to whether we determine to proceed with the earn-in. Should the Company elect to proceed with the earn-in, the shortfall amount would also be added to the TV Tower Expenditure Requirement for the second year of the earn-in. Because the Company surpassed the minimum TV Tower Expenditure Requirement in January 2013, we are no longer exposed to the related obligation. We issued 1,637,500 Common Shares to TMST in connection with accomplishing this first milestone on March 19 2013. It is not possible to estimate the obligation that might arise relating to the value of the Additional Consideration; accordingly, no amount has been recorded.

Gold Bug: On August 31, 2012 the Company signed an amended lease agreement with Nevada Eagle Resources LLC a subsidiary of Newmont, whereby Pilot Gold is required to make aggregate expenditures of $3 million over a period of six years, with escalating annual minimum amounts in order to maintain the amended lease agreement in good standing. An initial minimum amount of $0.5 million in expenditures on Gold Bug is a committed expenditure to be settled in cash by the end of the second year of the agreement to maintain the lease in good standing. The Company has incurred $0.03 million at the date of this MD&A.

Pilot Gold had no other commitments for material capital expenditures as of December 31, 2012.

Leases

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years. Each lease is renewable at the end of the lease period at market rate. In Canada office space is provided by Oxygen and included in the amount invoiced to the Company monthly. The Company assigned the lease for its Canadian location to Oxygen, effective August 1, 2012.

The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the year ended December 31, 2012 is $271,077. Total future minimum lease payments, under non-cancellable operating leases as at December 31, 2012 are as follows:

Year	
2013	324,086
2014	286,962
2015	164,328
2016	150,824
2017	150,824
2018+	188,531
	1,265,555

The Company is also responsible for its share of property taxes and operating costs on office premises leases in Turkey and the US.

Subsequent to year end, Oxygen entered into a lease agreement for new office premises for which the Company is committed to paying a percentage of the costs pursuant to the Oxygen Agreement. The Company's incremental share of total future lease payments over the ten year term of the new lease agreement for its share is approximately $1.95 million.

Termination payments

The Company is obligated to pay a lump-sum termination indemnity to employees with greater than one year of service terminated due to retirement or for reasons other than resignation or misconduct. Accordingly $0.03 million has been provided for at December 31, 2012. See also "Indemnifications - Oxygen Capital Corporation" in this MD&A.

OFF BALANCE SHEET ARRANGEMENTS

Other than the commitments described in this MD&A relating to the TV Tower Earn-in and the Gold Bug property, neither of which qualify as an obligation in accordance with IFRS, the Company has no off-balance sheet arrangements.

Indemnifications

Newmont Mining Corporation

The Fronteer Arrangement provides that Pilot Gold is required to indemnify Newmont and Fronteer and Fronteer's subsidiaries from all losses suffered or incurred by Newmont, Fronteer or Fronteer's subsidiaries as a result of or arising, directly or indirectly, out of or in connection with an Indemnified Liability (as such term is defined in the Arrangement Agreement).

Teck Resources Limited

The TV Tower Agreement also provides for certain indemnifications between TMST and Pilot Gold. Such indemnifications relate to actions of Pilot Gold, as Operator of TV Tower during and after the period of earn-in, as well as to indemnifications between each of the shareholders of Orta Truva, and between Orta Truva and the respective shareholders.

Oxygen Capital Corporation

Upon termination of the Oxygen Agreement, Pilot Gold is required to indemnify Oxygen for costs associated with those agreements or obligations which had been executed or incurred by Oxygen in connection with or related to the services provided to the Company by Oxygen. The associated commitment, relating to the discharge of such agreements and obligations is included in the summary of contractual obligations in this MD&A.

RELATED PARTY TRANSACTIONS

Oxygen Capital Corporation

Oxygen is a private entity owned by certain directors of the Company. Oxygen provides services to the Company including staffing, office rental and other administrative functions pursuant to the Oxygen Agreement. Related party transactions during the year ended December 31, 2012 total $0.43 million in expenditures and $0.09 million in deferred exploration expenditures relating to mineral properties, reflected in the Company's consolidated statement of loss and comprehensive loss and statement of financial position respectively. As at December 31, 2012, the Company held a receivable and payable from and to Oxygen of $0.02 million and $0.08 million, respectively. These were settled during the month of January 2013. The Company also has a deposit of $0.24 million with Oxygen to be used against the final three months of service with that company upon termination of the Oxygen Agreement. Oxygen does not charge a management fee or mark-up on cost of its services.

Compensation of key management personnel

Key management includes members of the Board, the President and Chief Executive Officer, the Chief Operating Officer & VP Exploration, the Chief Financial Officer & Corporate Secretary, and the Country Managers in each geographic segment in which the Company undertakes exploration activities. The aggregate compensation paid, or payable to key management for employee services directly or via Oxygen is shown below:

	Year ended December 31,	
	2012	**2011**
Salaries and other short-term employee benefits	$ 1,037,718	$ 891,135
Share-based payments	1,283,996	5,366,679
Total	**$ 2,321,714**	**$ 6,257,814**

Associates

The Company's associates are also related parties. The following amounts show cash paid directly to our associates in the years ended December 31, 2012 and 2011:

	Year ended December 31,	
	2012	**2011**
Truva Bakır	$1,657,061	$1,534,092
Orta Truva	673,767	1,037,005
Gold Springs	390,989	-
Total	**$2,721,817**	**$2,571,097**

As at December 31, 2012, we had outstanding receivables from Orta Truva of $4.25 million, of which $1.7 million is attributable to the investment in associate and the remaining $2.55 million is attributable to the Earn-in Option asset and includes $0.38 million in management fees. A $0.01 million receivable was outstanding from Truva Bakır at December 31, 2012.

Subsequent to year end we declined to participate in the proposed exploration program at the Gold Springs project led by High Desert, diluting our interest in that project to 17.5%. Gold Springs ceased to be a related party at that time.

FOURTH QUARTER

Consistent with previous quarters, net cash outflows were primarily directed to the exploration and development of the Company's exploration properties, and in funding paid to our associates. Replenishing cash outflows, the Company closed the Offering in November, providing gross proceeds of approximately $38.5 million. Of primary focus through the fourth quarter, was the exploration program at TV Tower, and the completion of the PoO application and related studies for Kinsley.

In the quarter ended December 31, 2012, our loss from continuing operations of $3.36 million, which includes $0.98 million for the write down of the Regent property to net realisable value (sold subsequent to year end), $0.73 million in losses relating to our equity investments previously recognised in other comprehensive income and $0.63 million relating to 2012 bonuses to employees and service providers paid in 2013, offset by $0.38 million in management fees received on Eligible Expenditures on the TV Tower project.

PROPOSED TRANSACTIONS

As is typical of the mineral exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. We are also continually reviewing and discussing opportunities with third parties regarding the sale of non-strategic properties in our portfolio. There is no guarantee that any contemplated transaction will be concluded.

With the exception of a proposed acquisition of additional exploration licenses in Turkey, there are no proposed asset or business acquisitions or dispositions before the Board for consideration, other than those discussed in this MD&A and those in the ordinary course. While we remain focused on our plans to continue exploration and development on our three material properties, should we enter into agreements in the future on new properties, we may be required to make cash payments and complete work expenditure commitments under those agreements.

INDUSTRY AND ECONOMIC FACTORS THAT MAY AFFECT OUR BUSINESS

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are substantially unchanged from those described under the heading "Risk Factors" in our AIF, available on Pilot Gold's SEDAR profile at www.sedar.com. In particular, there remain significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development.

The specific risks noted in this MD&A and those in our AIF, may limit the Company's ability to develop and/or further explore its mineral property interests and may limit the ability of the Company to satisfy earn-in expenditure requirements on our material projects.

Specific areas of risk identified include:

Current Economic Conditions

There are significant uncertainties regarding the price of gold, copper, other precious and base metals and other minerals and the availability of equity financing for the purposes of mineral exploration and development. Prices of certain commodities such as gold and copper have shown steady, though not necessarily linear, price increases which has had a positive impact on the Company and the mining industry in general as capital has been attracted to the industry making it somewhat easier for entitites exploring for commodities to raise financing. Pilot Gold's future performance is largely tied to the development of our current portoflio of mineral properties and the commodity and financial markets. There can be no certainty that commodity prices will continue to show the same level of strength. Current financial markets are likely to continue to be volatile in Canada potentially through 2013 and beyond, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Conditnued uncertainty in the credit markets has also led to increased difficulties in financing activities. As a result, the Company may have difficulty raising debt or equity financing for the purposes of mineral exploration and development, and, if obtained, on terms favourable to Pilot Gold and/or without excessively diluting our current shareholders. These economic trends may limit the Company's ability to develop and/or further explore the mineral properties in which we have an interest and may limit our ability to meet capital calls with respect to our associates.

Permitting and License Risks

A number of approvals, licenses and permits are required for various aspects of exploration and mine development. There can be no certainty that all necessary permits will be maintained or obtained on acceptable terms or in a timely manner, or that an EIA report will be accepted and approved. As evidenced by the EIA Challenge in Turkey, from time to time legal challenges may arise and have the potential to significantly impact our ability to advance one or more of our Material Properties. The timing of receipt of an approved PoO from the BLM in Nevada, will directly impact our ability to execute on our exploration program at Kinsley. Until this permit is approved, the Company's drilling activities will be limited to the area under the existing 5 acre BLM Notice of Intent.

Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities at any of the mineral exploation properties in which the Company has an interest. Any failure to comply with applicable laws and regulations, failure to obtain or maintain permits, or failure to convert mineral property licenses in accrordance with local requirements, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties or other liabilities.

Government approvals, approval of aboriginal people and other members of surrounding communities and permits and licenses are currently and will in the future be required in connection with the operations of the Company. To the extent such approvals are required and not obtained, or delayed due to a community consultation process, exploration activity may be curtailed, or we may be prohibited from continuing with planned exploration or development of mineral properties.

Exploration, Development and Operating Risks

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production.

Currency

The Company is subject to currency risks. The Company's functional currency is the United States dollar, which is subject to fluctuations against other currencies. The Company's primary operations are located in the Republic of Turkey and the United States. Many of our expenditures and obligations are thus denominated in either Turkish lira or United States dollars. The Company's head office is in Canada where it maintains cash accounts in primarily Canadian dollars. As a result, the Company has monetary assets and liabilities and expenditures in United States dollars, Canadian dollars, and Turkish lira. The Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. We have not undertaken to mitigate transactional volatility in any of the currencies to which we are exposed. Changes in the relative value of the Canadian dollar would impact corporate, administrative and operating costs, and ultimately the rate at which we generate cash outflows. Furthermore, a significant strengthening in the value of the Turkish lira compared to the United States dollar could adversely impact the economics associated with Halilağa.

Competitive

The Company's business is intensely competitive, and the Company competes with other mining companies, many of which have greater resources and experience. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and produce such properties; the labour to operate the properties; and the capital for the purpose of financing development of such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a world-wide basis and some of these companies have much greater financial and technical resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these mineral deposits could have a material adverse effect on the Company's results of operations and business.

The Company continually seeks to minimize its exposure to business risks, but by the nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

CHANGES IN ACCOUNTING POLICES AND NEW ACCOUNTING PRONOUNCEMENTS

For information on the Company's accounting policies and new accounting pronouncements, please refer to our disclosure in our Annual Financial Statements, at Note 5.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Factors that could affect these estimates are discussed in our AIF under the heading, "Risk Factors". Subject to the impact of such risks, the carrying value of Pilot Gold's financial assets and liabilities approximates their estimated fair value.

(i) Review of asset carrying values and impairment assessment

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production.

In accordance with the Company's accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

The most significant assets assessed include the value of our investment interests in associates, the carrying value of our exploration properties and deferred exploration expenditures, and the carrying value of the Earn-in Asset, including the fair value of the Teck Warrants. There were no assumptions underlying our estimate of recoverability of these assets that relate to matters defined as highly uncertain at the time these estimates were made. Recoverability of the carrying amount of the exploration properties, and of our interest in associates is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets. Recoverability of the carrying amount of the earn-in option is dependent on our successfully meeting the earn-in requirements of the TV Tower Agreement. Changes in any of the assumptions used to determine impairment testing could materially affect the result of our analyses.

As noted, at December 31, 2012, the Company decided to write down the value of deferred exploration expenditures relating to the Hannapah, Baxter Springs, Cold Springs, Sandy, Yuntdağ Regent and Buckskin North exploration properties, further to a review and prioritisation of the Company's portfolio of mineral property assets.

During the year ended December 31, 2011 the Company decided to write off the VAT receivable, held in its Turkish subsidiary of $0.29 million due to the subsidiary's level of activity at that time. The Company's current activity in Turkey has resulted in a change in management's assessment on the recoverability of the VAT, resulting in a write-up in the current period. The impact of which ($0.31 million after adjustment for foreign exchange) is recorded in the consolidated statement of loss and comprehensive loss.

(ii) Provisions for decommissioning and restoration liabilities

Close down and restoration costs are a normal consequence of exploration. The Company's accounting policy requires the recognition of such provisions when the obligation occurs. The initial provisions are periodically reviewed during the life of the project to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of the projects. The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience on other sites. None of the likelihood of new regulations, the degree of change in estimates and their overall effect upon us, or the expected timing of expenditures, is predictable. As a result there could be significant adjustments to the provision for decommissioning, which would affect future financial results.

As at December 31, 2012, the Company has recorded $0.04 million, of which $0.03 million is a current liability (December 31, 2012: $0.05 million), relating to restoration provisions.

(iii) Determination of the fair value of share-based payments

The fair value of Options granted and Warrants issued is computed to determine the relevant charge to the income statement, and liability if applicable. In order to compute this fair value the Company uses a Black-Scholes pricing model that inherently requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility, risk-free rate and forfeiture rates.

Changes in any of these inputs could cause a significant change in the share-based compensation expense charged in a period.

The assumptions with the greatest potential impact on the calculations are the volatility and the expected life. We base our expectation of volatility on the volatility of similar publicly listed companies, as the expected life of our Options exceeds our trading history.

(iv) Deferred tax assets and liabilities

The determination of the Company's tax expense for the period and deferred tax liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes.

The Company provides for such differences, where known, based on management's best estimate of the probable outcome of these matters.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial assets and liabilities are recognized when Pilot Gold becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and Pilot Gold has transferred substantially all risks and rewards of ownership. Our accounting policy for each category of financial instrument is summarized below:

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. At initial recognition, Pilot Gold classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The instruments held by the Company classified in this category are share purchase warrants.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond 12 months of the balance sheet date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Pilot Gold has classified certain of its long-term investments in this category.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within 12 months, or management expects to dispose of them within 12 months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of loss as part of other gains and losses when Pilot Gold's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of loss and included in other gains and losses.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Pilot Gold's loans and receivables are comprised of 'Receivables' and 'Cash', and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Held to maturity: Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Pilot Gold's management has the positive intention and ability to hold to maturity. They are measured at amortized cost less any allowance for impairment. Amortization of premiums or discounts and losses due to impairment are included in current period income (loss).

(v) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables and accrued liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Risks Associated With Financial Instruments

We are exposed in varying degrees to a variety of financial instrument related risks. The Board provides oversight of our risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. We manage our capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and our holdings of cash and cash equivalents. We may from time to time have to issue additional shares to ensure there is sufficient capital to meet our long-term objectives. Our financial liabilities of trade payables and accrued liabilities are payable within a 90-day period and are expected to be funded from the available balance of cash and short term investments.

Market Risk

The significant market risk to which we are exposed is foreign exchange risk.

The results of our operations are exposed to currency fluctuations. To date, we have raised funds entirely in Canadian dollars. The majority of our mineral property expenditures, including cash calls from our 60% partner on Halilağa, are incurred in United States dollars. The fluctuation of the Canadian dollar in relation to the United States dollar will have an impact on Pilot Gold's financial results.

Further, although only a portion of our expenditures, primarily general and administrative costs are incurred in Canadian dollars, we record our assets located in Vancouver in Canadian dollars. As the operating results and financial position of Pilot Gold are reported in United States dollars in our consolidated financial statements, there may also be an impact to the value of Pilot Gold's assets, liabilities and shareholders' equity as a result of the fluctuation of the Canadian dollars in relation to the United States dollar.

A 1% increase or decrease in the exchange rate of the United States dollar relative to the Canadian dollar, would result in a $0.37 million increase or decrease respectively in the Company's cash and short term investment balance. Our exposure in Turkey on fluctuations of the Turkish lira remains minimal given the nature, type and currency (USD) of expenditure, and the relative asset values. We have not entered into any derivative contracts to manage foreign exchange risk at this time.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Pilot Gold's credit risk is primarily attributable to its liquid financial assets. We limit exposure to credit risk and liquid financial assets through maintaining our cash and cash equivalents, with Canadian Chartered Banks and our reclamation deposits with A+ or higher rated United States financial institutions.

Interest Rate Risk

We are subject to interest rate risk with respect to our investments in cash and cash equivalents. Our current policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash and cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when cash and cash equivalents mature impact interest income earned.

OUTSTANDING SHARE DATA

There are 86,847,333 Common Shares and 14,362,524 Warrants to purchase Common Shares issued and outstanding at the date of this MD&A.

As at December 31, 2012, there were 5,541,000 Options outstanding issued to directors, officers, employees, and key consultants. A further 1,565,000 Options were granted on January 25, 2013 and another 25,000 on March 4, 2013; 425,000 of the 2013 Option grants vested immediately.

Of the total number of Options granted, 2,839,167 are exercisable as at December 31, 2012; and 3,261,667 are exercisable as at the date of this MD&A. No Options have been exercised as of the date of this MD&A.

LEGAL MATTERS

Pilot Gold is not currently, and has not at any time during our most recently completed financial year, been a party to, nor has any of its property been the subject of, any material legal proceedings or regulatory actions.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of Pilot Gold's internal controls over financial reporting ("ICFR") as required by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). ICFR is intended to provide reasonable assurance regarding the preparation and presentation of financial statements for external purposes in accordance with applicable generally accepted accounting principles. Internal control systems, no matter how well designed, have inherent limitations.

Based on a review of its internal control procedures at the end of the period covered by this MD&A, management has determined that the Company's internal controls over financial reporting have been effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in Pilot Gold's internal controls over financial reporting that occurred during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclosure Controls and Procedures

Disclosure controls and processes have been designed to ensure that information required to be disclosed by Pilot Gold is compiled and reported to management as appropriate to allow timely decisions regarding required disclosure. Pilot Gold's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2012, that the disclosure controls and procedures are effective to provide reasonable assurance that material information related to Pilot Gold is made known to them by employees and third party consultants working for Pilot Gold and its subsidiaries. There have been no significant changes in our disclosure controls and procedures during the period ended December 31, 2012.

While Pilot Gold's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and processes will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and processes will prevent all errors and frauds. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance, that the objectives of the control system are met.

SUBSEQUENT EVENTS NOT OTHERWISE DESCRIBED HEREIN

With the exception of the Option grants, the issuance of 1,637,500 Common Shares to TMST on March 21, 2013, pursuant to having completed the $5 million first-year minimum earn-in expenditure commitment in January 2013, the further dilution of our interest in Gold Springs, and the sale of the Regent property, described in this MD&A, there were no other subsequent events.

ADDITIONAL INFORMATION

For further information regarding Pilot Gold, refer to Pilot Gold's AIF and other continuous disclosure filings with the Canadian securities regulatory authorities available under Pilot Gold's company profile on SEDAR at www.sedar.com

APPROVAL

The Board has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it of us, and will be posted to our website at www.pilotgold.com.

Matthew Lennox-King
President and Chief Executive Officer

John Wenger
Chief Financial Officer and Corporate Secretary

March 27, 2013

SCIENTIFIC AND TECHNICAL DISCLOSURE

Unless otherwise indicated, Pilot Gold has prepared the technical information in this MD&A ("Technical Information") based on information contained in the following technical reports:

- "Updated Technical Report on the TV Tower Exploration Property, Çanakkale, Western Turkey", effective July 15, 2012, and dated August 3, 2012;
- "Technical Report on the Kinsley Project, Elko County, Nevada, U.S.A.", effective February 15, 2012, and dated March 26, 2012; and
- "Preliminary Economic Assessment Technical Report for the Halilağa Project, Turkey", effective August 27, 2012, and dated October 10, 2012,

and news releases (collectively the "Disclosure Documents") available under Pilot Gold's company profile on SEDAR at www.sedar.com. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Our Disclosure Documents were prepared by or under the supervision of a QP as defined in NI 43-101. Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Other than at Halilağa, any inference of potential quantity and grade at Pilot Gold's exploration properties and those in which we have a joint venture, disclosed in this MD&A are conceptual in nature. With the exception of Halilağa, there has been insufficient exploration to date, on any of our properties to define a mineral resource, and it is uncertain if further exploration will result in targets at these projects being delineated as a mineral resource.

The mineral resource estimates contained herein relating to Halilağa are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by drilling results and the difference may be material. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

Moira Smith, Ph.D., P.Geo, Pilot Gold Chief Geologist, is the Company's designated QP for the purposes of NI 43-101, and has reviewed and validated that the scientific or technical information contained in this MD&A related to the Halilağa PEA is consistent with that provided by the QPs responsible for the Halilağa PEA, and has verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Dr. Smith has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

As to Halilağa and for TV Tower through to the effective date of the TV Tower Agreement, all drill samples and analytical data were collected under the supervision of TMST, using industry standard QA-QC protocols. Dr. Smith is responsible for compiling the technical information contained in this MD&A but she has not verified all the assay data generated by TMST as project operator at Halilağa, or as previous operator at TV Tower, and has not necessarily had access to individual assay certificates. However, the grades and widths reported here agree with the Company's past results on the projects and TMST has given her no reason to doubt their authenticity. Dr. Smith also visits Halilağa and TV Tower regularly during the active drilling season and during those visits, was given complete freedom to review drill core and technical data on site, and to discuss the ongoing program and results with TMST staff. She is satisfied that TMST is meeting industry standards for all levels of exploration work being carried out on the property.

Cautionary Notes Regarding Forward-Looking Statements

This MD&A, contains "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws, which include, but are not limited to, statements or information concerning, future financial or operating performance of Pilot Gold and its business, operations, properties and condition, the future price of gold, silver, copper, molybdenum and other metal prices, the potential quantity and/or grade of minerals, the potential size of a mineralized zone or potential expansion of mineralization, proposed exploration and development of Pilot Gold's exploration property interests, the timing and amount of estimated future production, costs of production and mine life of the various mineral projects of Pilot Gold, the interpretation and actual results of historical production at certain of our exploration properties, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by our joint venture partners or other third parties, the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration, acquisition and development activities, estimated exploration budgets and timing of expenditures and community relations activities, requirements for additional capital, Pilot Gold's ability to fully fund cash-calls made by its joint venture partner for ongoing expenditure at Halilağa, completion of expenditure obligations under the option and earn-in agreement to which the Company is a party, government regulation of mining operations, environmental risks and reclamation expenses, title disputes, the ability to maintain or convert the underlying licences for Halilağa and TV Tower in accordance with the requirements of applicable mining laws in Turkey; government regulation of exploration and mining operations; environmental risks, including satisfaction of requirements relating to the submissions and successful defence of EIA reports and other claims or existing, pending or threatened litigation or other proceedings, limitations of insurance coverage, future issuances of Common Shares to satisfy earn-in obligations or the acquisition of exploration properties and the timing and possible outcome of regulatory and permitting matters and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of Pilot Gold to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "will", "projects", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Statements relating to mineral reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral reserves and resources described exist in the quantities predicted or estimated and may be profitably produced in the future. Estimated values of future net revenue do not represent fair market value. There is no certainty that it will be commercially viable to produce any portion of the resources.

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things, assumptions about future prices of gold, copper, silver, molybdenum and other metal prices, changes in the worldwide price of other commodities such as coal, fuel and electricity fluctuations in resource prices, currency exchange rates and interest rates, favourable operating conditions, political stability, obtaining governmental approvals and financing on time, obtaining renewals for existing licences and permits and obtaining required licences and permits, labour stability, stability in market conditions, availability of equipment, accuracy of any mineral resources and mineral reserves, successful resolution of the EIA Challenge, anticipated costs and expenditures and our ability to achieve our goals. While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information. Many assumptions are based on factors and events that are not within the control of Pilot Gold and there is no assurance they will prove to be correct.

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others: general business, economic, competitive, political, regulatory and social uncertainties; disruptions or changes in the credit or securities markets and market fluctuations in prices for Pilot Gold's securities; judgement of management when exercising discretion in their use of proceeds from the Offering; potential dilution of Common Share voting power or earnings per share as a result of the exercise of Options, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Company is an exploration and development stage company with no history of pre-tax profit and no income from its operations and there can be no assurance that the Company's operations will be profitable in the future; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental risks and hazards, cave-ins, pitwall failures, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, insurrection or acts of war or terrorism; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization; Pilot Gold's ability to renew existing licences and permits or obtain required licences and permits; changes in government legislation and regulation; fluctuations in commodity prices; requirements for future funding to satisfy contractual obligations and additional capital needs generally; changes or disruptions in market conditions; market price volatility; the Company currently has a major shareholder with greater than 10% holdings; uncertainties associated with minority interests and joint venture operations; the majority of the Company's operations occur in foreign jurisdictions; risks associated with the Company's indemnified liabilities; increased infrastructure and/or operating costs; reclamation costs; the Company has limited operating history and no history of earnings; reliance on a finite number of properties; limits of insurance coverage and uninsurable risk; contests over title to properties; environmental risks and hazards; regulation of State Forest Land in Turkey; limitations on the use of community water sources; the need to obtain and maintain licences and permits and comply with laws and regulations or other regulatory requirements; competitive conditions in mineral exploration and mining business; the ability of the Company to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; influence of third party stakeholders; risks of litigation; the Company's designation as a "passive foreign investment company"; the Company system of internal controls; conflicts of interest; credit and/or liquidity risks; fluctuations in the value of Canadian and United States dollars relative to each other; changes to the Company's dividend policy; the risks involved in the exploration, development and mining business generally; and the factors discussed in the section entitled "Risk Factors" in the AIF. Although we have attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

Pilot Gold disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on forward-looking information.

Independent Auditor's Report

To the Shareholders of Pilot Gold Inc.

We have audited the accompanying consolidated financial statements of Pilot Gold Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia
March 27, 2013

Consolidated statements of financial position

(Expressed in United States Dollars)

	As at December 31, 2012	As at December 31, 2011
	$	$
ASSETS		
Current assets		
Cash	30,224,184	7,391,497
Short term investments	7,156,180	11,028,857
Receivables (Note 6)	1,035,422	309,295
Prepayments	193,561	165,863
Exploration properties held for sale (Notes 9b and 23)	3,073,770	-
Total current assets	41,683,117	18,895,512
Non-current assets		
Earn-in option (Note 7)	7,239,057	-
Deposits (Note 8)	490,785	250,283
Exploration properties and deferred exploration expenditures (Note 9)	9,236,011	9,129,967
Plant and equipment (Note 10)	622,930	714,024
Other financial assets (Note 11)	1,190,202	456,870
Investment in associates (Note 12)	11,926,778	8,046,606
Total non-current assets	30,705,763	18,597,750
Total assets	72,388,880	37,493,262
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other liabilities (Note 13)	1,258,365	999,502
Decommissioning liability	30,000	50,484
Total current liabilities	1,288,365	1,049,986
Non-current liabilities		
Deferred tax liabilities	-	52,536
Other liabilities	42,592	21,137
Total non-current liabilities	42,592	73,673
Shareholders' equity		
Share capital (Note 15)	126,912,393	92,123,392
Warrants issued (Note 15)	5,103,994	-
Contributed surplus (Note 15)	8,787,402	6,599,039
Accumulated other comprehensive loss	(723,065)	(1,349,229)
Accumulated deficit	(69,022,801)	(61,003,599)
Total shareholders' equity	71,057,923	36,369,603
Total liabilities and shareholders' equity	72,388,880	37,493,262

The notes on pages 45 to 71 are an integral part of these consolidated financial statements.

These financial statements are approved by the board and authorised for issue on March 27, 2013:

"Donald McInnes", Director

"Sean Tetzlaff", Director

Consolidated statements of loss and comprehensive loss

(Expressed in United States Dollars)

	Year ended December 31, 2012	2011
	$	$
Operating expenses		
Wages and benefits	2,295,496	1,201,229
Stock based compensation (Note 15)	1,717,822	5,900,670
Office and general	1,518,193	1,241,232
Property investigation (Note 16)	557,904	1,707,421
Investor relations, promotion and advertising	456,305	335,822
Professional fees	414,376	466,283
Depreciation	219,490	324,448
Listing and filing fees	77,456	303,645
Write down of deferred exploration expenditures (Note 9b & g)	1,523,762	137,984
Loss on disposal of plant and equipment (Note 10)	29,027	89,490
Loss from operations	8,809,831	11,708,224
Other income (expenses)		
Change in fair value of financial instruments (Note 11)	(155,843)	(38,575)
Management fees (Notes 7 and 12)	383,263	6,924
Other net income (expenses)	25,784	(54,316)
Write up (down) of VAT receivable (Note 6)	310,874	(290,110)
Finance income	187,719	231,643
Foreign exchange gains (losses)	82,114	56,951
Income (loss) from associates (Note 12)	(95,818)	4,762
	738,093	(82,721)
Loss before tax	8,071,738	11,790,945
Income tax recovery (expense)	52,536	(49,985)
Loss for the period	8,019,202	11,840,930
Other comprehensive loss		
Exchange differences on translating foreign operations	693,221	(1,523,756)
Net fair value loss on financial assets (Note 11)	(67,057)	(55,794)
Other comprehensive income (loss) for the period, net of tax	626,164	(1,579,550)
Total loss and comprehensive loss for the period	7,393,038	13,420,480
Loss per share		
Basic and diluted	$ 0.12	$ 0.21
Weighted average number of Common Shares Basic and diluted (Note 15)	64,630,088	55,281,973

The notes on pages 45 to 71 are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

(Expressed in United States Dollars)

	Number of Common Shares[1]	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)		Accumulated deficit	Total shareholders' equity
	#	$	$	$	$		$	$
Balance as at January 1, 2011	2,500,000	1,215,000	-	10,016,247	230,321		(3,633,755)	7,827,813
Funding and expenses paid by Fronteer and its subsidiaries	-	-	-	10,131,534	-		-	10,131,534
Net assets contributed by Fronteer and its subsidiaries	-	-	-	46,485,989	-		-	46,485,989
Adjustment for shares to be issued in connection with the Fronteer Arrangement	-	-	-	(66,633,770)	-		(45,528,914)	(112,162,684)
Shares issued pursuant to the Fronteer Arrangement	48,201,952	66,633,770	-	-	-		-	66,633,770
Unrealized loss on long-term investments	-	-	-	-	(83,701)		-	(83,701)
Exchange on unrealized loss on long-term investments	-	-	-	-	27,907		-	27,907
Shares issued as a result of financing	8,333,334	25,810,450	-	-	-		-	25,810,450
Share issue costs	-	(1,635,968)	-	-	-		-	(1,635,968)
Shares issued as consideration for option on mineral property	50,000	100,140	-	-	-		-	100,140
Cumulative translation adjustment	-	-	-	-	(1,523,756)		-	(1,523,756)
Stock based compensation	-	-	-	6,599,039	-		-	6,599,039
Net loss for the period	-	-	-	-	-		(11,840,930)	(11,840,930)
Balance as at December 31, 2011	59,085,286	92,123,392	-	6,599,039	(1,349,229)	-	(61,003,599)	36,369,603
Issuances resulting from financing	22,725,047	33,040,287	4,557,281	-	-	-	-	37,597,568
Issuances as consideration for mineral property rights (Notes 7, 9 and 15)	3,400,000	3,719,758	546,713	-	-	-	-	4,266,471
Share issue costs	-	(1,971,044)	-	-	-	-	-	(1,971,044)
Stock based compensation (Note 15)	-	-	-	2,188,363	-	-	-	2,188,363
Unrealized loss on long-term investments	-	-	-	-	(795,542)		-	(795,542)
Recognised loss on long-term investments on impairment (Note 11)	-	-	-	-	727,419		-	727,419
Exchange on unrealized loss on long-term investments	-	-	-	-	1,066	-	-	1,066
Cumulative translation adjustment	-	-	-	-	693,221	-	-	693,221
Net loss for the period	-	-	-	-	-	-	(8,019,202)	(8,019,202)
Balance as at December 31, 2012	85,210,333	126,912,393	5,103,994	8,787,402	(723,065)		(69,022,801)	71,057,923

1 On April 4th 2011, pursuant to the Fronteer Arrangement (Note 1), the number of the Company's pre consolidation common shares were consolidated on a one-for-four basis. Accordingly the number of Common Shares presented for the comparative period have been adjusted to reflect the impact of consolidation.

The notes on pages 45 to 71 are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

(Expressed in United States Dollars)

	Year ended December 31,	
	2012	2011
	$	$
Cash flows from operating activities		
Loss for the period	(8,019,202)	(11,840,930)
Adjusted for:		
Stock based compensation	1,951,752	6,331,857
Depreciation	219,490	324,448
Write-down of deferred exploration expenditures (Note 9b & g)	1,523,762	137,984
Loss on disposal of property and equipment	29,027	95,329
Change in fair value of financial instruments	155,843	38,575
Write down (up) of VAT recoverable (Note 6)	(310,874)	290,110
Foreign exchange not related to cash	42,321	(16,112)
Non-cash other (income) expense	(20,753)	23,323
Change in provision	21,455	21,137
Loss (gain) from associates	95,818	(4,762)
Interest income on short term investments	(58,724)	(105,774)
Deferred income taxes	(52,536)	49,985
Movements in working capital:		
Accounts receivable and prepayments	(222,431)	(71,103)
Accounts payable and other liabilities	226,834	250,264
Cash deposit to Oxygen Capital Corp. (Note 8)	(240,314)	-
Net cash outflow due to operating activities	(4,658,532)	(4,475,669)
Cash flows from financing activities		
Funding received from Fronteer for operations	-	1,176,472
Cash received from financing	37,646,313	25,810,450
Share issue costs	(1,971,044)	(1,635,968)
Cash received pursuant to the Fronteer Arrangement	-	9,819,540
Cash (used in) generated by financing activities	35,675,269	35,170,494
Cash flows from investing activities		
Change in working capital attributable to deferred exploration expenditures	(361,947)	228,573
Purchase of short term investments	(7,035,700)	-
Maturity of short term investments	11,048,334	-
Acquistion of financial assets	(751,350)	(11,274,980)
Purchase of property and equipment	(167,571)	(199,997)
Proceeds from sale of equipment	7,103	5,839
Funding to Associates	(3,945,689)	(4,693,358)
Acquistion of mineral property interests	(98,790)	(350,000)
Expenditures towards option to earn-in	(2,806,225)	-
Interest in exploration properties and deferred exploration expenditures	(4,326,742)	(5,938,638)
Recoveries on mineral properties	26,126	140,000
Purchase of reclamation deposits	-	(250,000)
Net cash outflow due to investing activities	(8,412,451)	(22,332,561)
Effect of foreign exchange rates	228,401	(1,057,733)
Net increase in cash and cash equivalents	22,832,687	7,304,531
Cash at beginning of period	7,391,497	86,966
Cash at end of the period	30,224,184	7,391,497

See Note 21 for supplemental cash flow information

Notes to the Consolidated Financial Statements
Year ended December 31, 2012

(Expressed in United States Dollars, unless otherwise noted)

1. GENERAL INFORMATION

Pilot Gold Inc. ("Pilot Gold", or the "Company"), is an exploration stage business engaged in the acquisition and exploration of high quality mineral properties featuring compelling grades and meaningful size in mining-friendly jurisdictions. The Company is principally engaged in the exploration and development of mineral resource properties located in in the United States and Turkey. The Company is incorporated and domiciled in Canada, and its registered office is at Suite 1650 – 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

On February 3, 2011, Pilot Gold, Fronteer Gold Inc. ("Fronteer"), and Newmont Mining Corporation ("Newmont") entered into an arrangement agreement ("Arrangement Agreement") pursuant to which Newmont acquired all of the outstanding common shares of Fronteer by way of a plan of arrangement (the "Fronteer Arrangement"), which became effective on April 6, 2011. At that time, Pilot Gold ceased to be a wholly-owned subsidiary of Fronteer.

The shareholders of Fronteer approved the Fronteer Arrangement at a special meeting held on March 30, 2011. Pursuant to the Fronteer Arrangement, subsidiaries of Fronteer transferred to Pilot Gold the following assets and liabilities in exchange for the issuance of 192,807,707 common shares of Pilot Gold ("pre-consolidation common shares"):

(i) unpatented mining claims known as the Anchor, Baxter Springs, New Boston, Stateline, Easter, Viper and Gold Springs 2 projects to Pilot Gold USA Inc. ("Pilot USA"), in exchange for (i) $1.1 million, and (ii) the transfer by way of assignment back to Fronteer of the South Monitor property;

(ii) certain assets and liabilities in Elko, NV, including office equipment and furniture, fixed assets, computer hardware and software, and certain technical data related to the exploration properties transferred in exchange for $795,632;

(iii) all of the issued and outstanding shares of Pilot Investments Inc. ("PII") (formerly, Fronteer Investment Inc.) for a purchase price equal to the fair value of PII's shares (approximately $52.25 million), which holds the respective 40% interests in Orta Truva Madencılık Şanayi ve Ticaret A.Ş. ("Orta Truva") and Truva Bakır Maden İşletmeleri A.Ş. ("Truva Bakır") the Turkish joint stock companies that hold TV Tower and Halilağa;

(iv) 2,000,000 common shares in the capital of Rae-Wallace Mining Company ("Rae-Wallace"), 1,000,000 warrants to purchase common shares of Rae-Wallace, the option to earn a 51% interest in up to two properties that Rae-Wallace owns or acquires (the "Rae-Wallace Option"); and

(v) C$9.58 million ($9.82 million) in cash, a 40% beneficial interest in the Dededaği exploration property in Turkey, and the physical assets of the Vancouver office.

In connection with the Fronteer Arrangement, the pre-consolidation common shares were immediately consolidated on a one-for-four basis (the "Common Shares").

Shareholder approval of the Fronteer Arrangement has been determined for accounting purposes to represent substantive completion of the transaction; as such, March 30, 2011 is the deemed effective date (the "Effective Date") of the Fronteer Arrangement for consolidated financial statement reporting purposes.

Pursuant to the Fronteer Arrangement, Fronteer shareholders received C$14.00 in cash and one pre-consolidation common share for each common share of Fronteer. Immediately following closing of the Fronteer Arrangement, approximately 80.1% of Pilot Gold was held by former shareholders of Fronteer, and 19.9% was held by Newmont. The Common Shares began trading on the TSX on April 11, 2011 under the symbol "PLG".

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparative figures, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors (the "Board") on March 27, 2013.

Continuity of interest

As the shareholders of Fronteer continued to hold their respective interests in Pilot Gold; there was no resultant change of control in either the Company, or the assets and business acquired. The Fronteer Arrangement has thus been determined to be a common control transaction, and has been accounted for on a continuity of interest basis.

In accordance with the continuity of interest basis of accounting, the comparative period in these audited consolidated financial statements reflect the assets, liabilities, operations and cash flows of Pilot Gold and those of the Exploration Properties Business as if Pilot Gold and the Exploration Properties Business had always been the combined entity, operating independently of Fronteer, through to the Effective Date.

Assets, liabilities, operations and cash flows recorded in the consolidated financial statements for the year ended December 31, 2011 reflect cash flows, expenditures and activities of Pilot Gold accounted for in accordance with the continuity of interest basis through March 30, 2011 and the actual cash flows, expenditures and activities of Pilot Gold from March 31, 2011 through to December 31, 2011. Accordingly, these consolidated financial statements should be read in conjunction with the consolidated annual financial statements to December 31, 2010 of Pilot Gold and of the Exploration Properties Business, respectively.

The percentage derived from the total exploration expenditure, up to the Effective Date, incurred by Fronteer through each respective period on Pilot Gold's properties, over Fronteer's total exploration and development expenditures for those same periods, was used to determine the appropriate balance to record in these consolidated financial statements for those items of general and administrative expenses, wages and salaries, stock based compensation and other overhead costs not directly chargeable to the Company through to March 30, 2011. Fronteer's funding of the carved-out exploration asset and liabilities and past carved-out operations through March 30, 2011 is presented as contributed surplus.

Because the balances presented are based on the amounts recorded by Fronteer as if Pilot Gold had been an independent operator through March 30, 2011, management cautions readers of these audited consolidated financial statements, that the allocation of expenses in the statements of loss for the comparative periods does not necessarily reflect the nature and level of the Company's future operating expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these consolidated financial statements are set out below.

(a) Continuity of interest basis of accounting

There is currently no specific guidance in IFRS on the accounting treatment for combinations among entities under common control. IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8") requires management, if there is no specifically applicable standard of interpretation, to develop a reliable policy that is relevant to the decision making needs of users.

The Company has determined to apply the concept of continuity of interest basis of accounting for transactions under common control as detailed under United States generally accepted accounting principles ("US GAAP") as at that time. US GAAP requires an acquirer in a combination between entities or businesses under common control to recognize the assets acquired and liabilities assumed in the transaction at their carrying amounts in the accounts of the transferring entity at the date of the transfer.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets classified as available-for-sale and fair value through profit and loss which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

The financial statements of Pilot Gold consolidate the accounts of Pilot Gold Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities that Pilot Gold controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Pilot Gold controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Pilot Gold and are de-consolidated from the date that control ceases.

The principal subsidiaries of Pilot Gold and their geographic locations at December 31, 2012 were as follows:

Name of subsidiary	Principal activity	Location	Proportion of ownership interest and voting power held
Pilot Gold USA Inc.	Mineral exploration	United States	100%
Kinsley Gold LLC [1]	Mineral exploration	United States	51%
Agola Madencilik Limited Sirketi ("Agola")	Mineral exploration	Turkey	100%
Pilot Holdings Inc.	Holding company	Cayman Islands	100%
Pilot Investments Inc.	Holding company	Cayman Islands	100%

(1) Subsequent to year end the Company's ownership interest was increased to 65% (Note 23).

(d) Investments in associates

The Company conducts a portion of its business through equity interests in associates. An associate is an entity over which Pilot Gold has significant influence, but not control. The financial results of Pilot Gold's investments in its associates are included in Pilot Gold's results according to the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates is recognized in net income (loss) during the period; its share of other comprehensive income (loss) of associates is included in other comprehensive income (loss). Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

Intercompany transactions between Pilot Gold and its associates are recognized in the Company's consolidated financial statements only to the extent of unrelated investors' interests in the associates. Intercompany balances between the Company and its associates are not eliminated. Unrealized gains on transactions between Pilot Gold and an associate are eliminated to the extent of Pilot Gold's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of loss.

At the end of each reporting period, Pilot Gold assesses whether there is any objective evidence that its investment interests in associates are impaired. If impaired, the carrying value of Pilot Gold's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of loss. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings (loss) in the period the reversal occurs.

(e) Foreign currencies

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in United States dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, giving rise to foreign exchange gains and losses in the statement of loss.

Pilot Gold Inc. raises its financing and carries out head office expenditures in Canadian dollars, giving rise to a Canadian dollar functional currency. In order to enhance comparability with our peers and as a better representation of the principal currency used by the mining and mineral exploration industry, the presentation currency of these consolidated financial statements is United States dollars. Any assets and liabilities of the Company held in foreign currencies are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in this case, the exchange rates at the dates of the transactions are used. Equity transactions are translated using the exchange rate at the date of the transaction. Exchange differences arising from assets and liabilities held in foreign currencies are recognised in other comprehensive income (loss) as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income (loss) related to the foreign operation are recognized in profit or loss.

(f) Cash

Cash comprises cash on hand, deposits in banks that are readily convertible into a known amount of cash.

(g) Exploration properties and deferred exploration expenditures

Acquisition and exploration expenditures on properties are deferred until such time as the properties are put into commercial production, sold or become impaired. Costs incurred before Pilot Gold has obtained legal rights to explore an area are recognized in the statement of loss. General exploration expenditures are charged to operations in the period in which they are incurred. Pilot Gold recognizes the payment or receipt of amounts required under option agreements as an addition or reduction, respectively, in the book value of the property under option when paid or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Although we have taken steps to verify title to mineral properties in which we have an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee our title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

(h) Plant and equipment

Plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Pilot Gold and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of loss during the period in which they are incurred.

The major categories of plant and equipment noted below are depreciated over their estimated useful life using the following annual rates and methods:

Field equipment	20%	Declining balance
Equipment	30%	Declining balance
Computer software	50%	Straight line
Furniture and fixtures	20%	Declining balance
Leasehold improvements		Term of lease

Depreciation expense of assets used in exploration is capitalized to deferred exploration expenditures, earn-in option, or investment in associate as appropriate. Management reviews the estimated useful lives, residual values and depreciation methods of the Company's plant and equipment at the end of each financial year and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for and depreciated as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized, if the recognition criteria are satisfied.

(i) Assets and liabilities held for sale

A non-current asset or disposal group of assets and liabilities ("disposal group") is classified as held for sale when it meets the following criteria:

(i) The non-current asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups; and

(ii) The sale of the non-current asset or disposal group is highly probable. For the sale to be highly probable:

a. The appropriate level of management must be committed to a plan to sell the asset (or disposal group);

b. An active program to locate a buyer and complete the plan must have been initiated;

c. The non-current asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value;

d. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale (with certain exceptions); and

e. Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(j) Impairment of long-lived assets

Plant and equipment, exploration properties and deferred exploration expenditures are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment is assessed on an asset-by-asset basis. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Provisions and constructive obligations

Provisions, including environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Constructive obligations are obligations that derive from the Company's actions where:

(i) An established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and

(ii) As a result, Pilot Gold has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Where the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(l) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by Pilot Gold and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

(m) Earnings or loss per share

Earnings per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase Common Shares at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

(n) Financial instruments

Financial assets and liabilities are recognized when Pilot Gold becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and Pilot Gold has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, Pilot Gold classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The instruments held by the Company classified in this category are share purchase warrants.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Pilot Gold has classified certain of its long-term financial assets in this category.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of loss and included in other gains and losses.

(iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Pilot Gold's loans and receivables are comprised of 'Receivables' and 'Cash', and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(v) Held to maturity: Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Pilot Gold's management has the positive intention and ability to hold to maturity. They are measured at amortized cost less any allowance for impairment. Amortization of premiums or discounts and losses due to impairment are included in current period loss. Pilot Gold's short term investments are in this category.

(vi) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables and accrued liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(o) Impairment of financial assets

At each reporting date, management of Pilot Gold assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, Pilot Gold recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: A significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

(p) Share-based payments

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value of option grants is measured at the date of grant using the Black-Scholes option-pricing model ("Black-Scholes") and the compensation amount, equal to the option's fair value, is recognized over the period that the employees earn the options. The vesting periods of the stock options granted range from vesting immediately to vesting over a three-year period. Each tranche is recognised on a straight-line basis over the vesting period. Pilot Gold recognizes an expense or addition to exploration properties and deferred exploration expenditures for options granted under the employee stock option plan, arising from stock options granted to employees using the fair value method with a corresponding increase in equity. The amount recognized as an expense or added to exploration properties and deferred exploration expenditures, is adjusted to reflect the number of options expected to vest.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to use estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical judgements required when preparing the Company's accounts are as follows:

i) Review of asset carrying values and impairment assessment

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production.

In accordance with the Company's accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

The most significant assets assessed include the value of the Company's investment interests in associates, the carrying value of its exploration property interests and deferred exploration expenditures, and the fair value of those Warrants issued to Teck Madencılık Sanayi Ticaret A.Ş ("TMST") which form part of the Earn-in Option asset. There were no assumptions deemed highly uncertain underlying management's estimate of recoverability of these assets. Recoverability of the carrying amount of the exploration properties, and of Pilot Gold's interest in associates is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets. Recoverability of the carrying amount of the Earn-in Option is dependent on upon successfully meeting the earn-in requirements of the TV Tower Agreement (Note 7). Changes in any of the assumptions used to determine impairment testing could materially affect the result of this analysis.

At December 31, 2012, the Company decided to write down the value of deferred exploration expenditures relating to the Hannapah, Baxter Springs, Cold Springs, Sandy and Yuntdağ exploration properties, further to a review and prioritisation of the Company's portfolio of mineral property assets, and the Regent property, further to an estimation of expected realizable value. There were no indicators of impairment on the Company's other assets.

ii) Decommissioning and restoration provisions

Decommissioning and restoration costs are a normal consequence of exploration. The Company's accounting policy requires the recognition of such provisions when the obligation occurs. The initial provisions are periodically reviewed during the life of the project to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of the projects. The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience on other sites. The expected timing of expenditure can also change. As a result there could be significant adjustments to the provision for decommissioning, which would affect future financial results.

iii) Determination of the fair value of share-based payments

The fair value of stock options granted and warrants issued is computed to determine the relevant charge to the consolidated statement of loss, and related obligation as applicable. In order to compute this fair value, the Company uses Black-Scholes; this inherently requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility, risk-free rate and forfeiture rates.

Changes in any of these inputs could cause a significant change in the share-based compensation expense charged in a period or warrant liability recorded in equity.

The assumptions with the greatest potential impact on the calculations are the volatility and the expected life. We base our expectation of volatility on the volatility of similar publicly-listed companies, as the expected life of our stock options exceeds our trading history. The expected life is based on the date of expiry.

iv) Deferred tax assets and liabilities

The determination of the Company's tax expense for the period and deferred tax liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences, where known, based on management's best estimate of the probable outcome of these matters.

v) Functional currency

The determination of a subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method required.

Management believes that the estimates are reasonable.

5. RECENT ACCOUNTING PRONOUNCEMENTS

(i) Accounting standards impacting 2013 calendar year

Presentation of items of other comprehensive income ("OCI")

Effective for years beginning on or after July 1, 2012, IAS 1 – *Presentation of Financial Statements* ("IAS 1") has been amended to change the disclosure of items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. The changes become effective for years beginning on or after January 1, 2013. Pilot Gold is currently evaluating the impact the amendments to IAS 1 could be expected to have on its consolidated financial statements.

Consolidated financial statements

IFRS 10 – *Consolidated Financial Statements* ("IFRS 10") replaces the guidance on control and consolidation in IAS 27 – *Consolidated and Separate Financial Statements* ("IAS 27"), and SIC-12 – *Consolidation - Special Purpose Entities*, with the objective of establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IAS 27 will be renamed "Separate Financial Statements". Effective for years beginning on or after January 1, 2013, IFRS 10: (a) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (b) defines the principle of control, and establishes control as the basis for consolidation; (c) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (d) sets out the accounting requirements for the preparation of consolidated financial statements. Pilot Gold is currently evaluating the impact the introduction of IFRS 10 will have on its consolidated financial statements.

Disclosure of interests in other entities

IFRS 12 – *Disclosure of Interests in Other Entities* ("IFRS 12") sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and effective for years beginning on or after January 1, 2013, replaces the disclosure requirements currently found in IAS 28 – Investments in Associates ("IAS 28"). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. Pilot Gold is currently evaluating the impact the introduction of IFRS 12 will have on its consolidated financial statements.

Fair value measurement and disclosure requirements

Providing a single source of guidance on how to measure fair value where its use is already required or permitted, IFRS 13 – Fair Value Measurement ("IFRS 13") (a) defines fair value; (b) sets out in a single IFRS a framework for measuring fair value; and (c) requires disclosures about fair value measurements. IFRS 13 is expected to enhance disclosure requirements for information about fair value measurements and becomes effective for years beginning on or after January 1, 2013. Pilot Gold is currently evaluating the impact the application of IFRS 13 will have on its consolidated financial statements.

(ii) Accounting standards impacting 2015 calendar year

Financial instruments

As the first part of its project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*, the IASB released IFRS 9 – *Financial Instruments* ("IFRS 9") covering classification and measurement of financial assets. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. As the project to replace IAS 39 continues to evolve, further changes to IFRS 9, or changes to other standards related to financial instruments may be forthcoming. The changes as proposed become effective for years beginning on or after January 1, 2015. Pilot Gold is currently evaluating the impact IFRS 9 expected to have on its consolidated financial statements.

At this time and where applicable, Pilot Gold does not anticipate it will be early adopting any of the above standards.

6. RECEIVABLES

	December 31, 2012	December 31, 2011
VAT Receivable	$ 859,724	$ -
HST Receivable	84,811	100,555
Other Receivables	90,887	208,740
	$ 1,035,422	$ 309,295

In the prior year, the Company had written down a VAT receivable held in our Turkish subsidiary after assessing it to be not recoverable due to the subsidiary's level of activity at that time. The Company's current activity in Turkey has resulted in a change in management's assessment on the recoverability of the VAT resulting in a write up to the consolidated statement of loss and comprehensive loss of $310,874 recorded in other income.

7. OPTION TO EARN-IN TO TV TOWER (the "Earn-in Option")

On June 20, 2012 (the "TV Tower Effective Date"), the Company and certain of its subsidiaries entered into a share-purchase and joint venture agreement (the "TV Tower Agreement") with Teck Resources Limited ("Teck") and TMST, pursuant to which, shares equal to a 20% interest in Orta Truva will be transferred from TMST to the Company, such that the Company will hold a 60% interest and TMST will hold a 40% interest in Orta Truva. Orta Truva holds the licenses that comprise TV Tower. During the period of earn-in, the Company will be the project operator at TV Tower, but does not have control of Orta Truva. Successful completion of the Earn-in Option requires:

a) incurring $21 million in eligible exploration expenditures ("Eligible Expenditures") over three years (the "TV Tower Expenditure Requirement"), with a minimum commitment of $5 million in the first year;

b) issuing 3,275,000 Common Shares and 3,000,000 Common Share purchase warrants ("Teck Warrants") to TMST within five business days of signing the TV Tower Agreement. Each Teck Warrant is exercisable for a period of three years from the date of issue and shall be exercisable for one Common Share at an exercise price of C$3.00 per share;

c) issuing 1,637,500 Common Shares to TMST on the first and second anniversaries of the date the TV Tower Agreement was signed; and

d) making a one-time cash payment to TMST equal to $20 per ounce of gold applicable to only 20% of the ounces of gold delineated at TV Tower in excess of 750,000 gold ounces defined as Measured, Indicated or Inferred resources in a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* technical report, prepared generally concurrent with the completion of the TV Tower Expenditure requirement (the "Additional Consideration").

The aggregate Expenditure of $5 million in the first year is a committed amount to TMST subject to penalty (Notes 19 and 23). If Expenditures after one year are less than $3.75 million, the Earn-in Option terminates but the remainder is payable in cash to TMST. If Expenditures of between $3.75 million and $5 million are made, and the Company intends to continue with the Earn-in Option, any shortfall to $5 million is payable in cash to TMST and an amount equal to the shortfall is added to the work commitment for the second year. The Earn-in Option will increase as expenditures are incurred. Although not subject to penalty, the remainder of the TV Tower Expenditure Requirement must be incurred as $7 million in the second year from the TV Tower Effective Date, and $9 million in the third year from the TV Tower Effective Date. The Company can accelerate the rate at which it incurs Eligible Expenditures.

Pursuant to the funding mechanism outlined in the TV Tower Agreement, and in order to maintain the relative interests of TMST and the Company in Orta Truva until the Earn-in Option obligations have been satisfied, 40% of the Eligible Expenditures in a given period are recorded to the Company's interest in Orta Truva (note 12), with the remaining 60% recorded as a component of the Earn-in Option, a non-current asset.

The total value of the Earn-in Option asset as at December 31, 2012 consists of the following, and includes costs capitalized that are not part of the TV Tower Expenditure Requirement:

	December 31, 2012
Eligible Expenditures (includes $219,750 in management fees)	$ 2,878,543
Legal costs	147,435
Value of Common Shares and Teck Warrants issued	4,213,079
	$ 7,239,057

$2,429,955 of Eligible Expenditures incurred in the period were invoiced in the period subsequent to December 31, 2012. A mark-up of 10% for administration is charged to Orta Truva on Eligible Expenditures and this is recorded as management fees on the statements of loss and comprehensive loss.

8. DEPOSITS

On August 1, 2012 Pilot Gold entered into a management services agreement (the "Management Agreement") with Oxygen Capital Corp. ("Oxygen"), a related party, whereby Oxygen provides geological, engineering, corporate development, administrative, shareholder communication and management services to the Company. The Company paid an advance deposit of $240,314 to Oxygen that on termination of the Management Agreement will be applied against the final three months of services, see also related party transactions in Note 22.

The Company holds $250,471 in Certificates of Deposit with a US bank, to back certain standby letters of credit, in order to meet bonding requirements with the Bureau of Land management on its mineral properties in the USA.

9. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

None of the Company's properties have any known body of commercial ore or any established economic deposit; all are currently in the exploration stage.

	Total January 1, 2012	Transfer to held for sale	Additions/ Allocations	Recovery from third party	Write-down or disposal of asset	**Total December 31, 2012**
	$	$	$	$	$	**$**
USA						
Kinsley Mountain (Note 9a)	**1,133,509**	-	3,676,068	-	-	**4,809,577**
Griffon (Note 9c)	**2,772**	-	413,199	-	-	**415,971**
Gold Bug (Note 9d)	**-**	-	126,130	-	-	**126,130**
Regent	**3,712,065**	(3,712,065)	-	-	-	**-**
New Boston	**1,228,439**	-	52,677	-	-	**1,281,116**
Easter (Note 9f)	**135,711**	-	32,722	(25,000)	-	**143,433**
Brik	**715,986**	-	27,612	-	-	**743,598**
Viper	**988,422**	-	25,413	-	-	**1,013,835**
Baxter Springs (Note 9g)	**271,295**	-	12,737	-	(284,032)	**-**
Stateline	**220,853**	-	31,245	-	-	**252,098**
Cold Springs (Note 9g)	**199,916**	-	5,485	-	(205,401)	**-**
Anchor	**183,998**	-	12,585	-	-	**196,583**
Buckskin North	**86,966**	(86,966)	-	-	-	**-**
Other (Note 9g)	**71,292**	-	90,501	-	(48,774)	**113,019**
Total USA	**8,951,224**	(3,799,031)	4,506,374	(25,000)	(538,207)	**9,095,360**
Turkey						
Arasanli	**-**	-	140,651	-	-	**140,651**
Yuntdağ (Note 9g)	**3,624**	-	1,126	(1,126)	(3,624)	**-**
Total Turkey	**3,624**	-	141,777	(1,126)	(3,624)	**140,651**
Peru						
Rae Wallace (Notes 9e and 11c)	**175,119**	-	-	-	(175,119)	**-**
Total	**9,129,967**	(3,799,031)	4,648,151	(26,126)	(716,950)	**9,236,011**

Assets held for sale: (Note 23)						
Regent (Note 9b)	**-**	3,712,065	251,916	-	(981,931)	2,982,050
Buckskin North (Note 9h)	**-**	86,966	4,754	-	-	91,720
Total held for sale	**-**	3,799,031	256,670	-	(981,931)	3,073,770

9. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES CONT'D

	Total January 1, 2011	Transfer to held for sale	Additions/ Allocations	Transfer to Newmont	Write down of assets held for sale	Recovery from third party earn-in	Transfer of asset	Total December 31, 2011
	$	$	$	$	$	$	$	$
USA								
Kinsley	-	-	1,133,509	-	-	-	-	1,133,509
Griffon	-	-	2,772	-	-	-	-	2,772
Gold Springs 2	250,000	-	8,981	-	-	(160,000)	(98,981)	-
Regent	702,234	-	3,009,831	-	-	-	-	3,712,065
New Boston	327,510	-	900,929	-	-	-	-	1,228,439
Easter	150,000	-	5,711	-	-	(20,000)	-	135,711
Brik	177,700	-	538,286	-	-	-	-	715,986
Viper	319,254	-	669,168	-	-	-	-	988,422
Baxter Springs	163,411	-	107,884	-	-	-	-	271,295
Stateline	150,000	-	70,853	-	-	-	-	220,853
Cold Springs	175,706	-	24,210	-	-	-	-	199,916
Anchor	154,657	-	29,341	-	-	-	-	183,998
Buckskin North	63,029	-	23,937	-	-	-	-	86,966
Other	-	-	71,292	-	-	-	-	71,292
Total USA	2,633,501	-	6,596,704	-	-	(180,000)	(98,981)	8,951,224
Turkey								
Ispir	170,909	(170,909)	-	-	-	-	-	-
Aktarma	62,330	(62,330)	-	-	-	-	-	-
TV Tower	-	-	-	-	-	-	-	-
Yuntdağ	11,540	-	2,920	-	-	(10,836)	-	3,624
Total Turkey	244,779	(233,239)	2,920	-	-	(10,836)	-	3,624
Peru	175,490	-	(371)	-	-	-	-	175,119
Total	3,053,770	(233,239)	6,599,253	-	-	(190,836)	(98,981)	9,129,967
Assets held for sale:								
South Monitor	27,724	-	-	(27,724)	-	-	-	-
Ispir	-	170,909	23,445	-	(102,437)	-	(91,917)	-
Aktarma	-	62,330	24,705	-	(35,547)	-	(51,488)	-
Total held for sale	27,724	233,239	48,150	(27,724)	(137,984)	-	(143,405)	-

In accordance with the application of the continuity of interest basis of accounting (Note 2), costs associated with those properties acquired pursuant to the Fronteer Arrangement have been allocated such that historic expenditure of Fronteer through to the Effective Date has been recognized by Pilot Gold. Expenditures incurred subsequent to March 30, 2011 reflect actual cash flows and activities of Pilot Gold.

9. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES CONT'D

	USA	Turkey	Peru	Total	Assets Held for sale
	$	$	$	$	$
January 1, 2011	2,633,501	244,779	175,490	3,053,770	27,724
Expenditures and adjustments:					
Drilling	3,173,479	-	-	3,173,479	-
Wages, consulting and management fees	943,808	1,863	2,580	948,251	6,489
Assaying & geochemical	630,305	-	-	630,305	-
Acquisition costs	516,709	-	-	516,709	-
Property maintenance	403,954	-	-	403,954	27,626
Administrative and other	264,506	-	-	264,506	8,479
Geology	254,764	-	-	254,764	-
Geophysics	121,359	-	-	121,359	-
Environmental	83,242	-	-	83,242	-
Camp & field costs	76,173	-	-	76,173	-
Claim maintenance and advance royalty fees	117,351	1,115	-	118,466	5,576
Transportation	10,958	-	-	10,958	-
Write down of assets held for sale	-	-	-	-	(137,984)
Sale of Aktarma and Ispir properties	-	-	-	-	(143,405)
Transfer to Newmont	-	-	-	-	(27,724)
Cumulative translation adjustment	96	(58)	(2,951)	(2,913)	(20)
Transfer of asset to Gold Springs LLC	(98,981)	-	-	(98,981)	-
Recovery from option holders	(180,000)	(10,836)	-	(190,836)	-
Held for sale	-	(233,239)	-	(233,239)	233,239
December 31, 2011	8,951,224	3,624	175,119	9,129,967	-
Drilling	1,640,423	-	-	1,640,423	-
Wages, salaries and stock based compensation	887,123	8,474	-	895,597	72,185
Assaying & geochemical	475,267	20,080	-	495,347	6,821
Acquisition costs	250,577	99,916	-	350,493	-
Environmental	355,096	-	-	355,096	59,159
Property maintenance	291,102	-	-	291,102	58,388
Geology and geophysics	236,979	2,827	-	239,806	14,761
Administrative and other	110,471	9,445	-	119,916	19,458
Camp & field costs	73,312	1,035	-	74,347	2,877
Leases, royalty and option payments	66,378	-	-	66,378	-
Other	94,646	-	-	94,646	23,021
Held for sale	(3,799,031)	(1,126)	-	(3,800,157)	3,799,031
Write down or disposal of deferred exploration expenditures	(538,207)	(3,624)	(175,119)	(716,950)	(981,931)
December 31, 2012	**9,095,360**	**140,651**	**-**	**9,236,011**	**3,073,770**

a) Kinsley Mountain

In exchange for consideration valued at $450,140, the Company was assigned an option agreement (the "Kinsley Option") from Animas Resources Ltd. ("Animas") providing the ability to earn-in to an initial 51% interest, and the opportunity to elect to earn-into a further 14% interest in the underlying lease that comprises the majority of the Kinsley Mountain property (the lease interest and directly held claims together, ("Kinsley"). The Kinsley Option required the option holder to incur $1,500,000 in aggregate exploration expenditures in order to exercise the initial option. At the time the Kinsley Option was assigned, the lessor, Nevada Sunrise Gold Corporation ("NSGC") agreed to recognize $316,141 of expenditures incurred by Animas as eligible toward the initial earn-in.

On May 9, 2012, the Company received approval from NSGC that it had completed its exploration commitment under the Kinsley Option and concurrently notified NSGC of its intention to undertake the second option expenditure requirement to earn a total of a 65% interest in Kinsley Mountain (Note 23). To earn the additional 14% interest, the Company must sole fund $3,000,000 in exploration expenditures over a five-year period from the initial earn-in date.

The Company has also determined to contribute the mineral claims formerly known as Kinsley North and other claims with the defined area of interest toward the initial earn-in. NSGC has similarly agreed to contribute claims that it had staked within and around the defined project area of interest.

Upon incurring the initial earn-in expenditure, the Company and NSGC were deemed to have entered into a legal joint venture, with an undivided 51% beneficial interest in Kinsley transferred to Pilot Gold. As the formal transfer of the property into Kinsley Gold LLC is pending, the Company is currently accounting for its interest in Kinsley as an interest in an asset.

The joint venture will be required to make advance royalty payments to Nevada Sunrise, LLC ("NSL"), a private Nevada-based company, in accordance with the underlying lease agreement, beginning with a payment of $50,000 per year through 2016, increasing in stages up to $200,000 per year in 2020 and beyond. A maximum 4% net smelter return royalty ("NSR") is also payable through the lease to NSL, and may be reduced to 2% through a series of payments at the Company's election.

Pursuant to the assignment agreement by which the Company acquired the Kinsley Option, in aggregate, the Company has issued 125,000 Common Shares to Animas. A further 25,000 Commons Shares are due on the second anniversary of the assignment.

b) Regent

The Company agreed to terms with Rawhide Mining LLC ("Rawhide") for the disposal of the Regent property on November 2, 2012. Further to having continued discussions with Rawhide through year end, management determined to re-classify the deferred exploration expenditures at Regent to held for sale. Accordingly, the carrying value of Regent has been written down to $2,982,050 equal to fair value less an estimate of costs to sell (Note 23).

c) Griffon

Pilot Gold has the option to earn-in to an initial 60% of the Griffon property by paying Nevada Clean Magnesium Inc. (formerly Molycor Gold Corp. ("Molycor")) a total of $119,636 cash over 4 years, issuing an aggregate of 120,000 Common Shares and upon incurring a total of $750,000 of exploration expenditures prior to the fourth anniversary of the related agreement (the "Griffon Agreement"). Initially, and by the earlier of February 7, 2014 or upon receipt of first phase drilling permits, to maintain the option in good standing, the Company must incur $100,000 in exploration and development expenses and issue 40,000 Common Shares. As at December 31, 2012 a total of $39,636 cash had been paid to Molycor, and a total of $413,199 in exploration expenditures have been incurred on Griffon. The Griffon Agreement also provides the Company an option to earn an additional 10% interest further to making additional exploration expenditures prior to the third anniversary following the initial 60% earn-in. Griffon is subject to a 2% NSR, 1% of which can be purchased at the Company's election.

d) Gold Bug

On June 5, 2012 the Company acquired the Gold Bug property (formerly known as Gold Springs 1) from a subsidiary of Crown Gold Corporation for consideration of C$50,000 and 50,000 Common Shares, total value $94,413. Pursuant to an amended lease on the property with a subsidiary of Newmont signed on August 31, 2012, the Company has agreed to a $3,000,000 work commitment over 6 years (Note 19). Gold Bug is subject to a 3% NSR, which will increase to 5% if the Company does not complete the work commitments.

e) Rae- Wallace

On July 18, 2012 an agreement was signed between Pilot Gold and Rae-Wallace whereby the Company agreed to terminate the Rae-Wallace Option in exchange for 1,985,100 shares in Rae-Wallace and an extension to the terms of the 1,000,000 warrants currently held, to 24 months from the date on which Rae-Wallace completes a Transaction (as that term is defined in the related agreement), the carrying value of the Rae-Wallace Option was written down accordingly.

Additionally, subject to Rae-Wallace completing a Transaction, the Company will receive the following additional consideration from Rae-Wallace:

(i) a 2% NSR on all of Rae-Wallace's Peruvian projects except the Liscay Project;

(ii) additional shares in the capital of Rae-Wallace to maintain the Company's ownership interest in Rae-Wallace after giving effect to a Transaction;

(iii) additional Rae-Wallace share purchase warrants exercisable for an additional 9.99% of the shares of Rae-Wallace after giving effect to a Transaction; and

(iv) a right of first offer in the event that Rae-Wallace wishes to explore or develop any of Rae-Wallace's projects in Peru with a third party.

f) Farm-out arrangements

Prior to the closing of the Fronteer Arrangement a subsidiary of Fronteer had granted an option to La Quinta Resources Corporation ("La Quinta") to earn-in to an interest in the Easter exploration property ("Easter"). La Quinta announced on September 11, 2012 that it has terminated its Easter property option and earn-in agreement. As a part of the termination agreement, La Quinta has transferred the property title and related mineral claims back to Pilot Gold.

g) Write-downs

During the year ended December 31, 2012, the Company decided to write down the value of deferred exploration expenditures relating to the Hannapah, Baxter Springs, Cold Springs and Sandy exploration properties, further to a review and prioritisation of the Company's portfolio of mineral property assets. In addition, the licenses on the Yunt Dağ property in Turkey were dropped during December 2012.

During the year ended December 31, 2011, the fair value of the Company's interests in the Ispir and Aktarma properties was written down to net realisable value, prior to their transfer to Global Resources Corporation Ltd Pty ("GRCL") on September 20, 2011 in exchange for 4,500,000 common shares (Note 11). The Company retains a 2% NSR upon attainment of production on all products mined in accordance with the associated licenses at Ispir and Aktarma.

h) Buckskin North

Pursuant to the signing of a non-binding term sheet with a third party, Buckskin North was deemed held for sale as at December 31, 2012 and was classified as a current asset. Subject to a due diligence period and the conditions of the term sheet being met, the property will be sold in exchange for equity and minimum work commitments on the property from the third party.

10. PLANT AND EQUIPMENT

	Field equipment	Equipment	Computer software	Furniture and fixtures	Leasehold improvements	Total
Cost:	$	$	$	$	$	$
Balance as at January 1, 2011	156,796	670,618	512,439	311,369	519,264	2,170,486
Additions	20,936	110,632	46,922	4,337	17,170	199,997
Disposals	(80,084)	(102,718)	(340,174)	(35,190)	(4,963)	(563,129)
Cumulative translation adjustment	(120)	(3,369)	2,212	(3,359)	(3,743)	(8,379)
Balance as at December 31, 2011	97,528	675,163	221,399	277,157	527,728	1,798,975
Additions	9,628	98,698	45,271	21,124	-	174,721
Disposals	(61,588)	(67,771)	-	(10,957)	(221,760)	(362,076)
Cumulative translation adjustment	885	5,487	2,746	4,439	2,919	16,476
Balance as at December 31, 2012	**46,453**	**711,577**	**269,416**	**291,763**	**308,887**	**1,628,096**
Depreciation:						
Balance as at January 1, 2011	81,917	342,699	442,932	135,632	236,418	1,239,598
Current period depreciation	15,444	100,372	76,248	33,434	98,950	324,448
Disposals	(50,046)	(71,829)	(329,112)	(19,651)	(1,126)	(471,764)
Cumulative translation adjustment	(244)	(2,192)	1,393	(2,099)	(4,189)	(7,331)
Balance as at December 31, 2011	47,071	369,050	191,461	147,316	330,053	1,084,951
Current period depreciation	10,069	93,045	39,465	30,311	61,507	234,397
Disposals	(43,795)	(54,735)	-	(5,659)	(221,760)	(325,949)
Cumulative translation adjustment	562	3,434	2,327	2,525	2,919	11,767
Balance as at December 31, 2012	**13,907**	**410,794**	**233,253**	**174,493**	**172,719**	**1,005,166**
Net Book Value:						
As at December 31, 2011	50,457	306,113	29,938	129,841	197,675	714,024
As at December 31, 2012	**32,546**	**300,783**	**36,163**	**117,270**	**136,168**	**622,930**

Equipment consists of automobiles, and automotive equipment, and computer hardware. Furniture and fixtures includes $7,150 of assets under finance lease arrangements.

During the period a total of $36,127 (year ended December 31, 2011 - $82,733) in charges to write off certain items deemed to have reached the end of their useable life are included in operating expenses. In addition, a number of fixed assets with a total cost of $223,696 and nil net book value, which were no longer deemed usable, were removed from the register during the period.

11. OTHER FINANCIAL ASSETS

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments are treated as long-term investments and may take the form of common shares and share purchase warrants.

For accounting purposes, Pilot Gold has determined that any share purchase warrants held are derivative financial instruments and any change in fair value is included in income (loss) for the period. The fair value of share purchase warrants is measured using Black-Scholes that uses inputs that are primarily based on market indicators. Any common shares (equities) held are designated as available-for-sale and any change in fair value is included in other comprehensive income (loss), until such time as the common shares are sold or otherwise disposed of at which time any gains or losses will be included in income (loss) for the period.

Inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement are summarized in the three level hierarchies below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table illustrates the classification of Pilot Gold's financial instruments with the fair value hierarchy as at December 31, 2011 and December 31, 2012:

	Financial assets at fair value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Equities	$ 451,249	$ -	$ -	$ 451,249
Share purchase warrants	-	5,621	-	5,621
	$ 451,249	$ 5,621	$ -	$ 456,870
	Financial assets at fair value as at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Equities (a)(b)(c)	$ 1,114,979	$ -	$ -	$ 1,114,979
Share purchase warrants (c)	-	75,223	-	75,223
	$ 1,114,979	**$ 75,223**	**$ -**	**$ 1,190,202**

a) On February 14, 2012, the Company agreed to participate in a private placement by NSGC, the company that holds the underlying lease on Kinsley. Through the private placement, the Company agreed to purchase 6,250,000 units of NSGC at a price of C$0.12 per unit. Each unit issued to Pilot Gold consists of one common share of NSGC (an "NSGC Share") and one half of one NSGC Share purchase warrant. Each whole warrant entitles the holder to purchase an additional NSGC Share at an exercise price of C$0.20 for a period of 24 months from the date of issuance. The private placement in NSGC closed on March 23, 2012. On closing, Pilot Gold determined the fair value of each NSGC Share (C$0.20) to be the Company's deemed cost. Accordingly, on recognition the Company recorded a fair value adjustment resulting in a gain of $0.50 million in the Statement of Loss.

At December 31, 2012 the fair value of each NSGC Share was C$0.11. The Company determined the change in fair value to be significant as compared to deemed cost. This significant decline was concluded to be an objective indicator of impairment, resulting in the recognition in the Statement of Loss of the aggregate fair value losses to date of $561,000 previously recognised in Other Comprehensive Income.

b) On June 6, 2012, GRCL underwent a 20:1 share consolidation decreasing the number of GRCL shares held by the Company to 250,000. On June 27, 2012 an agreement was signed between the Company and GRCL whereby GRCL's requirement to incur a minimum expenditures of $500,000 to earn-in to 60% of the Yunt Dag property was extended to December 31, 2012, in consideration for an additional 100,000 shares (Note 9g).

c) On July 18, 2012, Rae-Wallace agreed to extend the term of the 1,000,000 share purchase warrants held by Pilot Gold by 24 months from the date that Rae-Wallace completes a Transaction, issued an additional 1,985,100 shares to Pilot Gold, and agreed to issue additional shares and warrants concurrent with completing a Transaction (Note 9e). As a result of this agreement, Pilot Gold holds 3,985,100 Rae-Wallace shares, representing 15.8% of Rae-Wallace's current issued and outstanding capital, or 19.0% calculated on a partially-diluted basis.

Pursuant to continuity of interest accounting, Pilot Gold recognised the 2,000,000 common shares of Rae-Wallace acquired upon closing of the Fronteer Arrangement at $0.19. As at December 31, 2012 the fair value of each common share in Rae-Wallace was determined to be $0.10. This significant decline in fair value over deemed cost was concluded to be an objective indicator of impairment, and has resulted in recognition to the Statement of Loss of the fair value losses to date of $166,419, previously recorded to Other Comprehensive Income.

12. INVESTMENT IN ASSOCIATES

Turkey

Pilot Gold owns 40% of Halilağa through a 40% ownership stake in Truva Bakır, a Turkish company, controlled (60%) by TMST, an indirect subsidiary of Teck. Pilot Gold also holds a 40% interest in Orta Truva, a Turkish company that holds TV Tower. Pilot Gold became the operator on TV Tower on June 20, 2012 and has an option to acquire an additional 20% interest of Orta Truva (Note 7). Orta Truva is also controlled (60%) by TMST.

United States

Gold Springs LLC ("Gold Springs"), an entity established to hold the Gold Springs 2 property after High Desert Gold Corporation ("HDG") earned in to an initial 60% interest in 2011. HDG are the operators of the Gold Springs property. Effective May 31, 2012, the Company elected to cease participation in the 2012 program at Gold Springs, resulting in an immediate dilution to 29% of the Company's interest in Gold Springs, as per the terms of the related operating agreement. The resultant dilution loss of $445,095 was offset by the increase in the value of the investment due to capital increases by HDG (Note 23).

The conveyance of each company's respective interests into Gold Springs, was completed by December 4, 2012.

All three associates are unlisted, and as such fair values of the Company's investments are not determinable through an active market. The Company's associates are related parties.

	Truva Bakır	Orta Truva	Gold Springs	Total
At January 1, 2011	$ 2,343,516	$ 743,813	$ -	$ 3,087,329
Value on recognition	-	-	98,981	98,981
Share of income	6,846	8,135	(10,219)	4,762
Funding	2,354,290	2,059,537	611,035	5,024,862
Exchange differences	(19,901)	(149,427)	-	(169,328)
At December 31, 2011	$ 4,684,751	$ 2,662,058	$ 699,797	$ 8,046,606
Share of loss	(16,012)	(39,123)	(40,683)	(95,818)
Funding	1,633,088	1,888,426	286,236	3,807,750
Exchange differences	110,251	57,990	-	168,241
Loss on dilution	-	-	(445,095)	(445,095)
Gain from capital	-	-	445,094	445,094
At December 31, 2012	**$ 6,412,078**	**$ 4,569,351**	**$ 945,349**	**$ 11,926,778**

Funding to Truva Bakır for the year ended December 31, 2012 includes 40% of Eligible Expenditures of which $146,500 are management fees (2011: $nil).

The Company's share of the results of its associates, and its share in their aggregate assets and liabilities, is as follows:

Name	Jurisdiction	Assets	Liabilities	Loss	Interest held
Truva Bakır	Turkey	$ 6,439,855	$ (27,777)	$ (16,012)	40%
Orta Truva	Turkey	4,699,111	(129,760)	(39,123)	40%
Gold Springs	United States	949,539	(4,190)	(40,683)	29%
December 31, 2012		**$ 12,088,505**	**$ (161,727)**	**$ (95,818)**	

As at December 31, 2012, the Company has outstanding receivables from Truva Bakır of $13,047, and from Orta Truva of $4,252,316 of which $1,700,926 is attributable to the investment in associate and the remaining $2,551,389 is attributable to the Earn-in Option asset.

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	December 31, 2012	December 31, 2011
Trade payables	$ 350,057	$ 336,240
Other payables	41,324	85,832
Accrued liabilities	819,922	245,926
Amounts due to Gold Springs LLC	-	104,754
Amounts due to Orta Truva	-	155,715
Amounts due to Truva Bakır	47,062	71,035
	$ 1,258,365	$ 999,502

Trade payables and accrued liabilities are non-interest bearing and are normally settled on 30-day terms. Amounts due to Truva Bakır, relate to cash calls due in connection with the Company's pro-rata share of costs incurred. Cash calls are non-interest bearing and are normally settled on 10-day terms. Accrued liabilities include amounts payable to employees and service providers of the Company in respect of the 2012 bonus paid in 2013.

14. INCOME TAXES

a) Provision for income taxes:

The recovery of income taxes differs from the amount that would have resulted from applying combined Canadian federal and provincial statutory tax rates for 2012 of 25% (2011 – 26.5%)

		December 31, 2012		December 31, 2011
Loss before taxes	$	(8,071,738)	$	(11,790,945)
Statutory tax rate		25.00%		26.50%
Expected income tax recovery		(2,017,935)		(3,124,601)
Permanent differences		95,885		1,550,210
Benefit not recognized and other		1,869,513		1,624,376
Income tax expense (recovery)	**$**	**(52,537)**	$	49,985

b) Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial and tax purposes. The significant components of the Company's deferred tax assets and liabilities are as follows:

		December 31, 2012		December 31, 2011
Mineral properties	$	-	$	(52,536)
Total deferred tax liability	$	-	$	(52,536)

All changes in deferred tax liabilities are recognised in the statement of loss. All deferred tax liabilities are expected to be for longer than twelve months.

c) The following are deferred tax benefits which have not been recognized as at December 31, 2012:

		December 31, 2012		December 31, 2011
Deferred tax assets (liabilities):				
Operating losses carried forward	$	6,426,616	$	2,726,789
Equipment		85,376		56,024
Mineral properties		(3,171,607)		(1,531,653)
Investments and other		709,279		355,059
Net unrecognized tax benefit	**$**	**4,049,664**	$	1,606,219

d) The Company has non capital losses which may be applied to reduce future taxable income. These losses expire between 2031 and 2032:

Canada	US	Total
$5,945,000	$13,443,000	$19,388,000

There are no income taxes owed by Pilot Gold at December 31, 2012

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Authorized

Unlimited Common Shares with no par value

b) Issued

As at December 31, 2012 the Company has 85,210,333 Common Shares issued and outstanding. During the year ended December 31, 2012 the Company issued a total of 3,400,000 Common Shares in relation to mineral property interests, including 75,000 in connection with the acquisition of the Kinsley Option (Note 9a), 50,000 as partial consideration for the acquisition of Gold Bug (Note 9d) and 3,275,000 as initial share consideration under the TV Tower Agreement (Note 7).

On November 1, 2012, the Company closed a bought deal short form prospectus offering (the "2012 Bought-Deal"), pursuant to which Pilot Gold issued 17,825,000 units of the Company (the "PLG Units") at a price of C$1.65 per Unit to raise aggregate gross proceeds of C$29,411,250 ($29,490,875). Each PLG Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole common share purchase warrant, a "Share Purchase Warrant"). Each Share Purchase Warrant entitles the holder to acquire one Common Share at a price of C$2.20 until October 31, 2014. The Share Purchase Warrants are listed on the TSX under the symbol "PLG.WT". The Company paid the Underwriters C$1,470,563 ($1,474,533), representing a fee equal to 5.0% of the gross proceeds (the "Underwriters' Fee").

Concurrent private placements with subsidiaries of Teck and Newmont (the "Teck Subscription", and the "Newmont Subscription" respectively, and together with the 2012

Bought-Deal, the "2012 Offering") also closed on November 1, 2012. Pursuant to the TV Tower Agreement and the Arrangement Agreement, through which each of Teck and Newmont respectively hold participation rights to subscribe for and purchase (directly or through an affiliate) additional Pilot Gold Securities (as defined in those agreements) at the same price and on the same terms at which such Additional Pilot Gold Securities are offered for sale to other purchasers, up to the lesser of each of Teck and Newmont's then pro rata interest. To maintain their respective pro rata interest, 3,669,482 Units on the same terms as those issued under the 2012 Bought-Deal were issued pursuant to the Newmont Subscription, and 1,230,565 Units on the same terms as those issued under the 2012 Bought-Deal were issued pursuant to the Teck Subscription. The Teck Subscription and Newmont

Subscription raised an additional aggregate gross proceeds of C$8,085,078 ($8,106,966). Units purchased by Newmont and TMST are subject to a four-month statutory hold period.

In addition to the Underwriters' Fee, the Company paid share issuance costs of $460,860 in connection with the Bought Deal and private placements.

Share-based payments

Pilot Gold has established a stock option plan (the Pilot Gold Stock Option Plan (2011)) (the "Plan"), approved by Fronteer, the sole shareholder of the Company on April 4, 2011, prior to the close of the Fronteer Arrangement. Under the terms of the Plan, the Board may, from time to time, grant to employees, officers and directors of, or consultants to the Company, non-assignable options to acquire Common Shares ("Options") in such numbers and for such terms as may be determined by the Board.

The number of Common Shares which may be issued pursuant to Options previously granted and those granted under the Plan will be a maximum of 10% of the issued and outstanding shares at the time of the grant; the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis.

Options granted under the Plan to date are exercisable over periods of five or ten years. In accordance with the Plan, the exercise price of each Option shall under no circumstances be lower than the closing market price of the Company's stock on the trading day immediately before the date of grant. Options granted to Directors vest immediately, the remaining Options vest in thirds at the end of each year from the date of grant. Any consideration paid by the optionee on the exercise of Options is credited to share capital.

Stock option transactions and the number of Options outstanding are summarized as follows:

	Shares	Weighted Average Exercise Price
	#	C$
Balance, January 1, 2011	-	-
Options granted	4,027,500	3.35
Options forfeit	-	-
Balance, December 31, 2011	4,027,500	3.35
Options granted	1,823,500	1.32
Options forfeit	(310,000)	2.17
Balance, December 31, 2012	**5,541,000**	**2.75**

At December 31, 2012, Pilot Gold had incentive Options issued to directors, officers, employees and key consultants to the Company outstanding as follows:

Range of prices	Number of Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of Options exercisable	Weighted average exercise price of Options exercisable
	#	(in years)	C$	#	C$
C$1.00 to C$1.99	1,598,500	5.19	1.13	425,000	1.08
C$2.00 to C$2.99	290,000	9.20	2.81	30,000	2.54
C$3.00 to C$3.99	3,652,500	8.28	3.45	2,384,167	3.45
	5,541,000	**7.43**	**2.75**	**2,839,167**	**3.09**

Stock-based compensation:

For the purposes of estimating the fair value of options using Black-Scholes, certain assumptions are made such as expected dividend yield, volatility of the market price of the Company's shares, risk-free interest rates and expected average life of the Options.

The weighted average fair value of Options granted during the period determined using Black-Scholes was C$0.64 per option (2011: C$2.32). The weighted average significant inputs into the model were share price of C$1.06 (2011: C$3.35) at the grant date, exercise price shown above, volatility of 80.9% (2011: 81.4%), dividend yield of 0% (2011: 0%), an expected Option life of 5 years (2011: 5.7 years) and an annual risk-free interest rate of 1.26% (2011: 2.75%). A 2.77% forfeiture rate is applied to the Option expense.

For the year ended December 31, 2012, the Company has capitalized a total of $236,611 (December 31, 2011 - $287,553) of stock-based compensation to exploration properties and deferred exploration expenditures. For the year ended December 31, 2012, the Company charged a total of $1,951,752 of stock-based compensation expense to the statement of loss, of which $233,930 is attributed to property investigation.

Total stock based compensation expense for the year ended December 31, 2011 includes $20,371 of allocated Fronteer expense recorded pursuant to continuity interest accounting.

Stock based compensation is allocated consistent with the allocation of wages and other compensation related to exploration undertakings on the Company's mineral properties.

c) Warrants:

During the year ended December 31, 2012 the Company issued 3,000,000 Teck Warrants as part of the TV Tower Agreement (Note 7), and 11,362,524 Share Purchase Warrants pursuant to the 2012 Offering (together "Warrants"), each entitling the holders to purchase one Common Share for each Warrant held.

	Number of Warrants	Weighted Average Exercise Price
	#	C$
Balance, December 31, 2011	-	-
Warrants issued	14,362,524	2.37
Warrants exercised	-	-
Warrants expired	-	-
Balance, December 31, 2012	**14,362,524**	**2.37**

As at December 31, 2012 the Company had the following Warrants outstanding:

Range of prices	Number of Warrants outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of Warrants exercisable	Weighted average exercise price of Warrants exercisable
	#	(in years)	C$	#	C$
C$2.00 to C$2.99	11,362,524	1.84	2.20	11,362,524	2.20
C$3.00 to C$3.99	3,000,000	2.47	3.00	3,000,000	3.00
	14,362,524	**1.97**	**2.37**	**14,362,524**	**2.37**

The weighted average fair value Warrants granted during the period determined using Black-Scholes was C$0.36 per option (2011: C$nil). The weighted average significant inputs into the model were share price of C$1.54 at the grant date, exercise price shown above, volatility of 61%, dividend yield of 0%, an expected life of 2.21 years and annual risk-free interest rate of 1.08%.

16. PROPERTY INVESTIGATION EXPENSE

	December 31, 2012	December 31, 2011
Stock-based compensation	$ 233,930	$ 431,187
Salaries and benefits	179,754	472,136
Professional fees	44,158	206,362
Transportation	29,092	120,233
Other	20,904	52,689
Contract labour	15,059	9,133
Consultants	14,222	101,965
Geochemistry	8,060	131,937
Meals and accommodation	8,481	80,466
Leasing	4,244	56,345
Due diligence	-	44,968
	$ 557,904	$ 1,707,421

17. CAPITAL DISCLOSURES

Pilot Gold considers the items included in the consolidated statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Pilot Gold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

18. FINANCIAL RISK MANAGEMENT

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Pilot Gold's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short term investments, with Canadian Chartered Banks and its reclamation deposits with AA or higher rated United States financial institutions.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and the Company's holdings of cash and cash equivalents.
The Company may from time to time have to issue additional

shares to ensure there is sufficient capital to meet long term objectives. The Company's financial liabilities of accounts payable and accrued liabilities are payable within a 90 day period and are expected to be funded from the cash held.

Interest Rate Risk

We are subject to interest rate risk with respect to our investments in cash and short term investments. Our current policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash and cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when cash and cash equivalents mature impact interest income earned

Market Risk

The significant market risk to which the Company is exposed is foreign exchange risk.

Foreign Exchange Risk

The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's mineral property expenditures, including the cash calls from the Company's 60% partner at Orta Truva and Truva Bakır, are incurred in United States dollars. The fluctuation of the CAD in relation to the United States dollar will consequently have an impact upon the financial results of the Company.

Further, although only a portion of the Company's expenditures, primarily general and administrative costs are incurred in Canadian dollars, the Company records its assets located in Vancouver in Canadian dollars. As the operating results and financial position of the Company are reported in United States dollars in Pilot Gold's consolidated financial statements, there may also be an impact to the value of the Company's assets, liabilities and shareholders' equity as a result of the fluctuation of the CAD in relation to the United States dollar. A 1% increase or decrease in the exchange rate of the US dollar against the Canadian dollar would result in a $369,184 increase or decrease respectively, in the Company's cash and short term investment balance. The Company has not entered into any derivative contracts to manage foreign exchange risk at this time.

Fair Value Estimation

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value.

19. COMMITMENTS

TV Tower

As described in Note 7 of these consolidated financial statements, the Company has committed to incur $5 million of TV Tower Expenditure Requirement before June 20, 2013. A penalty cash payment, in addition to the outstanding obligation to incur the minimum of Eligible Expenditures of the first year, will be levied if the Company fails to incur $5 million in Eligible Expenditures prior to June 20, 2013. As at December 31, 2012 the outstanding first-year commitment is $229,632 (Note 23).

Pursuant to the TV Tower Agreement, further to completion of all other conditions precedent (Note 7), the Company must make a one-time cash payment to TMST, equal to $20 per ounce of gold, applicable on 20% on the gold ounces delineated at TV Tower in excess of 750,000 ounces defined as compliant Measured, Indicated or Inferred resources in a National Instrument 43-101 Standards of Disclosure for Mineral Projects technical report, prepared generally concurrent with the completion of the TV Tower Expenditure Requirement (the "Additional Consideration"). It is not possible at this time to estimate the amount of Additional Consideration payable.

See details in Note 7 for share issuances and expenditures to be met in order to maintain the Earn-in Option in good standing.

Gold Bug

On August 31, 2012 the Company signed an amended lease agreement with Nevada Eagle Resources LLC, a subsidiary of Newmont, whereby Pilot Gold shall make expenditures of $3,000,000 in accordance with the following schedule ("Gold Bug Expenditure") in order to maintain the amended lease agreement in good standing:

On or before the 1st anniversary of the signing date	$ 150,000
On or before the 2nd anniversary, an additional	$ 350,000
On or before the 3rd anniversary, an additional	$ 400,000 (optional)
On or before the 4th anniversary, an additional	$ 500,000 (optional)
On or before the 5th anniversary, an additional	$ 700,000 (optional)
On or before the 6th anniversary, an additional	$ 900,000 (optional)

The initial $500,000 is a committed expenditure to be settled in cash if it is not met. As at December 31, 2012 the Company had incurred $31,615 in Gold Bug Expenditures.

Leases

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years; each lease is renewable at the end of the lease period at market rate. Beginning August 1, 2012, the lease for office premises in Canada was assigned to Oxygen (Notes 8 and 22). Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations which had been executed or incurred by Oxygen in connection with or related to the services provided to the Company by Oxygen, these amounts are included in the table below. The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the year ended December 31, 2012 is $271,077.

Total future minimum lease payments, under non-cancellable operating leases as at December 31, 2012 are as follows:

Year		
2013	$	324,086
2014		286,962
2015		164,328
2016+		490,179
	$	**1,265,555**

The Company is also responsible for its share of property taxes and operating costs on office premises leases in Canada, Turkey and the US.

20. SEGMENT INFORMATION

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At December 31, 2012 and at December 31, 2011, Pilot Gold has three geographic locations: Canada, the USA, and Turkey. The total assets attributable to the geographic locations relate primarily to the Company's exploration properties and deferred exploration expenditures and have been disclosed in Note 9.

For the year ended December 31, 2012 the net loss relating to the operations in Canada, and the United States totalled $5,311,231 and $2,787,802 respectively, while a net gain of $79,831 was recognised in Turkey (2011 losses of: $8,790,644, $1,433,272 and $1,617,014) respectively.

Plant and equipment are distributed by geographic segment per the table below:

		December 31, 2012		December 31, 2011
Canada	$	182,381	$	234,662
USA		58,185		466,492
Turkey		382,364		12,870
	$	**622,930**	$	714,024

The Company is in the exploration stage and accordingly, has no reportable segment revenues.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing transactions:

		December 31, 2012		December 31, 2011
Net change in non-cash working capital items and other				
Write (up) down of VAT receivable	$	(310,874)	$	290,111
Deferred tax payable		(52,536)		49,986
	$	**(363,410)**	$	340,097
Non-cash financing and investing transactions				
Issuance of shares and warrants for Earn-in Option (Notes 7 and 15)	$	(4,213,079)	$	-
Issuance of shares for Kinsley Option (Notes 9a and 15)		(101,882)		(100,140)
Issuance of shares for Gold Bug (Notes 9d and 15)		(46,243)		-
Recovery against mineral properties (non cash)		198,510		50,835
Continuity of interest gain		-		55,441,050
Change in fair value of financial instruments		(67,057)		55,794
	$	**(4,229,751)**		$55,447,539

22. RELATED PARTY TRANSACTIONS

Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length. In addition to the following, the Company's related parties include its subsidiaries, and associates over which it exercises significant influence (note 12).

Oxygen Capital Corp

Oxygen is a private company owned by three directors of the Company. Oxygen provides services to the Company at cost including staffing, office rental and other administrative functions. Related party transactions during the period total $433,841 in expenditures and $91,762 in deferred exploration expenditures relating to mineral properties, reflected in the Company's consolidated statement of loss and comprehensive loss and statement of financial position respectively. As at December 31, 2012, the Company held a receivable and payable from and to Oxygen of $15,850 and $81,620 respectively, in addition to the deposit described in Note 8. Amounts receivable and payable were settled subsequent to year end.

Compensation of key management personnel

Key management includes members of the Board, the President and Chief Executive Officer, the Chief Operating Officer & VP Exploration, the Chief Financial Officer & Corporate Secretary, and the Country Managers in each geographic segment in which the Company undertakes exploration activities. The aggregate compensation paid, or payable to key management for employee services directly or via Oxygen is shown below:

		December 31, 2012		December 31, 2011
Salaries and other short-term employee benefits	$	1,037,718	$	891,135
Share-based payments		1,283,996		5,366,679
Total	$	**2,321,714**	$	6,257,814

With the exception of certain members of the Board, prior to April 6th, 2011, Pilot Gold did not have any personnel. There was thus no remuneration or other compensation paid or provided by Pilot Gold directly to any key management personnel for their services prior to April 6th, 2011. The Company subsequently entered into employment relationships with its key management employees.

Members of the Board receive director's fees on a quarterly basis; no fees were paid to those members of the Board for their services as directors through March 31, 2011.

23. SUBSEQUENT EVENTS

Regent mineral property

Pilot Gold announced on January 10, 2013 that it had signed and closed a definitive purchase agreement (the "Regent Agreement") to sell 100% of the Regent exploration property to Rawhide for $3 million in cash. $2 million of the cash payment was received by the Company on January 8, 2013. The remaining $1 million is due from Rawhide on June 8, 2013. Pursuant to the Regent Agreement, Pilot Gold will retain a net profits royalty of 15% on production from Regent and is entitled to a sliding scale gold equivalent bonus payment, each of which is payable in certain circumstances after RMC has achieved production at Regent.

Kinsley Mountain mineral property

On February 8, 2013, the Company notified NSGC that it has met the minimum $3 million exploration spend requirement on Kinsley and had thus earned a 65% interest in the leased and contiguous property. Once the formal transfer of the property into Kinsley Gold LLC is completed, the Company will account for NSGC's 35% share as a non-controlling interest.

Gold Springs dilution

On January 25, 2013 the Company notified HDG that it would not be participating in the 2013 program and budget on the Gold Springs 2 project, resulting in an immediate dilution of approximately 10% of the Company's interest in Gold Springs, as per the terms of the related operating agreement. As the Company's resulting investment in Gold Springs is 18%, it is subsequently no longer deemed to have significant influence over the investment, pursuant to which Gold Springs will no longer be accounted for using the equity method, and will be recognised as an investment measured at fair value.

Option grant

On February 5, 2013 the Company granted, under the terms of the Pilot Gold Stock Option Plan, 425,000 Options to directors of the Company and 1,140,000 Options to employees and service providers of the Company, with an exercise price of C$2.13. Director's Options vest immediately and employee options vest in thirds over three years, both expire after 5 years.

TV-Tower Commitment

On March 18, 2013 the Company notified TMST that it had incurred $5 million in Eligible Expenditures, satisfying the first year minimum committed amount of the TV Tower Expenditure Requirement. The Corporation concurrently elected to maintain its right to continue to earn-in to the additional 20% interest in Orta Truva. In satisfaction of the first anniversary share issuance requirement, the Corporation issued 1,637,500 Common Shares to TMST on March 19, 2013

Lease Commitment

As of February 19, 2013, Oxygen entered into a lease agreement for new office premises for which the Company is committed to paying a percentage of the costs pursuant to the Management Agreement. The Company's incremental share of total future lease payments for the new premises under current agreed percentages is as follows:

Year		
2013	$	42,373
2014		83,592
2015		80,848
2016+		1,738,516
	$	**1,945,329**

The percentage allocated to the Company by Oxygen, is subject to change.

Corporate Information

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WARRANTS QUOTED

Toronto Stock Exchange: PLG.WT

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