Pilotgold

An exploration stage company

Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars - unaudited)
Three months ended March 31, 2013

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

| | As at March 31, 2013 | As at December 31, 2012 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| *Current assets* | | |
| Cash | 24,047,420 | 30,224,184 |
| Short term investments | 7,011,222 | 7,156,180 |
| Receivables (Note 5) | 6,348,682 | 1,035,422 |
| Prepayments | 275,909 | 193,561 |
| Exploration properties held for sale (Notes 8b & 8e) | - | 3,073,770 |
| Total current assets | 37,683,233 | 41,683,117 |
| *Non-current assets* | | |
| Other financial assets (Note 6) | 1,746,061 | 1,190,202 |
| Deposits | 515,014 | 490,785 |
| Plant and equipment (Note 7) | 642,646 | 622,930 |
| Exploration properties and deferred exploration expenditures (Note 8) | 9,559,177 | 9,236,011 |
| Earn-in option (Note 9) | 11,555,652 | 7,239,057 |
| Investment in associates (Note 10) | 11,809,313 | 11,926,778 |
| Total non-current assets | 35,827,863 | 30,705,763 |
| **Total assets** | 73,511,096 | 72,388,880 |
| **Liabilities and Shareholders' Equity** | | |
| *Current liabilities* | | |
| Accounts payable and other liabilities (Note 11) | 1,892,822 | 1,258,365 |
| Decommissioning liability | 30,000 | 30,000 |
| Total current liabilities | 1,922,822 | 1,288,365 |
| *Non-current liabilities* | | |
| Other liabilities | 44,853 | 42,592 |
| Total non-current liabilities | 44,853 | 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) | 9,936,851 | 8,787,402 |
| Accumulated other comprehensive loss | (1,793,460) | (723,065) |
| Accumulated deficit | (71,532,972) | (69,022,801) |
| Total shareholders' equity | 71,543,421 | 71,057,923 |
| **Total liabilities and shareholders' equity** | 73,511,096 | 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 May 13, 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 March 31, | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Operating expenses | | |
| Stock based compensation (Note 12) | 1,105,764 | 518,841 |
| Wages and benefits | 485,926 | 459,358 |
| Office and general | 389,814 | 380,636 |
| Investor relations, promotion and advertising | 156,721 | 173,004 |
| Professional fees | 117,298 | 185,132 |
| Write down of deferred exploration expenditures (Note 8e) | 91,720 | 177,918 |
| Listing and filing fees | 52,091 | 53,233 |
| Depreciation | 49,288 | 52,504 |
| Property investigation (Note 13) | 24,190 | 365,434 |
| Loss (gain) on disposal of plant and equipment | 3,341 | (3,440) |
| Loss from operations | 2,476,153 | 2,362,620 |
| Other income (expenses) | | |
| Change in fair value of financial instruments (Note 6) | (390,302) | 797,528 |
| Finance income | 119,647 | 65,809 |
| Management fees (Notes 9 & 10) | 113,676 | - |
| Foreign exchange gains (losses) | 114,496 | (10,535) |
| Other net income | 8,165 | 10,280 |
| Income (loss) from associates (Note 10) | 300 | (14,130) |
| | (34,018) | 848,952 |
| Loss before tax | 2,510,171 | 1,513,668 |
| Income tax recovery | - | 52,536 |
| **Loss for the period** | 2,510,171 | 1,461,132 |
| **Other comprehensive (loss) income** | | |
| Items that may be reclassified subsequently to net income | | |
| Exchange differences on translating foreign operations | (1,084,286) | 468,673 |
| Net fair value gain (loss) on financial assets (Note 6) | 13,891 | (145,502) |
| Other comprehensive (loss) income for the period, net of tax | (1,070,395) | 323,171 |
| **Total loss and comprehensive loss for the period** | 3,580,566 | 1,137,961 |
| **Loss per share** | | |
| Basic and diluted | $ 0.03 | $ 0.02 |
| Weighted average number of Common Shares | | |
| Basic and diluted | 85,264,169 | 59,085,286 |

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 income (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 | - | - | - | 757,299 | - | - | 757,299 |
| Unrealized loss on long-term investments | - | - | - | - | (141,203) | - | (141,203) |
| Exchange on unrealized loss on long-term investments | - | - | - | - | (4,299) | - | (4,299) |
| Cumulative translation adjustment | - | - | - | - | 468,673 | - | 468,673 |
| Net loss for the period | - | - | - | - | - | (1,461,132) | (1,461,132) |
| Balance as at March 31, 2012 | 59,085,286 | 92,123,392 | - | 7,356,338 | (1,026,058) | (62,464,731) | 35,988,941 |
| 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 as consideration for mineral property rights (Note 9) | 1,637,500 | 2,916,615 | - | - | - | - | 2,916,615 |
| Stock based compensation (Note 12) | - | - | - | 1,149,449 | - | - | 1,149,449 |
| Unrealized loss on long-term investments | - | - | - | - | 13,891 | - | 13,891 |
| Cumulative translation adjustment | - | - | - | - | (1,084,286) | - | (1,084,286) |
| Net loss for the period | - | - | - | - | - | (2,510,171) | (2,510,171) |
| Balance as at March 31, 2013 | 86,847,833 | 129,829,008 | 5,103,994 | 9,936,851 | (1,793,460) | (71,532,972) | 71,543,421 |

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)**

| | Three months ended March 31 | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| **Cash flows from operating activities** | | |
| Loss for the period | (2,510,171) | (1,461,132) |
| Adjusted for: | | |
| Stock based compensation | 1,118,882 | 629,450 |
| Write-down of deferred exploration expenditures (Note 8e) | 91,720 | 177,918 |
| Depreciation | 49,288 | 52,504 |
| Loss on disposal of plant and equipment | 3,341 | - |
| Change in fair value of financial instruments | 390,302 | (797,528) |
| Change in provision | 2,261 | 3,013 |
| Interest income on short term investments | (38,498) | (17,435) |
| Foreign exchange not related to cash | 72,806 | - |
| Loss (gain) from associates | (300) | 14,130 |
| Deferred income taxes | - | (52,536) |
| Movements in working capital: | | |
| Accounts receivable and prepayments | 479,180 | (56,813) |
| Accounts payable and other liabilities | (395,133) | 29,651 |
| Deposit to Oxygen Capital Corp. | (29,099) | - |
| Net cash outflow due to operating activities | (765,421) | (1,478,778) |
| **Cash flows from financing activities** | | |
| Cash due to financing activities | - | - |
| **Cash flows from investing activities** | | |
| Change in working capital attributable to deferred exploration expenditures | (83,702) | (13,298) |
| Maturity from short term investments | 6,921,598 | 7,212,976 |
| Purchase of short term investments | (6,883,100) | - |
| Purchase of property and equipment | (80,857) | (57,594) |
| Funding to Associates | (2,527,709) | (466,909) |
| Expenditures towards Earn-in option | (3,702,037) | - |
| Interest in exploration properties and deferred exploration expenditures | (292,576) | (710,639) |
| 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 | (4,648,383) | 5,142,836 |
| Effect of foreign exchange rates | (762,960) | (55,052) |
| Net increase (decrease) in cash and cash equivalents | (6,176,764) | 3,609,006 |
| Cash at beginning of period | 30,224,184 | 7,391,497 |
| Cash at end of the period | 24,047,420 | 11,000,503 |

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 1650 – 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 is focused on the acquisition, exploration and development of mineral resource properties located in attractive mining jurisdictions.

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 three months ended March 31, 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed consolidated interim 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. These changes were made in accordance with the applicable transitional provisions.

*IFRS 10 – Consolidated Financial Statements*
IFRS 10, Consolidated Financial Statements ("IFRS 10"), replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements ("IAS 27"), and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

*IFRS 12 Disclosure of Interests in Other Entities*
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Company has provided the disclosures relating to its associates in Note 10 for significant transactions in the period.

*IFRS 13, Fair value measurement*
IFRS 13, Fair value measurement ("IFRS 13"), provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

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

## 3. ACCOUNTING POLICIES (continued)

*IAS 1 Amendment, presentation of items of other comprehensive income*
The Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has no items within other comprehensive income that will not be subsequently reclassified to profit or loss. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

## 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.

## 5. RECEIVABLES

| | | **March 31, 2013** | | December 31, 2012 |
|---|---|---|---|---|
| VAT Receivable | $ | 228,535 | $ | 859,724 |
| HST Receivable | | 89,245 | | 84,811 |
| Receivable from Orta Truva for expenditures on TV Tower (Note 10) | | 4,931,218 | | - |
| Receivable relating to the sale of Regent (Note 8b) | | 1,000,000 | | - |
| Other Receivables | | 99,684 | | 90,887 |
| | **$** | **6,348,682** | $ | 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. Pilot Gold invoices Orta Truva Madencılık Şanayi ve Ticaret A.Ş. ("Orta Truva"), the Turkish company that holds TV Tower (Notes 9 & 10), for services performed in the period, and subsequently funds Orta Truva such that it can settle the amount due. The receivable balance at March 31, 2013 reflects amounts owed by Orta Truva pursuant to the technical services agreement, and includes recoverable VAT that is not an Eligible Expenditure.

## 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 March 31, 2013. All the items below are measured on a recurring basis.

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

## 6. OTHER FINANCIAL ASSETS (continued)

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

| | 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 |

| | **Financial assets at fair value as at March 31, 2013** | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Equities [(a)] | $792,914 | $ - | $ 953,147 | $ 1,746,061 |
| | **$792,914** | **$ -** | **$ 953,147** | **$ 1,746,061** |

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%. 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.

The fair value of Gold Springs was determined using the Cost Approach, whereby the aggregate of expenditures incurred on the project to date, as recorded in the legal entity financial statements of Gold Springs, was determined to be the most representative measure of value in this early-stage exploration property. The fair value of the investment and the appropriateness of the basis by which it is measured will be revised periodically.

The following table presents the change in Level 3 instruments for the three months ended March 31, 2013:

| | |
|---|---|
| As at January 1, 2013 | $ - |
| Reclassification from investment in associates at fair value (Note10) | 939,320 |
| Gains and losses recognised in other comprehensive income | 13,827 |
| As at March 31, 2013 | **$ 953,147** |

(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 | 54,365 | - | 11,479 | - | 68,044 |
| Disposals and write-downs | - | - | - | - | - | - |
| Cumulative translation adjustment | 1,149 | 4,680 | 2,091 | 3,659 | 3,922 | 15,501 |
| Balance as at March 31, 2012 | 100,877 | 734,208 | 223,490 | 292,295 | 531,650 | 1,882,520 |
| Balance at December 31, 2012 | 46,453 | 711,577 | 269,416 | 291,763 | 308,887 | 1,628,096 |
| Additions | 511 | 32,190 | 30,774 | 17,383 | - | 80,858 |
| Disposals and write-downs | - | (3,931) | - | - | - | (3,931) |
| Cumulative translation adjustment | (74) | (4,763) | (2,801) | (4,040) | - | (11,678) |
| **Balance as at March 31, 2013** | **46,890** | **735,073** | **297,389** | **305,106** | **308,887** | **1,693,345** |
| Depreciation: | | | | | | |
| Balance as at January 1, 2012 | 47,071 | 369,050 | 191,461 | 147,316 | 330,053 | 1,084,951 |
| Current period depreciation | 2,563 | 21,079 | 6,492 | 6,961 | 15,409 | 52,504 |
| Disposals and write-downs | - | - | - | - | - | - |
| Cumulative translation adjustment | 739 | 2,925 | 1,761 | 1,957 | 3,920 | 11,302 |
| Balance as at March 31, 2012 | 50,373 | 393,054 | 199,714 | 156,234 | 349,382 | 1,148,757 |
| Balance at December 31, 2012 | 13,907 | 410,794 | 233,253 | 174,493 | 172,719 | 1,005,166 |
| Current period depreciation | 1,639 | 19,755 | 10,879 | 6,992 | 14,922 | 54,187 |
| Disposals and write-downs | - | (590) | - | - | - | (590) |
| Cumulative translation adjustment | (31) | (3,036) | (2,438) | (2,559) | - | (8,064) |
| **Balance as at March 31, 2013** | **15,515** | **426,923** | **241,694** | **178,926** | **187,641** | **1,050,699** |
| Net Book Value: | | | | | | |
| As at March 31, 2012 | 50,504 | 341,154 | 23,776 | 136,061 | 182,268 | 733,763 |
| As at December 31, 2012 | 32,546 | 300,783 | 36,163 | 117,270 | 136,168 | 622,930 |
| **As at March 31, 2013** | **31,375** | **308,150** | **55,695** | **126,180** | **121,246** | **642,646** |

Equipment consists of automobiles, automotive equipment, and computer hardware. Furniture and fixtures includes $6,050 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 | Write down of asset | Total March 31, 2012 | **Total December 31, 2012** | Additions/ Allocations | Write-down or disposal of asset | **Total March 31, 2013** |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | **$** | $ | $ | **$** |
| **USA** | | | | | | | | | |
| Kinsley Mountain (Note 8a) | 1,133,509 | 613,401 | - | - | 1,746,910 | **4,809,577** | 203,848 | - | **5,013,425** |
| New Boston | 1,228,439 | 10,802 | - | - | 1,239,241 | **1,281,116** | 375 | - | **1,281,491** |
| Viper | 988,422 | 9,143 | - | - | 997,565 | **1,013,835** | 2,253 | - | **1,016,088** |
| Brik | 715,986 | 10,209 | - | - | 726,195 | **743,598** | 163 | - | **743,761** |
| Griffon (Note 8c) | - | - | - | - | - | **415,971** | 14,483 | - | **430,454** |
| Stateline | 220,853 | 3,113 | - | - | 223,966 | **252,098** | 2,190 | - | **254,288** |
| Anchor | 183,998 | - | - | - | 183,998 | **196,583** | 178 | - | **196,761** |
| Gold Bug (Note 8d) | - | - | - | - | - | **126,130** | 55,071 | - | **181,201** |
| Easter | 135,711 | 11,386 | (25,000) | - | 122,097 | **143,433** | 18,443 | - | **161,876** |
| Baxter Springs | 271,295 | 3,995 | - | - | 275,290 | - | - | - | - |
| Cold Springs | 199,916 | 895 | - | - | 200,811 | - | - | - | - |
| Buckskin North | 86,966 | - | - | - | 86,966 | - | - | - | - |
| Regent | 3,712,065 | 69,588 | - | - | 3,781,653 | - | - | - | - |
| Other | 74,064 | 103,650 | - | - | 177,714 | **113,019** | 25,728 | - | **138,747** |
| Total USA | 8,951,224 | 836,182 | (25,000) | - | 9,762,406 | **9,095,360** | 322,732 | - | **9,418,092** |
| **Turkey** | | | | | | | | | |
| Yunt Dag | 3,624 | 1,126 | - | - | 4,750 | - | - | - | - |
| Arasanli | - | 99,970 | - | - | 99,970 | **140,651** | 434 | - | **141,085** |
| Total Turkey | 3,624 | 101,096 | - | - | 104,720 | **140,651** | 434 | - | **141,085** |
| **Peru** | | | | | | | | | |
| Rae Wallace Option | 175,119 | - | - | (175,119) | - | - | - | - | - |
| Total | 9,129,967 | 937,278 | (25,000) | (175,119) | 9,867,126 | **9,236,011** | 323,166 | - | **9,559,177** |
| Assets held for sale | | | | | | | | | |
| Regent (Note 8b) | - | - | - | - | - | 2,982,050 | - | (2,982,050) | - |
| Buckskin North (8e) | - | - | - | - | - | 91,720 | - | (91,720) | - |
| Total held for sale | - | - | - | - | - | 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 | - |
| Expenditures and adjustments: | | | | | |
| Wages, consulting and management fees | 337,347 | - | - | 337,347 | - |
| Drilling | 250,492 | - | - | 250,492 | - |
| Assaying & geochemical | 13,309 | - | - | 13,309 | - |
| Acquisition costs | - | 98,790 | - | 98,790 | - |
| Property maintenance | 26,011 | - | - | 26,011 | - |
| Administrative | 43,971 | - | - | 43,971 | - |
| Geology | 55,248 | 2,306 | - | 57,554 | - |
| Resource estimation | 31,948 | - | - | 31,948 | - |
| Surveying | 8,008 | - | - | 8,008 | - |
| Environmental | 4,411 | - | - | 4,411 | - |
| Camp & field costs | 22,086 | - | - | 22,086 | - |
| Claim maintenance and advance royalty fees | 43,351 | - | - | 43,351 | - |
| Write down of asset | - | - | (175,119) | (175,119) | - |
| Recovery from option holders | (25,000) | - | - | (25,000) | - |
| March 31, 2012 | 9,762,406 | 104,720 | - | 9,867,126 | - |
| | | | | | |
| December 31, 2012 | 9,095,360 | 140,651 | - | 9,236,011 | 3,073,770 |
| Drilling | | - | - | - | - |
| Wages, salaries and stock based compensation | 128,792 | - | - | 128,792 | - |
| Assaying & geochemical | 57,854 | - | - | 57,854 | - |
| Environmental | 36,978 | - | - | 36,978 | - |
| Geology and geophysics | 27,815 | - | - | 27,815 | - |
| Leases, royalty and option payments | 23,715 | 434 | - | 24,149 | - |
| Administrative | 23,474 | - | - | 23,474 | - |
| Property maintenance | 8,870 | - | - | 8,870 | - |
| Other | 6,129 | - | - | 6,129 | - |
| Camp & field costs | 4,674 | - | - | 4,674 | - |
| Acquisition costs | 4,431 | - | - | 4,431 | - |
| Disposal of deferred exploration expenditures | | | | | (2,982,050) |
| Write down of deferred exploration expenditures | - | - | - | - | (91,720) |
| **March 31, 2013** | **9,418,092** | **141,085** | **-** | **9,559,177** | **-** |

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

a) *Kinsley Mountain*

On September 21, 2011, in exchange for consideration valued at $450,140, the Company was assigned an option agreement (the "Kinsley Option") from Animas Resources Ltd. ("Animas") providing the ability to earn-in to an initial 51% interest (the "Initial Interest"), and the opportunity to elect to earn-into a further 14% interest (the "Additional Interest") in the underlying lease that comprises the majority of the Kinsley Mountain property (the lease interest and directly held claims together, ("Kinsley")). The Kinsley Option required the option holder to incur $1,500,000 in aggregate exploration expenditures in order to acquire the Initial Interest and a further 3,000,000 to acquire the Additional Interest. At the time the Kinsley Option was assigned, the lessor, Nevada Sunrise Gold Corporation ("NSGC") agreed to recognize $316,141 of expenditures incurred by Animas as eligible toward the Initial Interest. During 2012 the Company met its initial exploration commitment under the Kinsley Option. Upon incurring the initial earn-in expenditure, the Company and NSGC were deemed to have entered into a legal joint venture, with an undivided 51% beneficial interest in Kinsley transferred to Pilot Gold.

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. Once the formal transfer of the property into Kinsley Gold LLC is completed, the Company will account for NSGC's 35% share as a non-controlling interest.

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

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

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 is due from Rawhide by July 8, 2013. Pursuant to the Regent Agreement, Pilot Gold will retain a net profits royalty of 15% on production from Regent and is entitled to a sliding scale gold equivalent bonus payment, each of which is payable in certain circumstances after 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. (formerly Molycor Gold Corp. ("Molycor")) a total of $119,636 cash over 4 years, issuing an aggregate of 120,000 Common Shares and upon incurring a total of $750,000 of exploration expenditures prior to the fourth anniversary of the related agreement (the "Griffon Agreement"). Initially, and by the earlier of February 7, 2014 or upon receipt of first phase drilling permits, to maintain the option in good standing, the Company must incur $100,000 in exploration and development expenses and issue 40,000 Common Shares. As at March 31, 2013 a total of $39,636 cash had been paid to Molycor, and a total of $427,071 in exploration expenditures have been incurred on Griffon. The Griffon Agreement also provides the Company an option to earn an additional 10% interest further to making additional exploration expenditures prior to the third anniversary following the initial 60% earn-in. Griffon is subject to a 2% NSR, 1% of which can be purchased at the Company's election.

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

*d) Gold Bug*

On June 5, 2012 the Company acquired the Gold Bug property (formerly known as Gold Springs 1) from a subsidiary of Crown Gold Corporation for consideration of C$50,000 and 50,000 Common Shares, total value $94,413. Pursuant to an amended lease on the property with a subsidiary of Newmont signed on August 31, 2012, the Company has agreed to a $3,000,000 work commitment over 6 years (Note 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.

## 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 we had satisfied the $5,000,000 first-year minimum committed expenditure amount 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.

Pursuant to the funding mechanism outlined in the TV Tower Agreement, and in order to maintain the relative interests of TMST and the Company in Orta Truva until the Earn-in Option obligations have been satisfied, 40% of the Eligible Expenditures in a given period are recorded to the Company's interest in Orta Truva (Note 10), with the remaining 60% recorded as a component of the Earn-in Option, a non-current asset.

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

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

The total value of the Earn-in Option asset as at March 31, 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 $68,206 in management fees) | 1,461,727 |
| Value of Common Shares issued | 2,950,477 |
| Foreign exchange | (95,609) |
| Balance at March 31, 2013 | **$ 11,555,652** |

A mark-up of 10% for administration is charged to Orta Truva on Eligible Expenditures and this is recorded as management fees on the statements of loss and comprehensive loss.

## 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% 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 | (3) | 303 | - | 300 |
| Funding | 41,035 | 975,879 | - | 1,016,914 |
| Exchange differences | (130,370) | (58,960) | - | (189,330) |
| Transfer to other financial assets (Note 6a) | - | - | (945,349) | (945,349) |
| **At March 31, 2013** | **$6,322,740** | **$5,486,573** | **$ -** | **$ 11,809,313** |

Funding to Orta Truva for the three months ended March 31, 2013 includes 40% of Eligible Expenditures of which $45,470 are management fees (three months ended March 31, 2012: $nil).

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

## 10. INVESTMENT IN ASSOCIATES (continued)

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 | $ 945,670 | $ 5,398,714 | $ (21,644) | $ (3) | 40% |
| Orta Truva | Turkey | 2,760,905 | 4,969,900 | (2,244,232) | 303 | 40% |
| **March 31, 2013** | | **$ 3,706,575** | **$ 10,368,614** | **$ (2,265,876)** | **$ 300** | |

As at December 31, 2012, the Company had accrued to the Earn-in Option (60%) and to the investment in Orta Truva (40%) an aggregate of $4.05 million in Eligible Expenditures incurred at TV Tower pursuant to a technical services agreement, but not invoiced by the Company. As at March 31, 2013, $4.93 million has been recorded as receivables due from Orta Truva (Note 5) further to having invoiced amounts incurred through December 31, 2012 and through February 2013. $3.91 million was received on April 19, 2013. Eligible Expenditures of $0.64 million incurred in March 2013 and invoiced after period end are accrued to the Earn-in Option (60%) and to the investment in Orta Truva (40%).

At March 31, 2013, the Company has a receivable balance due from Truva Bakır of $29,504 (Note 5, included in Other Receivables)

## 11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| | **March 31, 2013** | December 31, 2012 |
|---|---|---|
| Trade payables | $ 380,410 | $ 350,057 |
| Other payables | 54,429 | 41,324 |
| Accrued liabilities | 446,289 | 819,922 |
| Amounts due to Truva Bakır | 19,416 | 47,062 |
| Amounts due to Orta Truva | 396,911 | - |
| Amounts due to TMST | 595,367 | - |
| | **$ 1,892,822** | $ 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. Amounts due to TMST correspond to cash calls for 60% share of costs incurred at Orta Truva which pursuant to the TV Tower Agreement 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 three months ended March 31, 2013 the Company issued a total of 1,637,500 Common Shares pursuant to the TV Tower Agreement (Note 9). As at March 31, 2013 the Company has 86,847,833 Common Shares issued and outstanding.

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

## 12. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

*c) Stock based compensation*

Pilot Gold has established a stock option plan (the Pilot Gold Stock Option Plan (2011)) (the "Plan"), 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.

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, March 31, 2013** | **7,120,000** | **2.61** |

At March 31, 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 | 4.96 | 1.14 | 425,000 | 1.08 |
| C$2.00 to C$2.99 | 1,855,000 | 5.49 | 2.24 | 455,000 | 2.16 |
| C$3.00 to C$3.99 | 3,645,000 | 8.04 | 3.45 | 2,381,667 | 3.45 |
| | **7,120,000** | **6.67** | **2.61** | **3,261,667** | **2.96** |

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.

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

## 12. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

For the three months ended March 31, 2013, the Company has capitalized a total of $30,567 of stock-based compensation to exploration properties and deferred exploration expenditures and charged a total of $1,118,882 of stock-based compensation expense to the statement of loss, of which $13,118 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.

*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, March 31, 2013** | **14,362,524** | **2.37** |

As at March 31, 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 | 1.59 | 2.20 | 11,362,524 | 2.20 |
| C$3.00 to C$3.99 | 3,000,000 | 2.22 | 3.00 | 3,000,000 | 3.00 |
| | **14,362,524** | **1.72** | **2.37** | **14,362,524** | **2.37** |

No Warrants were granted during the period.

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

## 13. PROPERTY INVESTIGATION EXPENSE

| | **March 31, 2013** | March 31, 2012 |
|---|---|---|
| Stock-based compensation | $ 13,118 | $ 110,609 |
| Salaries and benefits | 5,555 | 112,618 |
| Permitting | 3,428 | 4,612 |
| Contract Labour | 1,715 | - |
| Transportation | 158 | 35,392 |
| Meals and accommodation | 142 | 10,378 |
| Other | 74 | 19,940 |
| Professional Fees | - | 34,897 |
| Consultants | - | 25,963 |
| Geochemistry | - | 3,486 |
| Leasing | - | 7,539 |
| | $ 24,190 | $ 365,434 |

## 14. COMMITMENTS

*TV Tower*

Pursuant to the TV Tower Agreement, further to completion of all other conditions precedent (Note 9), the Company must make a one-time cash payment to TMST, equal to $20 per ounce of gold, applicable on 20% on the gold ounces delineated at TV Tower in excess of 750,000 ounces defined as compliant Measured, Indicated or Inferred resources in a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* technical report, prepared generally concurrent with the completion of the TV Tower Expenditure Requirement (the "Additional Consideration"). It is not possible at this time to estimate the amount of Additional Consideration payable.

See details in Note 9 for Common Share issuances and 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, a subsidiary of Newmont, whereby Pilot Gold shall make expenditures of $3,000,000 in accordance with the following schedule ("Gold Bug Expenditure") in order to maintain the amended lease agreement in good standing:

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

The initial $500,000 is a committed expenditure to be settled in cash if it is not met. As at March 31, 2013 the Company had incurred $82,454 in Gold Bug Expenditures.

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

## 14. COMMITMENTS (continued)

*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 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 three months ended March 31, 2013 is $65,340.

Total future minimum lease payments, under non-cancellable operating leases as at March 31, 2013 are as follows:

| Year | | |
|---|---|---|
| 2013 | $ | 279,195 |
| 2014 | | 366,788 |
| 2015 | | 241,829 |
| 2016 | | 236,478 |
| 2017+ | | 1,957,896 |
| | **$** | **3,082,186** |

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

## 15. SEGMENT INFORMATION

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At March 31, 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 totalled $2,030,393, $386,539 and $93,239 respectively for the three months ended March 31, 2013 ($1,003,830, $306,107 and $151,195 for the three months ended March 31, 2012).

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

| | **March 31, 2013** | December 31, 2012 |
|---|---|---|
| Canada | $ 164,146 | $ 182,381 |
| USA | 405,048 | 58,185 |
| Turkey | 73,452 | 382,364 |
| | **$ 642,646** | $ 622,930 |

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

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

## 16. SUPPLEMENTAL CASH FLOW INFORMATION

| | **March 31, 2013** | March 31, 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 | $ - |
| Change in fair value of financial instruments | 63 | (141,204) |
| | $ 2,916,678 | $ (141,204) |

## 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 $485,516 in expenditures and $53,601 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 March 31, 2013, Oxygen holds a refundable deposit of $264,512 on behalf of the Company. Additionally, as at March 31, 2013 the Company held a receivable from and payable to Oxygen of $10,533 and $107,755 respectively. Amounts receivable and payable were settled subsequent to March 31, 2013.

*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:

| | **March 31, 2013** | March 31, 2012 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 479,987 | $ 269,709 |
| Share-based payments | 808,502 | 414,019 |
| **Total** | **$ 1,288,489** | $ 683,728 |