Condensed Consolidated Financial Statements

# Pilot Gold Inc.

(Expressed in US Dollars)
Three months ended March 31, 2011

(unaudited)

**PILOT GOLD INC.**
**Condensed interim consolidated statements of loss and comprehensive income**
**(Expressed in US Dollars - unaudited)**

| | Three months ended March 31, 2011 | 2010 |
|---|---|---|
| | $ | $ |
| **Continuing operations** | | |
| Operating expenses | | |
| Wages and benefits | 145,207 | 96,365 |
| Amortization | 103,044 | 83,095 |
| Professional fees | 56,439 | 30,555 |
| Office and general | 54,856 | 54,594 |
| Stock based compensation (Note 11) | 20,371 | 137,504 |
| Investor relations, promotion and advertising | 13,688 | 9,160 |
| Loss from operations | 393,605 | 411,273 |
| Other income (expenses) | | |
| Write down of assets held for sale (Note 7) | (68,566) | - |
| Change in fair value of financial instruments (Note 9) | 44,804 | - |
| Foreign exchange gains | 1,466 | 5,640 |
| Income (loss) from associates | 1,019 | (18,123) |
| Finance income | - | 100 |
| | (21,277) | (12,383) |
| Loss before tax | (414,882) | (423,656) |
| Income tax recovery | 808 | 3,101 |
| **Loss for the period** | (414,074) | (420,555) |
| **Other comprehensive income** | | |
| Exchange differences on translating foreign operations | 20,082 | 38,164 |
| Net value gain on financial assets | 180,000 | - |
| Other comprehensive income for the period, net of tax | 200,082 | 38,164 |
| **Total loss and comprehensive loss for the period** | (213,992) | (382,391) |
| **Loss per share** | | |
| From continuing operations | | |
| Basic and diluted | $ (0.01) | $ (0.01) |
| Common shares present in Pilot pursuant to the Arrangement Basic and diluted (Note 1) | 50,701,952 | 50,701,952 |

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

| | As at March 31, 2011 | As at December 31, 2010 | As at January 1, 2010 |
|---|---|---|---|
| | $ | $ | $ |
| **Assets** | | | |
| *Current assets* | | | |
| Cash and cash equivalents | 43,159 | 86,966 | 218,526 |
| Receivables and other | 315,102 | 286,502 | 247,680 |
| Due on close of Fronteer Arrangement (Note 1 and Note 6) | 9,819,540 | - | - |
| Assets held for sale (Note 1 and Note 7) | 177,105 | 27,724 | - |
| Total current assets | 10,354,906 | 401,192 | 466,206 |
| *Non-current assets* | | | |
| Exploration properties and deferred exploration expenditures (Note 7) | 3,067,449 | 3,053,770 | 370,571 |
| Property and equipment (Note 8) | 872,376 | 930,888 | 726,686 |
| Reclamation deposits | 12,858 | 12,858 | - |
| Other financial assets (Note 9) | 643,937 | 419,133 | - |
| Investment in associates (Note 10) | 3,783,056 | 3,087,329 | 875,821 |
| Total non-current assets | 8,379,676 | 7,503,978 | 1,973,078 |
| **Total assets** | 18,734,582 | 7,905,170 | 2,439,284 |
| **Liabilities and Shareholder's Equity** | | | |
| *Current liabilities* | | | |
| Trade and other payables | 30,410 | 74,807 | 35,015 |
| Total current liabilities | 30,410 | 74,807 | 35,015 |
| *Non-current liabilities* | | | |
| Deferred tax liabilities | 1,742 | 2,550 | 3,753 |
| Total non-current liabilities | 1,742 | 2,550 | 3,753 |
| *Shareholder's equity* | | | |
| Share capital (Note 11) | 1,215,000 | 1,215,000 | - |
| Contributed surplus (Note 11) | 66,633,770 | 10,016,247 | 4,340,689 |
| Accumulated other comprehensive income | 430,403 | 230,321 | 186,380 |
| Accumulated deficit (Note 11) | (49,576,743) | (3,633,755) | (2,126,553) |
| Total shareholder's equity attributable to owners of the Company | 18,702,430 | 7,827,813 | 2,400,516 |
| **Total liabilities and shareholder's equity** | 18,734,582 | 7,905,170 | 2,439,284 |

Commitments (Note 14)

These financial statements are approved by the board and authorised for issue on June 13, 2011:

"*Mark O'Dea*", Director "*Sean Tetzlaff*", Director

**PILOT GOLD INC.**
**Condensed interim consolidated statements of changes in equity**
**(Expressed in US Dollars - unaudited)**

| | Number of shares[1] | Share Capital | Contributed Surplus | Acumulated other comprehensive income | Accumulated deficit | Total |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| Balance as at January 1, 2010 | - | - | 4,340,689 | 186,380 | (2,126,553) | 2,400,516 |
| Funding and expenses paid by Fronteer and its subsidiaries (Note 1) | | | 339,773 | | | 339,773 |
| Net assets contributed by Fronteer and its subsidiaries (Note 1) | | | 1,174,029 | | | 1,174,029 |
| Reversal of intercompany balances not attributable to Pilot Gold | | | (713,568) | | | (713,568) |
| Cumulative translation adjustment | | | | 38,164 | | 38,164 |
| Net loss for the period | | | | | (420,555) | (420,555) |
| Balance as at March 31, 2010 | - | - | 5,140,923 | 224,544 | (2,547,108) | 2,818,359 |
| Balance as at January 1, 2011 | 10,000,001 | 1,215,000 | 10,016,247 | 230,321 | (3,633,755) | 7,827,813 |
| Funding and expenses paid by Fronteer and its subsidiaries (Note 1) | | | 10,131,534 | | | 10,131,534 |
| Net assets contributed by Fronteer and its subsidiaries (Note 1) | | | 46,485,989 | | | 46,485,989 |
| Adjustment for shares to be issued in connection with the Fronteer Arrangement (Note 11) | | | | | (45,528,914) | (45,528,914) |
| Unrealized gain on long-term investments | | | | 180,000 | | 180,000 |
| Cumulative translation adjustment | | | | 20,082 | | 20,082 |
| Net loss for the period | | | | | (414,074) | (414,074) |
| Balance as at March 31, 2011 | 10,000,001 | 1,215,000 | 66,633,770 | 430,403 | (49,576,743) | 18,702,430 |

[1] The number of shares represent the number of shares in Pilot Gold issued and outstanding which correspond to the recognised share capital. See Note 1 for details of shares to be issued pursuant to the Arrangement.

**PILOT GOLD INC.**
**Consolidated statements of cash flows**
**(Expressed in US Dollars - unaudited)**

| | Three months ended March 31 | |
|---|---|---|
| | 2011 | 2010 |
| | $ | $ |
| **Cash flows from operating activities** | | |
| Loss for the period | (414,074) | (420,555) |
| Amortization | 103,044 | 83,095 |
| Loss on assets held for sale | 68,566 | - |
| Foreign exchange | (1,466) | (5,640) |
| Change in fair value of financial instruments | (44,804) | - |
| Equity (gain) loss from Associates | (1,019) | 18,123 |
| Stock based compensation | 20,371 | 137,504 |
| Deferred income taxes | (808) | (3,101) |
| Movements in working capital: | | |
| Accounts receivable | (14,772) | (4,344) |
| Accounts payable and accrued liabilities | (22,931) | (10,961) |
| Net cash used by operating activities | (307,893) | (205,879) |
| **Cash flows from financing activities** | | |
| Funding received from Fronteer for operations | 1,176,473 | 692,106 |
| Net cash used by financing activities | 1,176,473 | 692,106 |
| **Cash flows from investing activities** | | |
| Change in accounts receivable | (13,828) | (2,556) |
| Change in accounts payable and accrued liabilities | (21,466) | (6,449) |
| Purchase of capital equipment | (33,464) | (251,362) |
| Investment in Associates | (590,694) | (241,099) |
| Interest in exploration properties and deferred exploration expenditures | (252,935) | (112,137) |
| Net cash generated by financing activities | (912,387) | (613,603) |
| Net increase (decrease) in cash and cash equivalents | (43,807) | (127,376) |
| Cash and cash equivalents at beginning of period | 86,966 | 218,526 |
| Cash and cash equivalents at end of the period | 43,159 | 91,150 |

## 1. GENERAL INFORMATION

Pilot Gold Inc. ("Pilot Gold", or 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.

The Company was incorporated as "7703627 Canada Inc." on November 18, 2010, under the Canada Business Corporations Act. Articles of amendment were subsequently filed on November 29, 2010, to change the name of the Company to Pilot Gold Inc.

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 (notes 17(a) and (b)). 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 ("Common Shares") (notes 17(a) and (b)), and the assumption by Pilot Gold of certain liabilities and the transfer of certain assets to Fronteer as detailed below. In connection with the Fronteer Arrangement, the Common Shares were immediately consolidated on a one-for-four basis:

i. unpatented mining claims known as the Anchor, Baxter Springs, New Boston, Stateline, Easter, Viper and Gold Springs 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 project;

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 Investment Inc (formerly, Fronteer Investment Inc.) for a purchase price equal to the fair market value of the shares (approximately $52 million), which holds the respective 40% interests in Orta Truva Maden Isletmeleri A.Ş. ("Orta Truva") and Truva Bakir Maden Isletmeleri A.Ş. ("Truva Bakir") the legal joint venture entities that hold the TV Tower Project and the Halilağa Project;

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 own or acquires; and

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

The 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 of the Fronteer Arrangement for the purposes of these unaudited condensed interim consolidated financial statements.

Pursuant to the Fronteer Arrangement, Fronteer shareholders received $14.00 in cash and one 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".

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 using the continuity of interest method of accounting (note 4(a)).

## 1. GENERAL INFORMATION (continued)

In accordance with the continuity of interest basis of accounting, these unaudited condensed interim consolidated financial statements reflect the assets, liabilities, operations and cash flows of Pilot Gold and those of the Exploration Properties Business of Fronteer Gold Inc. (the "Exploration Business") as if Pilot Gold and the Exploration Business had always been the combined entity through to March 30, 2011. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements of Pilot Gold and of the Exploration Business, respectively.

The allocation of those items of general and administrative expense not directly chargeable to the Company, was allocated using the percentage derived from using total exploration expenditures incurred on Pilot Gold's properties over Fronteer's total exploration and development expenditures. Fronteer's funding of the carved-out exploration asset and liabilities and past carved-out operations is presented as contributed surplus.

Furthermore, 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 unaudited condensed interim consolidated financial statements, that the allocation of expenses in the statements of loss for the current and comparative periods does not necessarily reflect the nature and level of the Company's future operating expenses.

## 2. NATURE OF OPERATIONS

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.

At March 31, 2011, the Company has $43,159 in cash and cash equivalents. The Company has an ongoing requirement to fund exploration activities incurred on the properties held by its associates (note 4(d)), and at certain of its mineral exploration properties. Upon receipt of the CAD 9.58 million ($9.82 million) in cash to be received as a result of the Fronteer Arrangement, Pilot Gold anticipates that cash and cash equivalents will be sufficient to satisfy the Company's cash requirements for general and administrative expenses, and to pursue its committed exploration programs (note 17(a)).

These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classifications of liabilities that might be necessary, should the Company be unable to continue as a going concern.

The Company's interim results are not necessarily indicative of its results for a full year.

## 3. BASIS OF PRESENTATION AND FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Pilot Gold prepared its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (the "CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for periods beginning on or after January 1, 2011. Accordingly, these are the Company's first unaudited condensed interim consolidated financial statements for part of the period covered by the Company's first IFRS annual consolidated financial statements. IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRS, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs"). In these condensed interim consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting* and on the basis of IFRS standards and interpretations issued and outstanding as of June 13, 2011, the date the Board of Directors approved the statements, as described in note 4.

These unaudited condensed interim consolidated financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of Pilot Gold Inc. for the period April 23, 2010 to December 31, 2010 and those of the Exploration Business for the year ended December 31, 2010, each prepared in accordance with Canadian GAAP. The basis of preparation of these unaudited condensed interim consolidated financial statements is different to those separate annual consolidated financial statements that comprise Pilot Gold and the Exploration Properties Business due to the first time adoption of IFRS, and to a change in the Company's presentation currency from the Canadian dollar ("CAD") to United States dollars. An explanation of how the transition to IFRS with a transition date of January 1, 2010 has affected the reported financial position and financial performance of the Company is provided in note 18. Included therein are reconciliations of the Company's condensed consolidated statements of financial position and statements of loss and comprehensive loss for comparative periods prepared in accordance with Canadian GAAP and as previously reported to those prepared and reported in these unaudited condensed interim consolidated financial statements in accordance with IFRS.

IFRS 1 – *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") governs the first-time adoption of IFRS. IFRS 1 in general requires accounting policies under IFRS to be applied retrospectively to determine the Company's opening statement of financial position as of the transition date of January 1, 2010, and allows certain exemptions. The Company has elected not to apply any of these elections, and has applied IFRS fully retrospectively.

*Change in reporting currency*
Effective January 1, 2010, the Company changed its reporting currency to the United States dollar. The change in reporting currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry. Prior to January 1, 2010, Pilot Gold and the Exploration Business reported their respective consolidated statements of financial position and related consolidated statements of loss and comprehensive loss, statements of changes in equity and cash flows in Canadian dollars.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by Pilot Gold for the Company's first IFRS annual consolidated financial statements will be determined as at December 31, 2011. In the event that accounting policies adopted at December 31, 2011 differ materially from the accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements, these unaudited condensed interim consolidated financial statements will be restated to retrospectively account for the application of those policies adopted at December 31, 2011.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*(a) Continuity of interest basis of accounting*
There is currently no 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 policy that is relevant to the decision making needs of users and that is reliable.

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"). 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 unaudited condensed interim 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 unaudited condensed interim 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 the parent company, 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 March 31, 2011 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% |
| Agola Madencilik Limited Sirketi ("Agola") [1] | Mineral exploration | Turkey | 100% |
| Pilot Holdings Inc. | Holding company | Cayman Islands | 100% |
| Pilot Investment Inc. | Holding company | Cayman Islands | 100% |

[1] The issued and outstanding common shares of Agola are primarily held by Pilot Investment Inc., and a nominal amount is held by a director of Pilot Gold for the benefit of the Company.

*(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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 income (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 income (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 unaudited condensed interim consolidated financial statements are presented in United States dollars, changed effective January 1, 2010. The translation has been applied retrospectively (note 3).

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.

The functional currency of Pilot Gold Inc., the parent company, is Canadian dollars, for the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations 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 which 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 currencies other than United States dollars, 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 and cash equivalents*
Cash and cash equivalents comprise cash on hand, deposits in banks and other short-term highly liquid investments with an original maturity of 90 days or less 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 income (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

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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

*(h) Property, plant and equipment*
Property 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 income (loss) during the period in which they are incurred.

The major categories of property, 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. 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 as separate items of plant and equipment and depreciated separately.

Expenditures incurred to replace a component of an item of property, 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;

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous 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 are liabilities that are uncertain in timing or amount. The Company records a provision when and only when:
  (i) The Company has a present obligation (legal or constructive) as a result of a past event;
  (ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
  (iii) A reliable estimate can be made of the amount of the obligation.

Constructive obligations are obligations that derive from the Company's actions where:
  (i) By 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.

Provisions are recorded and reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. Where discounting has been used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase (accretion expense) is included in finance costs in the consolidated statements of loss. As at March 31, 2011, the Company has recorded $-nil for provisions and constructive obligations.

*(l) Significant Accounting Judgments and Estimates*
The preparation of Pilot Gold's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are periodically evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

However, actual outcomes can differ from these estimates. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

*i) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs*

The application of Pilot Gold's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances, including geologic and metallurgic information, potential for conversion of mineral deposits to proven and probable reserves, the outcome of scoping and feasibility studies, accessible facilities, existing permits and life of mine plans. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the income statement in the period when new information becomes available.

*ii) Contingencies*
Reflective of the type of business conducted by the Company, particularly the exploration of properties in different geographic jurisdictions, various legal and tax matters may be outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, Pilot Gold will recognize the effects of the changes in its consolidated financial statements in the period such changes occur.

*iii) Other*
Other areas requiring the use of management estimates include the rates for amortization of capital assets, impairment of other long-lived assets and the allocation of expenses of Fronteer. Actual results could differ from those estimates.

Management believes that the estimates are reasonable.

*(m) Income Taxes*
Income tax comprises current and deferred tax. Income tax is recognized in the statement of income (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.

*(n) 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(o) 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 cash and cash equivalents, and share purchase warrants.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income (loss). Gains and losses arising from changes in fair value are presented in the statement of income (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 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 twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income (loss) as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of income (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 permanently impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of income (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 'trade and other receivables', 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 income (loss). Pilot Gold holds no instruments in this category

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables and accrued liabilities. Trade payables 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.

*(p) 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.

*(q) 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 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.

## 5. RECENT ACCOUNTING PRONOUNCEMENTS

(i) Accounting standards effective January 1, 2012

*Financial instruments disclosure*

In October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures;* the amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. Pilot Gold does not anticipate this amendment to have a significant impact on its consolidated financial statements.

*Income taxes*

In December 2010, the IASB issued an amendment to IAS 12 – *Income Taxes;* this amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. Pilot Gold does not anticipate this amendment to have a significant impact on its consolidated financial statements.

## 5. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

(ii) Accounting standards anticipated effective January 1, 2013

*Financial instruments*

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9 – *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. 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. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in March and April of 2011. Pilot Gold is currently evaluating the impact IFRS 9 expected to have on its consolidated financial statements.

## 6. DUE ON CLOSE OF FRONTEER ARRANGEMENT

This amount represents CAD 9.58 million ($9.82 million), to be received from Fronteer in connection with the closing of the Fronteer Arrangement (notes 1 and 17(a)).

## 7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Pilot Gold has an interest in the following exploration projects of which the Brik, Buckskin North, Cold Springs, Regent and South Monitor properties were held at December 31, 2010 (the "Pilot properties"), with the remainder acquired in connection with closing of the Fronteer Arrangement (the "Exploration Business properties").

The Exploration Business properties were acquired by Fronteer on April 23, 2010, pursuant to Fronteer's acquisition of 100% of the outstanding limited liability company interests in Nevada Eagle Resources, LLC ("Nevada Eagle") from Gryphon Gold Corporation. The Pilot properties were acquired from Fronteer on December 30, 2010, pursuant to an agreement with Nevada Eagle and Fronteer Development USA Inc. ("Fronteer USA").

In accordance with the application of the continuity of interest basis of accounting (see notes 1 and 4(a)), costs associated with these properties have been allocated based on expenditures incurred by Fronteer on these properties in relation to Fronteer's total exploration and development expenditures through to the closing of the Fronteer Arrangement. Commensurate with this basis of accounting, the descriptions of activity on the respective properties makes reference to "Pilot Gold' or "the Company", where exploration and related activities were undertaken by Fronteer.

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

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

| | **Total December 31, 2009** | Additions/ Allocations | Transferred to invesment in associate (Note 10) | **Total December 31, 2010** | Transfer to held for sale | Additions/ Allocations | Transfer to Newmont (Note 1 & 7) | Write down of assets held for sale (Note 17(f)) | **Total March 31, 2011** |
|---|---|---|---|---|---|---|---|---|---|
| | **$** | $ | $ | **$** | $ | | $ | | **$** |
| **USA** | | | | | | | | | |
| Viper | **113,927** | 205,327 | - | **319,254** | - | 5,982 | - | - | **325,236** |
| Anchor | - | 154,657 | - | **154,657** | - | 7,808 | - | - | **162,465** |
| Baxter Springs | - | 163,411 | - | **163,411** | - | 27,924 | - | - | **191,335** |
| Easter | - | 150,000 | - | **150,000** | - | - | - | - | **150,000** |
| Gold Springs 2 | - | 250,000 | - | **250,000** | - | - | - | - | **250,000** |
| New Boston | - | 327,510 | - | **327,510** | - | 24,016 | - | - | **351,526** |
| Stateline | - | 150,000 | - | **150,000** | - | - | - | - | **150,000** |
| Regent | - | 702,234 | - | **702,234** | - | 146,693 | - | - | **848,927** |
| Cold Springs | - | 175,706 | - | **175,706** | - | 9,734 | - | - | **185,440** |
| Buckskin | - | 63,029 | - | **63,029** | - | - | - | - | **63,029** |
| Brik | - | 177,700 | - | **177,700** | - | 14,006 | - | - | **191,706** |
| Total USA | **113,927** | 2,519,574 | - | **2,633,501** | - | 236,163 | - | - | **2,869,664** |
| **Turkey** | | | | | | | | | |
| Aktarma | **55,064** | 7,266 | - | **62,330** | (62,330) | - | - | - | **-** |
| Ispir | **163,452** | 7,457 | - | **170,909** | (170,909) | - | - | - | **-** |
| TV Tower | **34,981** | 63,568 | (98,549) | **-** | - | - | - | - | **-** |
| Yunt Dag | **3,147** | 8,393 | - | **11,540** | - | 3,055 | - | - | **14,595** |
| Total Turkey | **256,644** | 86,684 | (98,549) | **244,779** | (233,239) | 3,055 | - | - | **14,595** |
| **Peru** | - | 175,490 | - | **175,490** | - | 7,700 | - | - | **183,190** |
| Total | **370,571** | 2,781,748 | (98,549) | **3,053,770** | (233,239) | 246,918 | - | - | **3,067,449** |
| Assets held for sale: | | | | | | | | | |
| South Monitor | - | 27,724 | - | **27,724** | - | - | (27,724) | - | - |
| Aktarma | - | - | - | - | 62,330 | 4,708 | - | (18,710) | **48,328** |
| Ispir | - | - | - | - | 170,909 | 7,724 | - | (49,856) | **128,777** |
| Total held for sale | - | 27,724 | - | **27,724** | 233,239 | 12,432 | (27,724) | (68,566) | **177,105** |

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

| | USA | Turkey | Peru | **Total** | Assets Held for sale |
|---|---|---|---|---|---|
| | $ | $ | $ | **$** | $ |
| December 31, 2009 | 113,927 | 256,644 | - | **370,571** | - |
| 2010 expenditures: | | | | | |
| Acquisition costs | 1,675,157 | - | 156,300 | **1,831,457** | 27,724 |
| Assaying & geochemical | 173,186 | 1,964 | 19,190 | **194,340** | - |
| Engineering | - | 9,795 | - | **9,795** | - |
| Camp & field costs | 12,806 | 286 | - | **13,092** | - |
| Geophysics | 83,445 | 17,682 | - | **101,127** | - |
| Transportation | 24,298 | 48,578 | - | **72,876** | - |
| Wages, consulting and management fees | 391,851 | 1,297 | - | **393,148** | - |
| Claim maintenance and advance royalty fees | 128,489 | 6,514 | - | **135,003** | - |
| Environmental | 13,172 | - | - | **13,172** | - |
| Other | 17,080 | - | - | **17,080** | - |
| Current period costs transferred to investment in associate | - | (63,568) | - | **(63,568)** | - |
| Prior period costs transferred to investment in associate | - | (34,981) | - | **(34,981)** | - |
| Cumulative translation adjustment | 90 | 568 | - | **658** | - |
| December 31, 2010 | 2,633,501 | 244,779 | 175,490 | **3,053,770** | 27,724 |
| Q1 2011 expenditures: | | | | | |
| Held for sale (Note 17(f)) | - | (233,239) | - | **(233,239)** | 233,239 |
| Acquisition costs | 10,160 | - | - | **10,160** | - |
| Assaying & geochemical | 20,038 | - | - | **20,038** | - |
| Camp & field costs | 8,137 | - | - | **8,137** | - |
| Transportation | 10,958 | - | - | **10,958** | - |
| Wages, consulting and management fees | 168,326 | 1,675 | 2,699 | **172,700** | 6,489 |
| Claim maintenance and advance royalty fees | 13,601 | 1,115 | - | **14,716** | 5,576 |
| Environmental | 1,212 | - | - | **1,212** | - |
| Other | 3,635 | - | - | **3,635** | - |
| Cumulative translation adjustment | 96 | 265 | 5,001 | **5,362** | 367 |
| Adjustment for timing of arrangement | - | - | - | - | - |
| Write down of assets held for sale (Note 17(f)) | - | - | - | - | (68,566) |
| Transfer to Newmont (Note 1) | - | - | - | - | (27,724) |
| March 31, 2011 | 2,869,664 | 14,595 | 183,190 | **3,067,449** | **177,105** |

***Assets Held for Sale***

In connection with the closing of the Fronteer Arrangement, and as partial consideration for assets and liabilities transferred to Pilot Gold, the Company completed the transfer of the South Monitor exploration property back to a subsidiary of Fronteer. The asset was transferred at $120,000; the $92,726 'gain' on this property was recorded in contributed surplus under continuity of interest accounting. At December 31, 2010, the carrying amount of the Company's interest in the South Monitor exploration property was presented separately and classified as an asset held for sale on the consolidated statement of financial position.

On May 16, 2011 Pilot Gold signed an agreement to sell the Aktarma and Ispir properties, see details in note 17(f).

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 8. PROPERTY PLANT AND EQUIPMENT

| Cost: | Field equipment $ | Equipment $ | Computer software $ | Furniture and fixtures $ | Leasehold Improvements $ | **Total $** |
|---|---|---|---|---|---|---|
| Balance as at January 1, 2010 | 139,614 | 484,116 | 371,209 | 286,185 | 264,189 | **1,545,313** |
| Additions | 10,545 | 175,163 | 126,959 | 15,610 | 244,648 | **572,925** |
| Disposals | - | - | - | - | - | - |
| Cumulative translation adjustment | 6,637 | 11,339 | 14,271 | 9,574 | 10,427 | **52,248** |
| Balance as at December 31, 2010 | 156,796 | 670,618 | 512,439 | 311,370 | 519,263 | **2,170,486** |
| Additions | 580 | 11,178 | 9,718 | 500 | 11,488 | **33,464** |
| Disposals | - | - | - | - | - | - |
| Cumulative translation adjustment | 4,033 | 9,301 | 11,702 | 5,976 | 6,343 | **37,355** |
| Balance as at March 31, 2011 | 161,409 | 691,097 | 533,859 | 317,846 | 537,094 | **2,241,305** |
| | | | | | | |
| Depreciation: | | | | | | |
| Balance as at January 1, 2010 | 62,551 | 226,370 | 319,511 | 90,846 | 119,349 | **818,627** |
| Current period depreciation | 15,862 | 108,859 | 108,198 | 41,047 | 109,656 | **383,622** |
| Disposals | - | - | - | - | - | - |
| Cumulative translation adjustment | 3,504 | 7,470 | 15,223 | 3,739 | 7,413 | **37,349** |
| Balance as at December 31, 2010 | 81,917 | 342,699 | 442,932 | 135,632 | 236,418 | **1,239,598** |
| Current period depreciation | 3,696 | 24,999 | 31,355 | 9,260 | 33,734 | **103,044** |
| Disposals | - | - | - | - | - | - |
| Cumulative translation adjustment | 2,331 | 5,192 | 10,572 | 2,661 | 5,531 | **26,287** |
| Balance as at March 31, 2011 | 87,944 | 372,890 | 484,859 | 147,553 | 275,683 | **1,368,929** |
| | | | | | | |
| Net book Value: | | | | | | |
| As at January 1, 2010 | 77,063 | 257,746 | 51,698 | 195,339 | 144,840 | **726,686** |
| As at December 31, 2010 | 74,879 | 327,919 | 69,507 | 175,738 | 282,845 | **930,888** |
| As at March 31, 2011 | 73,465 | 318,207 | 49,000 | 170,293 | 261,411 | **872,376** |

## 9. LONG TERM INVESTMENTS

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 the Black-Scholes option-pricing model that uses inputs that are corroborated with the market wherever possible. 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.

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 9. LONG TERM INVESTMENTS (continued)

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 March 31, 2011 and at December 31, 2010:

| | Financial assets at fair value as at December 31, 2010 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Rae Wallace common shares (2,000,000) | 380,000 | - | - | 380,000 |
| Rae Wallace share purchase warrants (1,000,000) | - | 39,133 | - | 39,133 |
| | 380,000 | 39,133 | - | 419,133 |

| | Financial assets at fair value as at March 31, 2011 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Rae Wallace common shares (2,000,000) | 560,000 | - | - | 560,000 |
| Rae Wallace share purchase warrants (1,000,000) | - | 83,937 | - | 83,937 |
| | 560,000 | 83,937 | - | 643,937 |

By way of a non-brokered private placement, Fronteer acquired 2,000,000 units of Rae Wallace at $0.25 per unit. Each unit consists of one common share (the "Rae Wallace shares") and one-half of one share purchase warrant (the "Rae Wallace warrants"). The Rae Wallace shares and warrants were transferred to Pilot Gold under the terms of the Fronteer Arrangement. Each whole warrant entitles Pilot Gold to acquire one additional common share of Rae Wallace for $0.375 per share until September 30, 2012.

## 10. INVESTMENT IN ASSOCIATES

Pilot Gold owns 40% of the Halilağa Project though a 40% ownership stake in Truva Bakir, a Turkish company, controlled (60%) by Teck Madencilik Sanayi Ticaret A.S. ("TMST"), an indirect subsidiary of Teck Resources Limited. Pilot Gold also holds a 40% interest in Orta Truva, a Turkish company that holds mineral interests in north western Turkey, including the TV Tower Project. Orta Truva is also controlled (60%) by TMST.

## 11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

*Authorized*
Unlimited common shares with no par value

*Issued*
10,000,001 common shares were issued to Fronteer on December 30, 2010 for $1,215,000 in connection with the transfer into Pilot USA of those various unpatented mining claims that comprise the Regent, North Buckskin, Brik, Cold Springs and South Monitor projects (note 7(q) and note 17(b)).

Pursuant to the Arrangement, on April 4, 2011, Pilot Gold issued 192,807,807 Common Shares in exchange for assets received from Fronteer (Note 1). The Common Shares were immediately consolidated on a one-for-four basis (Note 17(b)).

*Share-based payments*
Pilot Gold has established a stock option plan (the '2011 Plan") for directors, senior officers, employees, and consultants of the Company and its subsidiaries. Under the terms of the 2011 Plan, options granted are exercisable over periods of up to ten years, and the exercise price of each option equals the closing market price of the Company's stock on the trading day immediately before the date of grant. Any consideration paid by the optionee on the exercise of options is credited to share capital.

The number of shares which may be issued pursuant to options previously granted and those granted under the 2011 Plan will be a maximum of 10% of the issued and outstanding shares at the time of the grant. In addition, 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.

Pursuant to the application of the continuity of interest basis of accounting, the Company has recorded an allocation of Fronteer's expense for share-based payments, of $20,371 (March 31, 2010: $137,504). Pilot Gold did not grant any stock options during the three months ended March 31, 2011, or 2010 (note 17(d)).

*Contributed surplus*
Fronteer's funding of the carved-out exploration assets and liabilities and past carved-out operations was presented as contributed surplus as at March 31, 2011 and 2010.

The deemed effective date of the Fronteer Arrangement for the purposes of these unaudited condensed interim consolidated financial statements has been determined to be March 30, 2011, and as such the value of the assets and liabilities transferred to Pilot Gold pursuant to the Fronteer Arrangement have been recorded as contributed surplus at March 31, 2011. An adjustment of $45,528,914 was made through accumulated deficit to reconcile i) the allocated Fronteer costs; and ii) the amounts arising on the difference between the consideration exchanged for the assets and businesses acquired and the carrying values at which they are recorded under continuity of interest, to the Common Shares issued in connection with the closing of the Fronteer Arrangement on April 6, 2011 (see note 17(b)). Thus subsequent to the period end, the value related to the Common Shares issued, presented as contributed surplus as at March 31, 2011, has been transferred to share capital.

## 12. CAPITAL DISCLOSURES

Pilot Gold considers the items included in the unaudited condensed interim consolidated statement of shareholder's 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.

## 13. FINANCIAL RISK MANAGEMENT

*Financial Risk Management*
The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's board of directors 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 cash equivalents, with Canadian Chartered Banks and its reclamation deposits with A+ 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. Pilot Gold 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 received in connection with the closing of the Fronteer Arrangement (note 17(a)).

*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 Bakir, 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, Pilot Gold 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. 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.

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 14. COMMITMENTS

Pilot Gold Inc has entered into operating leases for premises and office equipment in Canada, the United States and Turkey. Total minimum operating lease commitments and minimum rental commitments for future years are as follows:

| Year | Amount |
|---|---|
| | $ |
| 2011 | 319,998 |
| 2012 | 356,543 |
| 2013 | 294,206 |
| 2014 | 288,494 |
| 2015 | 295,192 |
| 2016+ | 968,027 |
| | 2,522,460 |

## 15. RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party of the Company is Pilot Gold Inc.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

*Compensation of key management personnel*

No remuneration or other compensation had been paid or provided by Pilot Gold directly to its executive officers for their services through the three-months ended March 31, 2011. As at March 31, Pilot Gold does not have any personnel. Subsequent to March 31, 2011, the Company entered into employment agreements with its key management and employee positions.

No remuneration had been paid to the directors for their services as directors through March 31, 2011.

*Significant transactions*

On December 30, 2010, Pilot USA acquired the Regent, Cold Springs, Buckskin, Brik and South Monitor mineral properties from indirect subsidiaries of Fronteer, at a total cost of $1,215,000, in consideration for the issuance of 10,000,000 Common Shares.

Pursuant to the Fronteer Arrangement, Pilot Gold received a number of assets and liabilities in exchange for Common Shares and the transfer to Fronteer of the South Monitor property, details of the transaction are disclosed in note 1.

As at March 31, 2011, the cash funding amount to be received from Fronteer in April 2011, as detailed in the Frontеer Agreement, remained outstanding CAD 9.58 million ($9.82 million). No other balances are outstanding (note 17(a)).

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 16. SEGMENT INFORMATION

The Company's operations are in one industry, the exploration for gold, copper and other precious and base metals. At March 31, 2011, Pilot Gold has three geographic segments: Canada, the United States, and Turkey. The total assets attributable to the geographical locations relate primarily to its exploration properties and deferred exploration expenditures and have been disclosed in Note 7.

The net loss relating to the operations in Canada, the United States and Turkey totalled $217,864, $138,280 and $58,717 respectively for the three months ended March 31, 2011 ($259,245, $121,632 and $39,678 for the three months ended March 31, 2010)

Property and equipment are distributed geographically per the table below.

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| | $ | $ |
| Canada | 373,335 | 421,098 |
| USA | 475,603 | 484,322 |
| Turkey | 23,438 | 25,468 |
| | 872,376 | 930,888 |

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

## 17. EVENTS OCCURING AFTER THE REPORTING DATE

a. On April 4, 2011, pursuant to the closing of the Fronteer Arrangement, the Company received CAD 9.58 million ($9.82 million) due from Fronteer (note 1).

b. On April 4, 2011, pursuant to the closing of the Fronteer Arrangement (note 1), the Company issued 192,807,807 Common Shares to the shareholders of Fronteer in accordance with the Fronteer Arrangement. Pilot Gold immediately consolidated its share capital on a one-for-four basis. The then issued and outstanding 202,807,808 Common Shares were reduced to 50,701,952.

c. The value of the contribution of assets and liabilities, including the cash, mineral properties, fixed assets and the Rae Wallace shares and warrants, by Fronteer in relation to the Fronteer Arrangement, initially reflected as contributed surplus, was allocated to share capital on April 6, 2011. The amount of $66,663,770 was allocated to share capital from contributed surplus (note 11). Loss per share information in these unaudited condensed interim consolidated financial statements has been presented as if these shares issued in connection with the closing of the Fronteer Arrangement had been issued and outstanding for all periods presented.

d. On April 11, 2011, trading of the Common Shares of Pilot Gold on the Toronto Stock Exchange commenced under the symbol, "PLG".

e. On April 13, 2011, the Company granted 3,787,500 stock options to certain of its employees and directors to purchase Common Shares at an exercise price of C$3.45 per option, expiring April 12, 2021

f. On May 16, 2011, and amended May 26, 2011, the Company signed an agreement with Global Resources Corporation Ltd Pty ("GRCL"), a company traded publicly on the Australian Stock Exchange (symbol: GRM), whereby Pilot Gold would dispose of its interests in two exploration stage properties known as, Aktarma and Ispir in exchange for 4,500,000 common shares in GRCL. Under the related royalty agreements, each signed June 3, 2011, Pilot Gold retains a 2% Net Smelter Return production royalty on all products mined at Aktarma and Ispir. The fair market value of the shares received at June 6, 2011, the date the transaction closed was 171,000 Australian dollars ($183,600). Pilot Gold recorded a write-down of $68,566 to adjust the carrying value of these properties to their recoverable value.

## 17. EVENTS OCCURING AFTER THE REPORTING DATE (continued)

g. On May 24, 2011, the Company announced that it had entered into an agreement with a syndicate of underwriters led by National Bank Financial Inc., (the "Underwriters") pursuant to which the Underwriters have agreed to purchase, on a bought deal basis, 8,333,334 common shares of the Company (the "Offered Shares") at a price of C$3.00 per Offered Share (the "Issue Price") for aggregate gross proceeds of C$25,000,002 (the "Offering"). Pilot Gold has also granted the Underwriters an option to acquire up to an additional 1,250,000 Common Shares exercisable at the Issue Price at any time until 30 days following the closing of the Offering to cover over-allotments, if any, for total gross proceeds up to C$28,750,002. The Company filed a preliminary prospectus related to the Offering on May 31, 2011, and a final prospectus on June 8, 2011. The Offering is expected to close on or about June 14, 2011.

## 18. TRANSITION TO IFRS

Pilot Gold has prepared financial statements that comply with IFRS applicable for periods beginning on or after January 1, 2010 and the significant accounting policies meeting those requirements are described in Note 4.

The effects of the Company's transition to IFRS is summarised in this note as follows:
(i) Transition elections
(ii) Adjustments to the statement of cash flows
(iii) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

(i) *Transitional elections*
Under IFRS 1, there are four mandatory exemptions from full retrospective application of IFRS. Of these, the only applicable election relates to estimates. An entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at January 1, 2010 are consistent with its previous estimates under GAAP for the same date.

There are also fifteen elective exemptions. The Company has not applied any elective transition exceptions and exemptions to full retrospective application of IFRS.

*(ii) Adjustments to the statement of Cash Flows.*
The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by Pilot Gold.

*(iii) Reconciliations*
The following tables reconcile the Company's and the Exploration Properties Business ("EPB") unaudited condensed consolidated statements of financial position and statements of loss and comprehensive loss prepared in accordance with Canadian GAAP and as previously reported[1] to those prepared and reported in these unaudited condensed interim consolidated financial statements in accordance with IFRS.

[1] Pilot Gold determined its presentation currency to be the United States dollar to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 18. TRANSITION TO IFRS (continued)
**Condensed consolidated statements of financial position**

| | January 1, 2010 | | |
|---|---|---|---|
| | **Cdn GAAP** EPB[1] | **Adj** IAS 21 | **IFRS** |
| **Assets** | | | |
| *Current assets* | | | |
| Cash and cash equivalents | 218,526 | - | 218,526 |
| Trade and other receivables | 247,680 | - | 247,680 |
| Total current assets | 466,206 | - | 466,206 |
| *Non-current assets* | | | |
| Exploration properties and deferred exploration expenditures | 366,001 | 4,570 | 370,571 |
| Property and equipment | 740,678 | (13,992) | 726,686 |
| Investment in associates | 875,821 | - | 875,821 |
| Total non-current assets | 1,982,500 | (9,422) | 1,973,078 |
| **Total assets** | 2,448,706 | (9,422) | 2,439,284 |
| **Liabilities and Shareholder's Equity** | | | |
| *Current liabilities* | | | |
| Trade and other payables | 35,015 | - | 35,015 |
| Total current liabilities | 35,015 | - | 35,015 |
| *Non-current liabilities* | | | |
| Deferred tax liabilities | 2,556 | 1,197 | 3,753 |
| Total non-current liabilities | 2,556 | 1,197 | 3,753 |
| *Shareholder's equity* | | | |
| Share capital | | | |
| Contributed surplus | 4,340,689 | - | 4,340,689 |
| Cumulative Translation account | 119,379 | 67,001 | 186,380 |
| Accumulated deficit | (2,048,933) | (77,620) | (2,126,553) |
| Total shareholder's equity attributable to owners of the Company | 2,411,135 | (10,619) | 2,400,516 |
| **Total shareholder's equity and liabilities** | 2,448,706 | (9,422) | 2,439,284 |

As at January 1, 2010, and March 31, 2010, there are no balances presented related to Pilot Gold Inc. ("Cdn GAAP – Pilot"), as the assets and activities accounted for in accordance with the continuity of interests' basis of accounting were not acquired by Fronteer, our former parent until April 23, 2010

[1] Pilot Gold determined its presentation currency to be the United States dollar to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 18. TRANSITION TO IFRS (continued)

### Condensed consolidated statements of financial position (continued)

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | **Cdn GAAP** | **Cdn GAAP** | **Adj** | **IFRS** |
| | EPB[1] | Pilot | IAS 21 | |
| **Assets** | | | | |
| *Current assets* | | | | |
| Cash and cash equivalents | 86,966 | - | - | 86,966 |
| Trade and other receivables | 286,502 | - | - | 286,502 |
| Assets held for sale | 27,724 | - | - | 27,724 |
| Total current assets | 401,192 | - | - | 401,192 |
| *Non-current assets* | | | | |
| Exploration properties and deferred exploration expenditures | 1,945,234 | 1,146,735 | (38,199) | 3,053,770 |
| Property and equipment | 962,500 | - | (31,612) | 930,888 |
| Reclamation deposits | 12,858 | - | - | 12,858 |
| Other financial assets | 419,133 | - | - | 419,133 |
| Investment in associates | 3,087,329 | - | - | 3,087,329 |
| Total non-current assets | 6,427,054 | 1,146,735 | (69,811) | 7,503,978 |
| **Total assets** | 6,828,246 | 1,146,735 | (69,811) | 7,905,170 |
| **Liabilities and Shareholder's Equity** | | | | |
| *Current liabilities* | | | | |
| Trade and other payables | 52,579 | 22,228 | - | 74,807 |
| Total current liabilities | 52,579 | 22,228 | - | 74,807 |
| *Non-current liabilities* | | | | |
| Deferred tax liabilities | 2,656 | - | (106) | 2,550 |
| Total non-current liabilities | 2,656 | - | (106) | 2,550 |
| *Shareholder's equity* | | | | |
| Share capital | - | 1,215,000 | - | 1,215,000 |
| Contributed surplus | 9,938,722 | 77,525 | - | 10,016,247 |
| Cumulative Translation account | 259,822 | (2,041) | (18,690) | 239,091 |
| Accumulated other comprehensive income | (8,770) | - | - | (8,770) |
| Accumulated deficit | (3,416,763) | (165,977) | (51,015) | (3,633,755) |
| Total shareholder's equity attributable to owners of the Company | 6,773,011 | 1,124,507 | (69,705) | 7,827,813 |
| **Total shareholder's equity and liabilities** | 6,828,246 | 1,146,735 | (69,811) | 7,905,170 |

[1] Pilot Gold determined its presentation currency to be the United States dollar to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 18. TRANSITION TO IFRS (continued)

### Condensed consolidated statements of financial position (continued)

| | March 31, 2010 | | |
|---|---|---|---|
| | **Cdn GAAP** EPB[1] | **Adj** IAS 21 | **IFRS** |
| **Assets** | | | |
| *Current assets* | | | |
| Cash and cash equivalents | 91,150 | - | 91,150 |
| Trade and other receivables | 254,580 | - | 254,580 |
| Total current assets | 345,730 | - | 345,730 |
| *Non-current assets* | | | |
| Exploration properties and deferred exploration expenditures | 490,907 | (7,769) | 483,138 |
| Property and equipment | 930,837 | (23,723) | 907,114 |
| Investment in associates | 1,100,633 | - | 1,100,633 |
| Total non-current assets | 2,522,377 | (31,492) | 2,490,885 |
| **Total assets** | 2,868,107 | (31,492) | 2,836,615 |
| **Liabilities and Shareholder's Equity** | | | |
| *Current liabilities* | | | |
| Trade and other payables | 17,604 | - | 17,604 |
| Total current liabilities | 17,604 | - | 17,604 |
| *Non-current liabilities* | | | |
| Deferred tax liabilities | 786 | (134) | 652 |
| Total non-current liabilities | 786 | (134) | 652 |
| *Shareholder's equity* | | | |
| Share capital | | | |
| Contributed surplus | 5,140,923 | - | 5,140,923 |
| Cumulative Translation account | 198,272 | 26,272 | 224,544 |
| Accumulated deficit | (2,489,478) | (57,630) | (2,547,108) |
| Total shareholder's equity attributable to owners of the Company | 2,849,717 | (31,358) | 2,818,359 |
| **Total shareholder's equity and liabilities** | 2,868,107 | (31,492) | 2,836,615 |

[1] Pilot Gold determined its presentation currency to be the United States dollar to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 18. TRANSITION TO IFRS (continued)

### Condensed consolidated statements of loss and comprehensive income (loss)

The significant impacts of IFRS on the Company's consolidated statements of financial position at March 31, 2010 and December 31, 2010 include those described above and those described below in the reconciliation of the Company's condensed statements of loss and comprehensive loss:

| | March 31, 2010 | | |
|---|---|---|---|
| | **Cdn GAAP** EPB[1] | **Adj** IAS 21 | **IFRS** |
| **Continuing operations** | | | |
| Operating expenses | | | |
| Professional fees | 30,555 | - | 30,555 |
| Wages and benefits | 96,365 | - | 96,365 |
| Stock based compensation | 137,504 | - | 137,504 |
| Office and general | 54,594 | - | 54,594 |
| Investor relations, promotion and advertising | 9,160 | - | 9,160 |
| Amortization | 83,891 | (796) | 83,095 |
| Loss from operations | 412,069 | (796) | 411,273 |
| Other income (expenses) | | | |
| Finance income | 100 | - | 100 |
| Foreign exchange gains and (losses) | (13,554) | 19,194 | 5,640 |
| Loss from associates | (18,123) | - | (18,123) |
| | (31,577) | 19,194 | (12,383) |
| Loss before tax | (443,646) | 19,990 | (423,656) |
| Income tax recovery | 3,101 | - | 3,101 |
| **Loss for the year** | (440,545) | 19,990 | (420,555) |
| **Other comprehensive income** | | | |
| Exchange differences on translating foreign operations | 78,893 | (40,729) | 38,164 |
| Other comprehensive income for the period, net of tax | 78,893 | (40,729) | 38,164 |
| **Total loss and comprehensive income for the period** | (361,652) | (20,739) | (382,391) |

[1] Pilot Gold determined its presentation currency to be the United States dollar to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry

(Expressed in US Dollars, unless otherwise noted - unaudited)

## 18. TRANSITION TO IFRS (continued)
### Condensed consolidated statements of loss and comprehensive income (loss) (continued)

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | **Cdn GAAP** | **Cdn GAAP** | **Adj** | **IFRS** |
| | EPB[1] | Pilot | IAS 21 | |
| **Continuing operations** | | | | |
| Operating expenses | | | | |
| Professional fees | 91,899 | 35,446 | - | 127,345 |
| Wages and benefits | 305,002 | 48,443 | - | 353,445 |
| Stock based compensation | 159,467 | 51,229 | - | 210,696 |
| Office and general | 181,685 | 20,178 | - | 201,863 |
| Investor relations, promotion and advertising | 32,601 | 10,681 | - | 43,282 |
| Amortization | 387,337 | - | (3,714) | 383,623 |
| Loss from operations | 1,157,991 | 165,977 | (3,714) | 1,320,254 |
| Other income (expenses) | | | | |
| Change in fair value of financial instruments | (72,097) | - | - | (72,097) |
| Foreign exchange gains and (losses) | (46,745) | - | 22,890 | (23,855) |
| Loss from associates | (92,199) | - | - | (92,199) |
| | (211,041) | - | 22,890 | (188,151) |
| Loss before tax | (1,369,032) | (165,977) | 26,604 | (1,508,405) |
| Income tax recovery | 1,203 | - | - | 1,203 |
| **Loss for the year** | (1,367,829) | (165,977) | 26,604 | (1,507,202) |
| **Other comprehensive income (loss)** | | | | |
| Exchange differences on translating foreign operations | 140,443 | (2,041) | (85,691) | 52,711 |
| Net value loss on financial assets | (8,517) | - | (253) | (8,770) |
| Other comprehensive income (loss) for the period, net of tax | 131,926 | (2,041) | (85,944) | 43,941 |
| **Total loss and comprehensive loss for the period** | (1,235,903) | (168,018) | (59,340) | (1,463,261) |

Explanatory notes:

*a) IAS 21 Adjustment*

Under IFRS, functional currency is determined on an entity-by-entity basis as the primary economic environment in which each entity operates. The hierarchy of factors explicitly described by IAS 21 *The Effects of Changes in Foreign Exchange Rates* in this determination has led to a change in the functional currency of the United States and Turkey-based subsidiaries to United States dollars due to a number of factors. The result is a number of foreign currency translation differences not present under Canadian GAAP.

[1] Pilot Gold determined its presentation currency to be the United States dollar to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry