Pilotgold

An exploration stage company

Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars - unaudited)
Six months ended June 30, 2013

PILOT GOLD INC.
Condensed interim consolidated statements of financial position
(Expressed in United States Dollars - unaudited)

	As at June 30, 2013	As at December 31, 2012
	$	$
Assets		
Current assets		
Cash	23,012,833	30,224,184
Short term investments	6,775,798	7,156,180
Receivables (Note 5)	3,024,490	1,035,422
Prepayments	215,147	193,561
Exploration properties held for sale (Note 8b)	-	3,073,770
Total current assets	33,028,268	41,683,117
Non-current assets		
Other financial assets (Note 6)	734,252	1,190,202
Deposits (Note 17)	799,315	490,785
Plant and equipment (Note 7)	657,090	622,930
Exploration properties and deferred exploration expenditures (Note 8)	9,083,395	9,236,011
Earn-in option (Note 9)	13,179,006	7,239,057
Investment in associates (Note 10)	12,775,943	11,926,778
Total non-current assets	37,229,001	30,705,763
Total assets	70,257,269	72,388,880
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	3,418,300	1,258,365
Decommissioning liability	23,646	30,000
Other liabilities (Note 8a)	205,472	-
Total current liabilities	3,647,418	1,288,365
Non-current liabilities		
Other liabilities	46,323	42,592
Total non-current liabilities	46,323	42,592
Shareholders' equity		
Share capital (Note 12)	129,829,008	126,912,393
Warrants issued (Note 12)	5,103,994	5,103,994
Contributed surplus (Note 12)	10,439,733	8,787,402
Accumulated other comprehensive loss	(3,431,579)	(723,065)
Accumulated deficit	(75,377,628)	(69,022,801)
Total shareholders' equity	66,563,528	71,057,923
Total liabilities and shareholders' equity	70,257,269	72,388,880

The notes on pages 5 to 19 are an integral part of these condensed interim consolidated financial statements.

These financial statements are approved by the board and authorised for issue on August 12, 2013:

"*Donald McInnes*", Director "*Sean Tetzlaff*", Director

PILOT GOLD INC.
Condensed interim consolidated statements of loss and comprehensive loss
(Expressed in United States Dollars - unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	$	$	$	$
Operating expenses				
Write down (recovery) of deferred exploration expenditures (Notes 8e &f)	1,282,040	(177,918)	1,373,760	-
Stock based compensation (Note 12)	458,129	511,932	1,563,893	1,030,773
Wages and benefits	437,996	441,371	923,922	900,729
Professional fees	384,871	(8,281)	502,169	176,851
Office and general	310,559	406,958	700,373	787,594
Investor relations, promotion and advertising	75,754	90,298	232,475	263,302
Depreciation	51,521	52,918	100,809	105,422
Property investigation (Note 13)	30,132	12,230	54,322	377,664
Listing and filing fees	777	1,257	52,868	54,490
Loss (gain) on disposal of plant and equipment	-	-	3,341	(3,440)
Loss from operations	3,031,779	1,330,765	5,507,932	3,693,385
Other income (expenses)				
Management fees (Notes 9 & 10)	249,726	-	363,402	-
Finance income	115,923	42,877	235,570	108,686
Other net income (expense)	27,354	(83,575)	35,519	(73,295)
Loss from associates (Note 10)	(43,347)	(11,528)	(43,047)	(25,658)
Foreign exchange (losses) gains	(45,065)	121,559	69,431	111,024
Change in fair value of financial instruments (Note 6)	(1,117,468)	(121,245)	(1,507,770)	676,283
	(812,877)	(51,912)	(846,895)	797,040
Loss before tax	3,844,656	1,382,677	6,354,827	2,896,345
Income tax recovery	-	-	-	52,536
Loss for the period	3,844,656	1,382,677	6,354,827	2,843,809
Other comprehensive loss				
Items that may be reclassified subsequently to net income				
Exchange differences on translating foreign operations	(1,755,848)	(463,532)	(2,840,134)	5,141
Net fair value gain (loss) on financial assets (Note 6)	-	(516,022)	-	(661,524)
Amounts reclassifed into net income for impairment of financial assets	131,620	-	131,620	-
Other comprehensive loss for the period, net of tax	(1,624,228)	(979,554)	(2,708,514)	(656,383)
Total loss and comprehensive loss for the period	5,468,884	2,362,231	9,063,341	3,500,192
Loss per share				
Basic and diluted	$ 0.04	$ 0.02	$ 0.07	$ 0.05
Weighted average number of Common Shares Basic and diluted	86,847,833	59,525,671	85,672,422	59,306,695

The notes on pages 5 to 19 are an integral part of these condensed interim consolidated financial statements.

PILOT GOLD INC.

Condensed Interim Consolidated statements of changes in equity

(Expressed in United States Dollars - unaudited)

	Number of Common Shares	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
	#	$	$	$	$	$	$
Balance as at January 1, 2012	59,085,286	92,123,392	-	6,599,039	(1,349,229)	(61,003,599)	36,369,603
Stock based compensation	-	-	-	1,341,300	-	-	1,341,300
Unrealized loss on long-term investments	-	-	-	-	(685,453)	-	(685,453)
Exchange on unrealized loss on long-term investments	-	-	-	-	23,929	-	23,929
Shares issued	3,375,000	3,676,788	-	-	-	-	3,676,788
Share issue costs	-	(5,041)	-	-	-	-	(5,041)
Warrants issued	-	-	546,713	-	-	-	546,713
Cumulative translation adjustment	-	-	-	-	5,141	-	5,141
Net loss for the period	-	-	-	-	-	(2,843,809)	(2,843,809)
Balance as at June 30, 2012	62,460,286	95,795,139	546,713	7,940,339	(2,005,612)	(63,847,408)	38,429,171
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
Issuances to Teck pursuant to the Earn-in Option (Note 9)	1,637,500	2,916,615	-	-	-	-	2,916,615
Stock based compensation (Note 12)	-	-	-	1,652,331	-	-	1,652,331
Net impairment of long-term investments	-	-	-	-	131,620	-	131,620
Cumulative translation adjustment	-	-	-	-	(2,840,134)	-	(2,840,134)
Net loss for the period	-	-	-	-	-	(6,354,827)	(6,354,827)
Balance as at June 30, 2013	86,847,833	129,829,008	5,103,994	10,439,733	(3,431,579)	(75,377,628)	66,563,528

The notes on pages 5 to 19 are an integral part of these condensed interim consolidated financial statements.

PILOT GOLD INC.
Condensed Interim Consolidated statements of cash flows
(Expressed in United States Dollars - unaudited)

	Six months ended June 30	
	2013	2012
	$	$
Cash flows from operating activities		
Loss for the period	(6,354,827)	(2,843,809)
Adjusted for:		
Write-down of deferred exploration expenditures (Note 8e & 8f)	1,373,760	-
Stock based compensation	1,585,896	1,157,131
Depreciation	100,809	105,422
Loss on dilution of associate	-	88,729
Loss on disposal of plant and equipment	3,341	-
Change in fair value of financial instruments	1,507,770	(676,283)
Change in provision	(9,534)	4,994
Interest income on short term investments	(38,498)	(58,753)
Foreign exchange not related to cash	414,474	-
Loss from associates	43,047	25,658
Deferred income taxes	-	(52,536)
Movements in working capital:		
Accounts receivable and prepayments	(105,508)	-
Accounts payable and other liabilities	(433,500)	(146,036)
Deposit to Oxygen Capital Corp.	(332,578)	(197,622)
Net cash outflow due to operating activities	(2,245,348)	(2,593,105)
Cash flows from financing activities		
Share issue costs	-	(5,041)
Cash due to financing activities	-	(5,041)
Cash flows from investing activities		
Change in working capital attributable to deferred exploration expenditures	4,622,210	(556,015)
Maturity from short term investments	6,921,598	11,048,334
Purchase of short term investments	(6,883,100)	-
Purchase of property and equipment	(148,228)	(63,865)
Funding to Associates	(3,708,241)	(1,090,504)
Expenditures towards Earn-in option	(5,400,999)	(144,086)
Interest in exploration properties and deferred exploration expenditures	(1,049,305)	(2,411,001)
Proceeds from sale of mineral properties (Note 8b)	2,000,000	-
Recoveries on mineral properties	-	25,000
Acquistion of financial assets	-	(751,350)
Proceeds from sale of equipment	-	3,440
Acquistion of mineral property interests	-	(98,790)
Net cash (outflow) inflow due to investing activities	(3,646,065)	5,961,163
Effect of foreign exchange rates	(1,319,938)	(51,782)
Net increase (decrease) in cash and cash equivalents	(7,211,351)	3,311,235
Cash at beginning of period	30,224,184	7,391,497
Cash at end of the period	23,012,833	10,702,732

See Note 16 for supplemental cash flow information

1. GENERAL INFORMATION

Pilot Gold Inc. ("Pilot Gold", or the "Company"), is incorporated and domiciled in Canada, and its registered office is at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

Pilot Gold is an exploration stage business engaged in the acquisition and exploration of mineral properties located primarily in the United States and Turkey.

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 condensed consolidated interim financial statements for the six months ended June 30, 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board (*"IASB").

3. ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's 2012 annual consolidated financial statements, except as described below.

Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2012: IFRS 10 - Consolidated Financial Statement, IFRS 12- Disclosure of Interests in Other Entities, IFRS 13- Fair value measurement, and IAS 1- Amendment, presentation of items of other comprehensive income. No changes were necessary as a result of the adoption of any of the standards. Please refer to the Company's condensed consolidated interim financial statements for the three months ended March 31, 2013 for further details.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2012.

(Expressed in United States Dollars, unless otherwise noted - unaudited)

5. RECEIVABLES

	June 30, 2013	December 31, 2012
Commodity Taxes Receivable	$ 312,873	$ 944,535
Receivable from Orta Truva for expenditures on TV Tower (Note 10)	1,676,612	-
Receivable relating to the sale of Regent (Note 8b)	1,000,000	-
Other Receivables	35,005	90,887
	$ 3,024,490	$ 1,035,422

The majority of Eligible Expenditures (Note 9) are incurred by the Company's wholly-owned Turkish subsidiary in accordance with a technical services agreement relating to exploration at TV Tower. The balance due from Orta Truva Madencılık Şanayi ve Ticaret A.Ş. ("Orta Truva"), the Turkish company that holds TV Tower, reflects Eligible Expenditures incurred by the Company at TV Tower and includes recoverable VAT that is not an Eligible Expenditure. The Company subsequently funds Orta Truva (Notes 9 & 10) such that it can settle the amount due. The receivable was collected subsequent to period end. At June 30, 2013, the Company has a receivable balance due from Truva Bakır of $4,326 (included in Other Receivables).

6. 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.

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 fair value of share purchase warrants is measured using Black-Scholes that uses inputs that are primarily based on market indicators. Their value was determined to be $nil as at June 30, 2013. All the items below are measured on a recurring basis.

The following table illustrates the classification of Pilot Gold's financial instruments within the fair value hierarchy as at June 30, 2013 and December 31, 2012:

	Financial assets at fair value as at June 30, 2013			
	Level 1	Level 2	Level 3	Total
Equities [(a)(b)]	$ 186,709	$ -	$547,543	$ 734,252
	$ 186,709	**$ -**	**$547,543**	**$ 734,252**

	Financial assets at fair value as at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Equities	$ 1,114,979	$ -	$ -	$ 1,114,979
Share purchase warrants	-	75,223	-	75,223
	$ 1,114,979	$ 75,223	$ -	$ 1,190,202

(Expressed in United States Dollars, unless otherwise noted - unaudited)

6. OTHER FINANCIAL ASSETS (continued)

a) The Company holds its interest in the Gold Springs exploration property through a share of Gold Springs LLC ("Gold Springs"). High Desert Gold Corporation ("HDG") is the Company's partner in Gold Springs and is the project operator.

On January 25, 2013, Pilot Gold notified HDG that it would not participate in the 2013 program and budget proposed for Gold Springs. Accordingly and pursuant to the operating agreement, the Company's interest in Gold Springs was diluted from approximately 28% to 17.5%. As a consequence of dilution and further to a review of factors indicating the degree to which Pilot Gold exercises influence on Gold Springs, the Company ceased to equity account for its interest in the entity as an associate (Note 10) on January 25, 2013. At the time of dilution the Company reclassified its investment as a level 3 financial instrument at fair value of $939,320, and a loss of $6,029 was recognized in the statement of loss within changes in fair value of financial instruments.

Subsequent to period end, the Company sold its remaining interest in Gold Springs to HDG in exchange for 6,058,667 common shares of that company (Note 18b). As business terms of the transaction had been substantially agreed to prior to June 30, 2013, the fair value of Gold Springs was adjusted to reflect an estimate of the consideration receivable as if the transaction had closed at period end. The resulting loss was deemed an impairment due to the significant decline in the fair value of the investment, and as such, all losses recognised to date in other comprehensive income were reclassified to the statement of loss.

The following table presents the change in Level 3 instruments for the six months ended June 30, 2013:

As at January 1, 2013	$ -
Reclassification from investment in associates at fair value (Note10)	939,320
Change in fair value of financial instruments as recognised in the statement of loss	(391,777)
As at June 30, 2013	**$ 547,543**

b) As at June 30, 2013 the Company determined that the fair value of its investment of 3,985,100 common shares of Rae-Wallace Mining Company was $nil and accordingly recognised the write down in the Statement of Loss.

(Expressed in United States Dollars, unless otherwise noted - unaudited)

7. PLANT AND EQUIPMENT

	Field equipment	Equipment	Computer software	Furniture and fixtures	Leasehold improvements	Total
Cost:	$	$	$	$	$	$
Balance as at January 1, 2012	97,528	675,163	221,399	277,157	527,728	1,798,975
Additions	2,200	59,538	-	11,477	-	73,215
Cumulative translation adjustment	(129)	(770)	(235)	(417)	(441)	(1,992)
Balance as at June 30, 2012	99,599	733,931	221,164	288,217	527,287	1,870,198
Balance at December 31, 2012	46,453	711,577	269,416	291,763	308,887	1,628,096
Additions	3,560	79,316	36,918	29,529	-	149,323
Disposals and write-downs	-	(3,931)	-	-	-	(3,931)
Cumulative translation adjustment	(185)	(12,499)	(7,352)	(10,604)	-	(30,640)
Balance as at June 30, 2013	**49,828**	**774,463**	**298,982**	**310,688**	**308,887**	**1,742,848**
Depreciation:						
Balance as at January 1, 2012	47,071	369,050	191,461	147,316	330,053	1,084,951
Current period depreciation	5,160	43,559	11,458	14,429	30,816	105,422
Cumulative translation adjustment	(112)	(549)	(284)	(342)	(442)	(1,729)
Balance as at June 30, 2012	52,119	412,060	202,635	161,403	360,427	1,188,644
Balance at December 31, 2012	13,907	410,794	233,253	174,493	172,719	1,005,166
Current period depreciation	2,875	38,483	18,468	13,177	29,831	102,834
Disposals and write-downs	-	(590)	-	-	-	(590)
Cumulative translation adjustment	(84)	(8,181)	(6,547)	(6,840)	-	(21,652)
Balance as at June 30, 2013	**16,698**	**440,506**	**245,174**	**180,830**	**202,550**	**1,085,758**
Net Book Value:						
As at June 30, 2012	47,480	321,871	18,529	126,814	166,860	681,554
As at December 31, 2012	32,546	300,783	36,163	117,270	136,168	622,930
As at June 30, 2013	**33,130**	**333,957**	**53,808**	**129,858**	**106,337**	**657,090**

Equipment consists of automobiles, automotive equipment, and computer hardware. Furniture and fixtures includes $4,950 of assets under finance lease arrangements.

(Expressed in United States Dollars, unless otherwise noted - unaudited)

8. 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. 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	Additions/ Allocations	Recovery from third party earn-in	Total June 30, 2012	**Total December 31, 2012**	Additions/ Allocations	Write-down or disposal of asset	**Total June 30, 2013**
	$	$	$	$	**$**	$	$	**$**
USA								
Kinsley Mountain (Note 8a)	1,133,509	2,238,633	-	3,372,142	**4,809,577**	708,488	-	**5,518,065**
New Boston (Note 8f)	1,228,439	15,481	-	1,243,920	**1,281,116**	924	(1,282,040)	-
Viper	988,422	8,639	-	997,061	**1,013,835**	7,339	-	**1,021,174**
Brik	715,986	10,209	-	726,195	**743,598**	1,787	-	**745,385**
Griffon (Note 8c)	2,772.00	213,326	-	216,098	**415,971**	56,824	-	**472,795**
Stateline	220,853	5,058	-	225,911	**252,098**	2,853	-	**254,951**
Anchor	183,998	-	-	183,998	**196,583**	2,446	-	**199,029**
Gold Bug (Note 8d)	-	108,849	-	108,849	**126,130**	240,943	-	**367,073**
Easter	135,711	12,596	(25,000)	123,307	**143,433**	37,873	-	**181,306**
Baxter Springs	271,295	6,878	-	278,173	-	-	-	-
Cold Springs	199,916	895	-	200,811	-	-	-	-
Buckskin North	86,966	-	-	86,966	-	-	-	-
Regent	3,712,065	82,734	-	3,794,799	-	-	-	-
Other	71,292	57,516	-	128,808	**113,019**	68,008	-	**181,027**
Total USA	8,951,224	2,760,814	(25,000)	11,687,038	**9,095,360**	1,127,485	(1,282,040)	**8,940,805**
Turkey								
Yunt Dag	3,624	1,126	-	4,750	-	-	-	-
Arasanli	-	135,220	-	135,220	**140,651**	1,939	-	**142,590**
Total Turkey	3,624	136,346	-	139,970	**140,651**	1,939	-	**142,590**
Total	8,954,848	2,897,160	(25,000)	11,827,008	**9,236,011**	1,129,424	**(1,282,040)**	**9,083,395**
Assets held for sale								
Regent (Note 8b)	-	-	-	-	2,982,050	-	(2,982,050)	-
Buckskin North (8e)	-	-	-	-	91,720	-	(91,720)	-
Rae Wallace Option	175,119	(353)	-	174,766				
Total held for sale	175,119	(353)	-	174,766	3,073,770	-	(3,073,770)	-

Expenditures at Halilağa are recorded in the Company's investment in Truva Bakır, an equity-accounted associate (Note 10). Expenditures on TV Tower are bifurcated as 60% to the Earn-in Option (Note 9) and 40% to the Company's investment in Orta Truva (Note 10) in order to maintain the Company's proportionate interest in Orta Truva until such time as the earn-in has been completed.

(Expressed in United States Dollars, unless otherwise noted - unaudited)

8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

	USA	Turkey	Peru	Total	Assets Held for sale
	$	$	$	$	$
January 1, 2012	8,951,224	3,624	175,119	9,129,967	-
Acquisition costs	195,362	99,915	-	295,277	-
Drilling	1,183,553	-	-	1,183,553	-
Wages and salaries	407,468	8,474	-	415,942	-
Assaying & geochemical	275,211	20,080	-	295,291	-
Administrative and other	253,754	4,014	-	257,768	-
Geology and geophysics	174,608	2,827	-	177,435	-
Lesases, royalty and option payments	78,715	-	-	78,715	-
Environmental	67,974	-	-	67,974	-
Camp & field costs	39,351	1,036	-	40,387	-
Property maintenance	43,652	-	-	43,652	-
Other	41,166	-	-	41,166	-
Recovery	(25,000)	-	-	(25,000)	-
Write down of asset	-	-	-	-	(177,918)
Reversal of write down of asset	-	-	-	-	173,242
Cumulative translation adjustment	-	-	-	-	4,323
Held for sale (Rae Wallace option)	-	-	(175,119)	(175,119)	175,119
June 30, 2012	11,687,038	139,970	-	11,827,008	174,766
December 31, 2012	9,095,360	140,651	-	9,236,011	3,073,770
Wages, salaries and stock based compensation	287,739	-	-	287,739	-
Leases, royalty and option payments	274,355	434	-	274,789	-
Assaying & geochemical	213,478	-	-	213,478	-
Geology and geophysics	96,012	1,505	-	97,517	-
Property maintenance	82,948	-	-	82,948	-
Administrative	69,661	-	-	69,661	-
Environmental	46,929	-	-	46,929	-
Camp & field costs	26,529	-	-	26,529	-
Other	21,152	-	-	21,152	-
Acquisition costs	8,682	-	-	8,682	-
Disposal of deferred Regent property	-	-	-	-	(2,982,050)
Write down of deferred exploration expenditures	(1,282,040)	-	-	(1,282,040)	(91,720)
June 30, 2013	**8,940,805**	**142,590**	**-**	**9,083,395**	**-**

8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

a) *Kinsley Mountain*

During 2012 the Company met its initial exploration commitment under an option agreement (the "Kinsley Option") acquired from Animas Resources Ltd. ("Animas") and earned-in to a 51% interest in the underlying lease that comprises the majority of the Kinsley Mountain property (the lease interest and directly held claims together, "Kinsley"). Upon incurring the initial earn-in expenditure, the Company and a subsidiary of Nevada Sunrise Gold Corporation ("NSGC") were deemed to have entered into a legal joint venture, with an undivided 51% beneficial interest in Kinsley transferred to Pilot Gold. The Kinsley Option also provided the ability to earn into a further 14% interest (the "Additional Interest") for $3,000,000 in aggregate exploration expenditures.

On February 8, 2013, the Company notified NSGC that it had met the minimum exploration expenditure requirement to acquire the Additional Interest. A new company, Kinsley Gold LLC has been established to hold Kinsley. Kinsley will be accounted for as an undivided asset until formal transfer of the property into Kinsley Gold LLC is completed.

Kinsley Gold LLC, in accordance with the underlying lease agreement, will be required to make advance royalty payments to Nevada Sunrise, LLC ("NSL"), a private Nevada-based company, of $50,000 per year through 2016, increasing in stages up to $200,000 per year in 2020 and beyond.

A 4% net smelter return royalty ("NSR") also payable by Kinsley Gold LLC to NSL, was reduced to 2% at the election of the Company on May 23, 2013 for consideration of $200,000.

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 (Note 14).

In May 2013, NSGC paid a total of $205,472 representing provisional funding towards their 35% share of expenses relating to Kinsley for the six months ended June 30, 2013.

b) *Regent*

The Company announced on January 10, 2013 that it had closed a definitive purchase agreement (the "Regent Agreement") to sell 100% of the Regent exploration property to Rawhide Mining LLC ("Rawhide") for $3,000,000 in cash. $2,000,000 of the cash payment was received by the Company on January 8, 2013. The remaining $1 million was paid by Rawhide on July 8, 2013. Pursuant to the Regent Agreement, Pilot Gold retains 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 Rawhide has achieved production at Regent.

c) *Griffon*

Pilot Gold has the option to earn-in to an initial 60% of the Griffon property by paying Nevada Clean Magnesium Inc. ("NCMI"), (formerly Molycor Gold Corp.) 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 ("Griffon 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 June 30, 2013 a total of $39,636 cash had been paid to NCMI, and a total of $410,773 in Griffon Expenditures have been incurred. 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. Subsequent to period end the Griffon Agreement was terminated, as detailed in Note 18a.

8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

d) Gold Bug

On June 5, 2012 the Company acquired a 100% interest in 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). The Gold Bug property is comprised of an amended mining lease (the "Gold Bug Lease") and certain directly held claims. To maintain the Gold Bug Lease in good standing the Company has agreed to a $3,000,000 work commitment over 6 years (Note 14). Gold Bug is subject to a 3% NSR, which will increase to 5% if the Company does not complete the work commitments.

e) 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. As at March 31, 2013 the transaction had not progressed further and the carrying value of $91,720 was deemed unrecoverable.

f) New Boston

During the period the Company decided to write-down the carrying value of the New Boston property, further to an assessment of recoverability of capitalised costs relating to this property.

9. 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 Teck Madencılık Sanayi Ticaret A.Ş ("TMST"), pursuant to which, shares equal to an additional 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 completion of each of the first and second year expenditure requirements, or on the first and second anniversaries of the date the TV Tower Agreement was signed, whichever is the earliest; 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").

On March 18, 2013, the Company notified Teck that the $5,000,000 first-year minimum committed expenditure amount was satisfied in January 2013. The corresponding 1,637,500 Common Shares were issued to TMST March 19, 2013. 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. The Earn-in Option will continue to increase as expenditures are incurred.

The majority of Eligible Expenditures are incurred initially by the Company's wholly-owned Turkish subsidiary. Pilot Gold invoices Orta Truva for services performed in the period, and Orta Truva, in turn invoices TMST and Pilot Gold, for their respective share of expenditures for the period. Each shareholder subsequently funds Orta Truva such that it can settle the amount due. Pursuant to the funding mechanism outlined in the TV Tower Agreement (the "Funding

(Expressed in United States Dollars, unless otherwise noted - unaudited)

9. OPTION TO EARN-IN TO TV TOWER (continued)

Mechanism"), 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, 60% of the Eligible Expenditures in a given period are advanced by the Company to TMST and accounted for as a component of the Earn-in Option, a non-current asset. The remaining 40% is recorded to the Company's interest in Orta Truva (Note 10).

The total value of the Earn-in Option asset as at June 30, 2013 consists of the following, and includes certain costs capitalized pursuant to the Company's accounting policies, that are not Eligible Expenditures:

Balance at January 1, 2012	$ -
Eligible Expenditures (includes $219,750 in management fees)	2,878,543
Legal costs	147,435
Value of Common Shares and Teck Warrants issued	4,213,079
Balance at December 31, 2012	**$ 7,239,057**
Eligible Expenditures (includes $218,041 in management fees)	3,333,898
Value of Common Shares issued	2,850,689
Non Eligible costs	6,279
Foreign exchange	(250,917)
Balance at June 30, 2013	**$ 13,179,006**

Eligible Expenditures through the six-months ended June 30, 2013 include $1.7 million incurred in the period, and invoiced after period end. This amount has been recorded as 60% to the Earn-in Option and 40% to the investment in Orta Truva (Note 10), with the commensurate amounts recorded as payables (Note 11) due to TMST and Orta Truva, respectively.

A mark-up of 10% for administration is charged to Orta Truva on Eligible Expenditures. Consistent with the Funding Mechanism, 40% of the administration fee is recognised as part of the Earn-in Option and 60% as an increase to the investment in Orta Truva. The amount is recorded as management fees in the statements of loss and comprehensive loss.

10. INVESTMENT IN ASSOCIATES

Turkey
Pilot Gold owns 40% of Halilağa through a 40% ownership stake in Truva Bakır Maden İşletmeleri A.Ş. ("Truva Bakır"), a Turkish company, controlled (60%) by TMST, an indirect subsidiary of Teck. Pilot Gold also holds a 40% interest in Orta Truva. Pilot Gold became the operator of TV Tower on June 20, 2012 and has an option to acquire an additional 20% interest of Orta Truva (Note 9). Orta Truva is also controlled (60%) by TMST.

United States
During the period Gold Springs was diluted to 17.5% and reclassified into other financial assets (Note 6a).

All 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, 2013	$ 6,412,078	$ 4,569,351	$ 945,349	$ 11,926,778
Share of loss	600	(43,647)	-	(43,047)
Funding	110,599	2,283,243	-	2,393,842
Exchange differences	(344,264)	(212,017)	-	(556,281)
Transfer to other financial assets (Note 6a)	-	-	(945,349)	(945,349)
At June 30, 2013	**$ 6,179,013**	**$ 6,596,930**	**$ -**	**$ 12,775,943**

(Expressed in United States Dollars, unless otherwise noted - unaudited)

10. INVESTMENT IN ASSOCIATES (continued)

Funding to Orta Truva for the six months ended June 30, 2013 includes 40% of Eligible Expenditures of which $145,361 are management fees (six months ended June 30, 2012: $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	Current Assets	Non-Current Assets	Current Liabilities	Loss	Interest held
Truva Bakır	Turkey	$ 911,762	$ 5,287,884	$ (20,633)	$ 600	40%
Orta Truva	Turkey	1,135,008	6,297,374	(835,452)	(43,647)	40%
June 30, 2013		**$2,046,770**	**$11,585,258**	**$ (856,085)**	**$ (43,047)**	

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	June 30, 2013	December 31, 2012
Trade payables	$ 690,108	$ 350,057
Other payables	75,247	41,324
Accrued liabilities	884,158	819,922
Amounts due to Orta Truva	688,820	-
Amounts due to Truva Bakır	46,886	47,062
Amounts due to TMST	1,033,081	-
	$ 3,418,300	$ 1,258,365

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 40% share of costs incurred at Halilağa. Amounts due to TMST correspond to cash calls for 60% share of costs incurred at Orta Truva which pursuant to the Funding Mechanism the Company pays to TMST and capitalises towards the Earn-in Asset. Cash calls are non-interest bearing and are normally settled on 10-day terms.

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Authorized
Unlimited Common Shares with no par value

b) Issued
During the six months ended June 30, 2013 the Company issued a total of 1,637,500 Common Shares to TMST pursuant to the TV Tower Agreement (Note 9). As at June 30, 2013 the Company has 86,847,833 Common Shares issued and outstanding.

Subsequent to period end 180,000 shares were issued to NCMI (Note 18a).

c) Stock based compensation
Pilot Gold's stock option plan (the Pilot Gold Stock Option Plan (2011)) (the "Plan"), was approved on April 4, 2011. 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.

(Expressed in United States Dollars, unless otherwise noted - unaudited)

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

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, 2013	5,541,000	2.75
Options granted	1,590,000	2.12
Options forfeit	(11,000)	2.70
Balance, June 30, 2013	**7,120,000**	**2.61**

At June 30, 2013, 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	1,620,000	4.71	1.14	760,000	1.08
C$2.00 to C$2.99	1,855,000	5.24	2.24	521,667	2.26
C$3.00 to C$3.99	3,645,000	7.79	3.45	2,381,667	3.45
	7,120,000	**6.43**	**2.61**	**3,663,333**	**2.79**

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$1.34 per option. The weighted average significant inputs into the model were share price of C$2.13 at the grant date, exercise price shown above, volatility of 78%, dividend yield of 0%, an expected Option life of 5 years, and an annual risk-free interest rate of 1.5%. A 2.77% forfeiture rate is applied to the Option expense.

For the six months ended June 30, 2013, the Company has capitalized a total of $66,435 of stock-based compensation to exploration properties and deferred exploration expenditures and charged a total of $1,585,896 of stock-based compensation expense to the statement of loss, of which $22,003 is attributed to property investigation.

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

(Expressed in United States Dollars, unless otherwise noted - unaudited)

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

d) Warrants:
Warrant transactions and the number of Warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
	#	C$
Balance, January 1, 2013	14,362,524	2.37
Warrants issued	-	-
Warrants exercised	-	-
Warrants expired	-	-
Balance, June 30, 2013	**14,362,524**	**2.37**

As at June 30, 2013 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	1.34	2.20	11,362,524	2.20
C$3.00 to C$3.99	3,000,000	1.97	3.00	3,000,000	3.00
	14,362,524	**1.47**	**2.37**	**14,362,524**	**2.37**

13. PROPERTY INVESTIGATION EXPENSE

	June 30, 2013	June 30, 2012
Stock-based compensation	$ 22,003	$ 126,358
Salaries and benefits	19,738	144,485
Contract Labour	7,627	14,072
Permitting	3,445	-
Transportation	546	24,386
Other	404	5,634
Geochemistry	402	8,060
Meals and accommodation	157	6,801
Professional Fees	-	34,802
Consultants	-	8,822
Leasing	-	4,244
	$ 54,322	**$ 377,664**

(Expressed in United States Dollars, unless otherwise noted - unaudited)

14. COMMITMENTS

TV Tower

Pursuant to the TV Tower Agreement, upon completion of all other conditions precedent (Note 9), the Company must remit the Additional Consideration to TMST. It is not possible at this time to estimate the amount or timing of Additional Consideration payable.

See details in Note 9 for Common Share issuances and Eligible Expenditure requirements 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 ("Nevada Eagle"), a subsidiary of Newmont, whereby Pilot Gold shall make expenditures of $3,000,000 in accordance with the following schedule ("Gold Bug Expenditures") 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)

Beginning on seventh anniversary and each anniversary thereafter, Pilot Gold must pay to Nevada Eagle an annual rental fee reflective of the leased property tenure size if the Company fails to incur at least $50,000 during the preceding anniversary year.

The initial $500,000 is a committed expenditure to be settled in cash if it is not met. As at June 30, 2013 the Company had incurred $260,134 in Gold Bug Expenditures.

Kinsley Mountain

Pursuant to the assignment agreement by which the Company acquired the Kinsley Option, 25,000 Common Shares are due to Animas on the second anniversary of the assignment in September 2013.

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. Office premises and other operating leases in Canada are paid to Oxygen Capital Corp ("Oxygen"), pursuant to a management services agreement with that company (the "Oxygen Agreement"). Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations that had been executed or incurred by Oxygen in connection with, or related to the services provided to the Company by Oxygen. These amounts, as pertaining to non-cancellable leases, 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 six months ended June 30, 2013 is $127,801.

Total future minimum lease payments, under non-cancellable operating leases as at June 30, 2013 are as follows:

Year	
2013	$ 133,268
2014	287,206
2015	162,917
2016	153,923
2017+	1,274,394
	$ 2,011,708

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

(Expressed in United States Dollars, unless otherwise noted - unaudited)

15. SEGMENT INFORMATION

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At June 30, 2013 and at December 31, 2012, Pilot Gold has three geographic locations: Canada, the USA, and Turkey. The total assets attributable to the geographic locations relate primarily to the exploration properties and deferred exploration expenditures held by the Company and its associates, and have been disclosed in Notes 8, 9 and 10.

The net loss relating to the operations in Canada, the United States and Turkey for the three months ended June 30, 2013 totalled $1,493,188, $2,147,611 and $203,857 (comparative period, 2012: $881,000, $392,488 and $109,189) respectively, for the six months ended June 30, 2013, $3,523,581, $2,534,150 and $297,096 (comparative period, 2012: $1,884,830, $698,595 and $260,384) respectively.

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

	June 30, 2013	December 31, 2012
Canada	$ 144,570	$ 182,381
USA	423,800	382,364
Turkey	88,720	58,185
	$ 657,090	$ 622,930

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

16. SUPPLEMENTAL CASH FLOW INFORMATION

	June 30, 2013	June 30, 2012
Net change in non-cash working capital items and other		
Deferred tax payable	$ -	$ 52,536
	$ -	$ 52,536
Non-cash financing and investing transactions		
Issuance of shares for Earn-in Option (Notes 9 and 12)	$ 2,916,615	$ 3,676,788
Change in fair value of financial instruments	131,620	(661,525)
Stock based compensation included in mineral properties (Note 12)	68,435	184,691
	$ 3,116,670	$ 3,199,954

17. 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 10).

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 $729,506 in expenditures and $100,677 in deferred exploration expenditures relating to mineral properties, reflected in the Company's interim consolidated statement of loss and comprehensive loss and interim statement of financial position respectively. As at June 30, 2013, Oxygen holds a refundable deposit of $548,783 on behalf of the Company. Additionally, as at June 30, 2013 the Company held a receivable from and payable to Oxygen of $15,997 and $110,089 respectively. Amounts receivable and payable were settled subsequent to June 30, 2013.

(Expressed in United States Dollars, unless otherwise noted - unaudited)

17. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel
Key management includes members of the Board, the President and Chief Executive Officer, the 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:

	June 30, 2013	June 30, 2012
Salaries and other short-term employee benefits	$ 702,609	$ 536,454
Share-based payments	1,006,712	903,155
Total	**$ 1,709,321**	**$ 1,439,609**

18. SUBSEQUENT EVENTS

The following are events occurring subsequent to June 30, 2013 not otherwise disclosed herein.

a) Griffon
Subsequent to period end the Company and NCMI mutually agreed to terminate the Griffon Agreement, by entering into a purchase and sale agreement whereby Pilot Gold would acquire 100% interest in the Griffon property. On August 1, 2013, the Company issued 180,000 Common Shares to NCMI to acquire Griffon. The earn-in and other obligations under the Griffon Agreement were concurrently terminated.

b) Gold Springs
On August 2, 2013, the Company disposed of its remaining interest in Gold Springs (Note 6a).