Pilotgold

An exploration stage company

Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars - unaudited)
Three months ended March 31, 2014

PILOT GOLD INC.

Condensed interim consolidated statements of financial position

(Expressed in United States Dollars - unaudited)

	As at March 31, 2014	As at December 31, 2013
	$	$
Assets		
Current assets		
Cash	9,282,395	9,806,384
Short term investments	6,039,671	9,199,306
Receivables and prepayments (Note 5)	682,192	1,030,952
Exploration properties held for sale	-	142,583
Total current assets	16,004,258	20,179,225
Non-current assets		
Other financial assets (Note 6)	890,984	760,142
Deposits	1,342,992	1,362,460
Plant and equipment	487,081	554,105
Exploration properties and deferred exploration expenditures (Note 7)	16,296,800	14,883,769
Earn-in option (Note 8)	18,482,346	18,676,395
Investment in associates (Note 9)	14,630,893	14,958,216
Total non-current assets	52,131,096	51,195,087
Total assets	68,135,354	71,374,312
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	1,205,692	1,708,714
Total current liabilities	1,205,692	1,708,714
Non-current liabilities		
Other liabilities	80,791	68,126
Total non-current liabilities	80,791	68,126
Shareholders' equity		
Share capital (Note 11)	132,952,536	133,117,092
Contributed surplus (Note 11)	16,843,735	16,319,202
Accumulated other comprehensive loss	(5,537,216)	(4,096,784)
Accumulated deficit	(80,317,391)	(78,165,115)
Total shareholders' equity	63,941,664	67,174,395
Non controlling interest (Note 12)	2,907,207	2,423,077
Total liabilities and shareholders' equity	68,135,354	71,374,312

The notes on pages 5 to 14 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 8, 2014:

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

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

	Three months ended March 31,	
	2014	2013
	$	$
Operating expenses		
Wages and benefits	489,981	454,801
Stock based compensation (Note 11)	448,258	1,105,764
Office and general	354,937	352,672
Investor relations, promotion and advertising	163,792	155,512
Professional fees	181,569	109,565
Write down of deferred exploration expenditures (Note 7b)	143,031	91,720
Property investigation	87,925	24,190
Listing and filing fees	45,386	52,091
Depreciation	43,177	47,611
Loss on disposal of plant and equipment	5,576	3,341
Loss from operations	1,963,632	2,397,267
Other income (expenses)		
Change in fair value and impairment of financial instruments (Note 6)	(278,814)	(390,302)
Gain (loss) from associates (Note 9)	(41,760)	300
Other net income	13,139	6,031
Foreign exchange gains	70,232	151,420
Finance income	48,559	119,647
	(188,644)	(112,904)
Loss for the period and attributable to the shareholders	2,152,276	2,510,171
Other comprehensive loss		
Items that may be reclassified subsequently to net income		
Exchange differences on translations	(1,880,757)	(1,084,286)
Net fair value gain on financial assets (Note 6)	417,670	13,891
Amounts reclassifed into net loss on impairment of financial assets	22,655	-
Other comprehensive loss for the period, net of tax	(1,440,432)	(1,070,395)
Total loss and comprehensive loss for the period and attributatble to the shareholders	3,592,708	3,580,566
Loss per share		
Basic and diluted loss per share	$ 0.02	$ 0.03
Weighted average number of Common Shares Basic and diluted	89,941,777	85,264,169

The notes on pages 5 to 14 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	Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity	Non-controlling interest	Total equity
	#	$	$	$	$	$	$	$
Balance as at January 1, 2013	85,210,333	126,912,393	13,891,396	(723,065)	(69,022,801)	71,057,923	-	71,057,923
Issuances as consideration for mineral property rights	1,637,500	2,916,615	-	-	-	2,916,615	-	2,916,615
Stock based compensation	-	-	1,149,449	-	-	1,149,449	-	1,149,449
Unrealized loss on long-term investments	-	-	-	13,891	-	13,891	-	13,891
Cumulative translation adjustment	-	-	-	(1,084,286)	-	(1,084,286)	-	(1,084,286)
Net loss for the period	-	-	-	-	(2,510,171)	(2,510,171)	-	(2,510,171)
Balance as at March 31, 2013	86,847,833	129,829,008	15,040,845	(1,793,460)	(71,532,972)	71,543,421	-	71,543,421
Balance as at December 31, 2013	89,940,333	133,117,092	16,319,202	(4,096,784)	(78,165,115)	67,174,395	2,423,077	69,597,472
Option exercise	5,000	7,826	(2,946)	-	-	4,880	-	4,880
Share issue costs	-	(172,382)	-	-	-	(172,382)	-	(172,382)
Stock based compensation (Note 11)	-	-	527,479	-	-	527,479	-	527,479
Net impairment of long-term investments recognised in the statement of loss (Note 6)	-	-	-	22,655	-	22,655	-	22,655
Unrealized loss on long-term investments (Note 6)	-	-	-	417,670	-	417,670	-	417,670
Contributions by non-controlling interest	-	-	-	-	-	-	484,130	484,130
Cumulative translation adjustment	-	-	-	(1,880,757)	-	(1,880,757)	-	(1,880,757)
Net loss for the period	-	-	-	-	(2,152,276)	(2,152,276)	-	(2,152,276)
Balance as at March 31, 2014	89,945,333	132,952,536	16,843,735	(5,537,216)	(80,317,391)	63,941,664	2,907,207	66,848,871

The notes on pages 5 to 14 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, 2014	Three months ended March 31, 2013
	$	$
Cash flows from operating activities		
Loss for the period	(2,152,276)	(2,510,171)
Adjusted for:		
Stock based compensation	467,189	1,118,882
Write-down of deferred exploration expenditures (Note 7b)	143,031	91,720
Gains and losses relating to financial instruments	278,814	390,302
Other non-cash expenditures on the statement of loss	97,816	54,590
Foreign exchange not related to cash	(11,165)	72,806
Interest income on short term investments	(14,544)	(38,498)
Movements in working capital:		
Accounts receivable and prepayments	(46,610)	479,180
Accounts payable and other liabilities	64,992	(395,133)
Cash deposit to Oxygen Capital Corp.	-	(29,099)
Net cash outflow due to operating activities	(1,172,753)	(765,421)
Cash flows from financing activities		
Share issue costs	(172,383)	-
Cash used in financing activities	(172,383)	-
Cash flows from investing activities		
Change in working capital attributable to deferred exploration expenditures	193,412	(83,702)
Cash received from Orta Truva for Eligible Expenditures	755,652	-
Eligible Expenditures on TV Tower	(867,635)	-
Funding to Associates	(405,973)	(2,527,709)
Purchase of short term investments	-	(6,883,100)
Maturity of short term investments	2,898,885	6,921,598
Purchase and proceeds of sale of property and equipment	7,153	(80,857)
Expenditures towards option to earn-in	(578,459)	(3,702,037)
Interest in exploration properties and deferred exploration expenditures	(1,358,260)	(292,576)
Proceeds from sale of mineral properties	-	2,000,000
Contributions from non-controlling interest	484,130	-
Purchase of reclamation deposits	(45,700)	-
Net cash inflow (outflow) due to investing activities	1,083,205	(4,648,383)
Effect of foreign exchange rates	(262,058)	(762,960)
Net decrease in cash and cash equivalents	(523,989)	(6,176,764)
Cash at beginning of period	9,806,384	30,224,184
Cash at end of the period	9,282,395	24,047,420

See Note 15 for supplemental cash flow information

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014 (the "Interim Financial Statements") have been prepared in accordance with IAS 34, 'Interim financial reporting'. The Interim Financial Statements should be read in conjunction with the annual financial statements for the period ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

3. ACCOUNTING POLICIES

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's 2013 annual consolidated financial statements. Management fees of $95,884 in the comparative period statement of loss have been reclassified as a recovery against operating expenses in order to clarify their nature as a recovery, consistent with the current period. There is no impact to the loss for that period.

Changes in accounting policies
The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

Impairment of Assets
IAS 36, Impairment of assets ("IAS 36") seeks to ensure that an entity's assets are not carried at more than their recoverable amount. The IASB has made small changes to the disclosures required by IAS 36 when recoverable amount is determined based on fair value less costs of disposal. The IASB has amended IAS 36 as follows:

- to remove the requirement to disclose the recoverable amount when a cash generating unit ("CGU") contains goodwill or indefinite lived intangible assets but there has been no impairment;
- to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and
- to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

The Company has applied the required disclosures as appropriate.

Accounting for levies imposed by governments
IFRIC 21, Accounting for levies imposed by governments ("IFRIC 21") is an interpretation on the accounting for levies. IFRIC 21 will affect entities that are subject to levies that are not income taxes within the scope of IAS 12 *Income Taxes*. This interpretation has had no impact on the consolidated financial statements of the Company.

Several other amendments apply for the first time in 2014. However, they do not impact the consolidated financial statements of the Company.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 Interim 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 annual consolidated financial statements for the year ended December 31, 2013.

5. RECEIVABLES

	March 31, 2014	December 31, 2013
Sales taxes receivable	$ 25,613	$ 29,993
Receivable from Orta Truva for expenditures on TV Tower	368,249	750,914
Other receivables	60,883	90,039
Prepayments	227,447	160,006
	$ 682,192	$ 1,030,952

The majority of Eligible Expenditures (Note 8) are incurred by the Company's wholly-owned Turkish subsidiary in accordance with a technical services agreement relating to exploration at TV Tower. The balance due from Orta Truva Madencilik Şanayi ve Ticaret A.Ş. ("Orta Truva"), the Turkish company that holds TV Tower, reflects Eligible Expenditures incurred by the Company at TV Tower and includes recoverable VAT that is not an Eligible Expenditure. The Company subsequently funds Orta Truva (Notes 8 & 9) such that it can settle the amount due. At March 31, 2014, the Company has a receivable balance due from Truva Bakır of $27,355 (included in Other Receivables).

6. OTHER FINANCIAL ASSETS

The fair value of share purchase warrants is measured using Black-Scholes that uses inputs that are primarily based on market indicators. 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.

As at March 31, 2014, the Company's other financial assets valued at $890,984, are all available for sale equity investments categorised as Level 1 under the fair value hierarchy. The total amount in accumulated other comprehensive income relating to available for sale financial instruments is $420,691.

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

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

None of the Company's properties have any known body of commercial ore or any established economic deposit; all are currently in the exploration stage. Expenditures at Halilağa are recorded in the Company's investment in Truva Bakır, an equity-accounted associate (Note 9). Expenditures on TV Tower are bifurcated as 60% to the Earn-in Option (Note 8) and 40% to the Company's investment in Orta Truva (Note 9) in order to maintain the Company's proportionate interest in Orta Truva until such time as the earn-in to an additional 20% has been completed.

	Total January 1, 2013	Additions/ Allocations	Write-down or disposal of asset	Total March 31, 2013	**Total December 31, 2013**	Additions/ Allocations	Write-down of asset	**Total March 31, 2014**
	$	$	$	$	**$**	$	$	**$**
USA								
Kinsley Mountain (Note 7a)	4,816,365	197,060	-	5,013,425	**11,078,278**	1,360,487	-	**12,438,765**
Viper	1,013,835	2,253	-	1,016,088	**1,019,608**	2,075	-	**1,021,683**
Brik	743,598	163	-	743,761	**761,922**	1,451	-	**763,373**
Griffon	415,971	14,483	-	430,454	**716,071**	2,123	-	**718,194**
Stateline	252,098	2,190	-	254,288	**278,719**	1,640	-	**280,359**
Anchor	196,583	178	-	196,761	**166,550**	207	-	**166,757**
Easter	143,433	18,443	-	161,876	**192,842**	-	-	**192,842**
Gold Bug	126,130	55,071	-	181,201	**401,314**	1,856	-	**403,170**
Antelope	106,231	1,357	-	107,588	**149,547**	150	-	**149,697**
Drum Mountain	-	31,159	-	31,159	**118,918**	43,042	-	**161,960**
New Boston	1,281,116	375	-	1,281,491	-	-	-	-
Total USA	9,095,360	322,732	-	9,418,092	**14,883,769**	1,413,031	-	**16,296,800**
Turkey								
Arasanli	140,651	434	-	141,085	-	-	-	-
Total Turkey	140,651	434	-	141,085	-	-	-	-
Total	9,236,011	323,166	-	9,559,177	**14,883,769**	**1,413,031**	-	**16,296,800**
Assets held for sale								
Regent	2,982,050	-	(2,982,050)	-	-	-	-	-
Buckskin North	91,720	-	(91,720.00)	-	-	-	-	-
Arasanli (Note 7b)	-	-	-	-	142,583	448	(143,031)	-
Total held for sale	3,073,770	-	(3,073,770)	-	142,583	448	(143,031)	-

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

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

a) *Kinsley Mountain*

The Company holds a 79% interest in the underlying lease and claims that comprise the Kinsley Mountain property (the lease interest and directly held claims together, "Kinsley").

The value of the non-controlling interest increased by $484,130 during the three months ended March 31, 2014 upon receipt of funding from the non-controlling interest holder, Intor Resources Corporation ("Intor").

b) *Arasanli*

The Arasanli property was held for sale as at December 31, 2013 and has been written down to $nil as at March 31, 2014 as a result of a review of recoverability of the portfolio of exploration and development assets.

8. 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 Madencilik 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.

A total of $21 million in Eligible Expenditures over three years (the "TV Tower Expenditure Requirement") must be completed for successful completion of the Earn-in Option, as well as a one-time cash payment to TMST equal to $20 per ounce of gold applicable to only 20% of the ounces of gold delineated at TV Tower in excess of 750,000 gold ounces defined as Measured, Indicated or Inferred resources in a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* technical report, prepared generally concurrent with the completion of the TV Tower Expenditure Requirement (the "Additional Consideration").

The first and second year minimum expenditure requirements for completion of the Earn-in Option of $5 million and $7 million respectively in eligible exploration expenditures ("Eligible Expenditures"), had been completed as at March 31, 2014. The remainder of the TV Tower Expenditure Requirement must be incurred prior to June 20, 2015. The Earn-in Option will continue to increase as Eligible Expenditures are incurred. The majority of Eligible Expenditures are incurred initially by the Company's wholly-owned Turkish subsidiary. Pilot Gold invoices Orta Truva for services performed in the period, and Orta Truva, in turn invoices TMST and Pilot Gold, for their respective share of Eligible Expenditures for the period. Each shareholder subsequently funds Orta Truva such that it can settle the amount due. Pursuant to the funding mechanism outlined in the TV Tower Agreement, and in order to maintain the relative interests of TMST and the Company in Orta Truva until the Earn-in Option obligations have been satisfied, 60% of the Eligible Expenditures in a given period are advanced by the Company to TMST and accounted for as a component of the Earn-in Option, a non-current asset. The remaining 40% is recorded to the Company's interest in Orta Truva (Note 9).

The total value of the Earn-in Option asset as at March 31, 2014 consists of the following, and includes certain costs capitalized pursuant to the Company's accounting policies, that are not Eligible Expenditures:

December 31, 2013	$ 18,676,395
Eligible Expenditures	455,177
Non-eligible expenditures	41,804
Foreign exchange	(691,030)
March 31, 2014	$ 18,482,346

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

9. 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 8). Orta Truva is also controlled (60%) by TMST.

Both of the Company's 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	Total
At December 31, 2013	$ 6,278,213	$ 8,680,003	$ 14,958,216
Share of gain (loss)	33	(41,793)	(41,760)
Funding	20,448	253,064	273,512
Exchange differences	(244,108)	(314,967)	(559,075)
At March 31, 2014	**$ 6,054,586**	**$ 8,576,307**	**$ 14,630,893**

Funding to Orta Truva for the year ended March 31, 2014 includes 40% of Eligible Expenditures incurred.

The summarised financial information for the Company's associates on a 100% basis and reflecting adjustments made by the Company, including adjustments for differences in accounting policies, is as follows:

Name	Country of Incorporation	Current Assets	Non-Current Assets	Current Liabilities	Total Net Assets	Gain/(Loss)	% interest held	Company's Share of Net Assets
Truva Bakir	Turkey	$ 2,240,790	$ 12,934,823	$ (39,149)	$ 15,136,464	$ 83	40%	$ 6,054,586
OrtaTruva	Turkey	4,208,141	17,793,020	(560,393)	21,440,768	(104,482)	40%	8,576,307
At March 31, 2014		**$ 6,448,931**	**$ 30,727,843**	**$ (599,542)**	**$ 36,577,232**	**$ (104,399)**		**$ 14,630,893**

As at March 31, 2014, the Company has outstanding receivables from Truva Bakır of $27,355, and from Orta Truva of $526,265 of which $210,506 is attributable to the investment in associate and the remaining $315,759 is attributable to the Earn-in Option asset. During the three months ended March 31, 2014, a $51,694 distribution was received from Orta Truva for the Company's share of a VAT refund from the Turkish tax authorities relating to periods prior to 2013.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2014	December 31, 2013
Trade payables	$ 221,453	$ 240,434
Other payables	17,433	85,934
Accrued liabilities	445,023	409,799
Amounts due to Orta Truva	158,558	357,714
Amounts due to Truva Bakir	20,448	48,259
Amounts due to TMST	315,378	536,574
Decommissioning Liability	27,399	30,000
	$ 1,205,692	$ 1,708,714

Accounts payable and accrued liabilities are non-interest bearing and are normally settled on 30-day terms. Amounts due to associates and TMST, relate to cash calls due in connection with the Company's pro-rata share of costs incurred. Cash calls are non-interest bearing and are normally settled on 10-day terms. The decommissioning liability represents expected expenditures for site reclamation in the next twelve months.

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

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Authorized

Unlimited Common Shares with no par value

b) Stock-based compensation

Options granted under the Pilot Gold Stock Option Plan (2011) (the "Option Plan") to date are exercisable over periods of five or ten years. 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. Option transactions and the number of Options outstanding are summarized as follows:

	Shares	Weighted Average Exercise Price
	#	C$
Balance, December 31, 2013	6,920,000	2.60
Options granted	2,480,000	1.12
Options forfeited	(410,000)	2.81
Options exercised	(5,000)	1.08
Balance, March 31, 2014	**8,985,000**	**2.18**

At March 31, 2014, 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$0.01 to C$0.99	250,000	4.87	0.88	-	-
C$1.00 to C$1.99	3,735,000	4.54	1.15	1,210,000	1.13
C$2.00 to C$2.99	1,655,000	4.09	2.15	865,000	2.16
C$3.00 to C$3.99	3,345,000	7.08	3.45	2,813,333	3.45
	8,985,000	**5.42**	**2.18**	**4,888,333**	**2.65**

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. We base our expectation of volatility on the volatility of similar publicly-listed companies, as the expected life of our stock options exceeds our trading history.

The weighted average fair value of Options granted during the quarter determined using Black-Scholes was C$0.71 per Option, the weighted average significant inputs into the model were share price of C$1.08 at the grant date, exercise price of C$1.12, volatility of 72%, dividend yield of 0%, an expected Option life of 5 years, and an annual risk-free interest rate of 1.62%. A 2.72% forfeiture rate is applied to the Option expense.

For the three months ended March 31, 2014, the Company has capitalized a total of $60,290 of stock-based compensation to exploration properties and deferred exploration expenditures. For the three months ended March 31, 2014, the Company charged a total of $467,189 of stock-based compensation expense to the statement of loss, of which $18,931 is attributed to property investigation.

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

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

c) Warrants:

Warrant transactions and the number of Warrants outstanding are summarized as follows, no warrants were granted in the quarter:

	Number of Warrants	Weighted Average Exercise Price
	#	C$
Balance, December 31, 2013	14,362,524	2.37
Warrants issued, exercised or expired	-	-
Balance, March 31, 2014	**14,362,524**	**2.37**

As at March 31, 2014 the Company had the following Warrants outstanding:

Exercise price	Number of Warrants outstanding and exercisable	Weighted average remaining contractual life
C$	#	(in years)
2.20	11,362,524	0.59
3.00	3,000,000	1.22
2.37	**14,362,524**	**0.72**

12. NON-CONTROLLING INTEREST

Pilot Gold holds a 79.1% interest in Kinsley Gold LLC ("KGLLC"). Summary financial information for KGLLC, is as set out below. As Kinsley Gold LLC's expenditures are capitalised to the Kinsley property, there are no expenses recorded in the statement of loss. The information below is before inter-company eliminations.

a) Summarised Balance Sheet

	As at March 31, 2014	As at December 31, 2013
Current		
Assets	$ 296,209	$ 27,675
Liabilities	(253,065)	(47,676)
Total Current net assets	43,144	(20,001)
Non-Current		
Assets	13,149,480	11,723,674
Liabilities	(28,000)	(23,000)
Total Non-current net assets	13,121,480	11,700,674
Net Assets	$ 13,164,624	$ 11,680,673

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

12. NON-CONTROLLING INTEREST (continued)

b) Summarised cash flows

	Three months ended March 31, 2014
Net cash flow from operating activities	$ -
Net cash inflow from financing activities	782,157
Net cash outflow from investing activities	(513,623)
Net cash increase in cash	268,534
Cash at the beginning of the period	27,675
Cash at the end of the period	$ 296,209

See Note 7a for transactions with non-controlling interests.

13. COMMITMENTS

TV Tower

Pursuant to the TV Tower Agreement, upon completion of all other conditions precedent (Note 8), the Company must remit the Additional Consideration to TMST. It is not possible at this time to estimate the amount or timing of Additional Consideration payable. See details in Note 8 for Eligible Expenditure requirements to be met in order to maintain the Earn-in Option in good standing.

Gold Bug

On August 31, 2012, the Company signed an amended lease agreement with Nevada Eagle Resources LLC whereby Pilot Gold shall make expenditures in accordance with the following schedule in order to maintain the amended lease agreement in good standing:

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

Beginning on the seventh anniversary and each anniversary thereafter, Pilot Gold must pay to the owner an annual rental fee reflective of the leased property tenure size if the Company fails to incur at least $50,000 expenditures during the preceding anniversary year. The initial $500,000 commitment is to be settled in cash if it is not completed. As at March 31, 2014 the Company had incurred $263,171 at Gold Bug, net of non-cash expenditures.

Leases

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years; each lease is renewable at the end of the lease period at market rate. Office premises and other operating leases in Canada are paid to Oxygen Capital Corp ("Oxygen"), pursuant to a technical and administrative services agreement with that company (the "Oxygen Agreement"). Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations that had been executed or incurred by Oxygen in connection with, or related to the services provided to the Company by Oxygen. These amounts, as pertaining to non-cancellable leases, are included in the table below. The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the three months ended March 31, 2014 is $74,336.

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

13. COMMITMENTS (continued)

Total future minimum lease payments, under non-cancellable operating leases as at March 31, 2014 are as follows:

Year		
2014	$	268,897
2015		166,804
2016		147,186
2017		147,186
2018+		1,066,454
	$	1,796,528

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

14. SEGMENT INFORMATION

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At March 31, 2014 and at December 31, 2013, 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 7, 8 and 9. The net loss is distributed by geographic segment per the table below:

	March 31,	
	2014	2013
Canada	$ 1,805,089	$ 2,030,393
USA	251,646	386,539
Turkey	95,541	93,239
	$ 2,152,276	$ 2,510,171

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

	March 31, 2014	December 31, 2013
Canada	$ 111,677	$ 119,897
USA	312,582	364,119
Turkey	62,822	70,089
	$ 487,081	$ 554,105

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

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

15. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing transactions:

	March 31, 2014	March 31, 2013
Non-cash financing and investing transactions		
Issuances of shares and warrants to Teck pursuant to the Earn-in Option	$ -	$ 2,916,615
Change in fair value of financial instruments recognised in OCI	417,670	63
Reclassification of losses from OCI into statement of loss	22,655	-
Stock based compensation included in mineral properties (Note 11)	60,290	30,567
	$ 500,615	$ 2,947,245

16. 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. Transactions with the Company's associates are described at Note 9.

Oxygen Capital Corp
Oxygen is a private company owned by three directors and one officer of the Company. Oxygen provides services on a cost-recovery basis to the Company and provides access to technical personnel, office rental, the use of the assets including IT infrastructure and other administrative functions on an as-needed basis that would not necessarily otherwise be available to Pilot Gold at this stage of the Company's development. Related party transactions during the period total $186,743 in expenditures and $2,757 in deferred exploration expenditures relating to mineral properties, reflected in the Company's consolidated statement of loss and comprehensive loss and statement of financial position respectively. As at March 31, 2014, Oxygen holds a refundable deposit of $386,691 on behalf of the Company. Additionally, as at March 31, 2014 the Company held a payable to Oxygen of $68,414. Amounts payable were settled subsequent to March 31, 2014. See also Note 13 for details on commitments related to lease arrangements.

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. The aggregate total compensation paid, or payable to key management for employee services is shown below:

	March 31, 2014	March 31, 2013
Salaries and other short-term employee benefits	$ 319,519	$ 479,987
Share-based payments	468,276	808,502
Total	**$ 787,796**	$ 1,288,489

17. SUBSEQUENT EVENTS

Bought deal financing
On April 2, 2014, the Company completed a bought deal financing for aggregate gross proceeds of C$20,000,160. A syndicate of underwriters (the "Underwriters") purchased, on a bought deal basis, 13,072,000 Common Shares at a price of C$1.53 per Common Share the ("Issue Price").