PILOT GOLD INC.
(AN EXPLORATION STAGE COMPANY)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the nine months ended September 30, 2012

Pilot Gold Inc.
Management Discussion and Analysis
Nine months ended September 30, 2012

This Management's Discussion and Analysis ("MD&A"), dated as of November 8, 2012, should be read in conjunction with the Company's Annual Information Form ("AIF"), the unaudited condensed interim consolidated financial statements for the nine-month period ended September 30, 2012 of Pilot Gold Inc. (in this MD&A, also referred to as "Pilot Gold" or, the "Company", or "we" or, "our" or, "us"), the related notes thereto (collectively the "Interim Financial Statements"), and other corporate filings available under Pilot Gold's company profile on SEDAR www.sedar.com. We report our financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Our reporting currency is the United States dollar ("$"). All dollar figures in this MD&A are expressed in United States dollars unless otherwise stated. As at September 30, 2012, the value of C$1.00 was $1.02[1].

Highlights and Significant Subsequent Events

- Raised $37.5 million: Received aggregate net proceeds of C$37.5 million on November 1, 2012 pursuant to the closing of three related and concurrent financings (together, the "Offering"):
  - bought-deal financing with a syndicate of underwriters led by National Bank Financial Inc. (the "2012 Bought-Deal");
  - private placement to a subsidiary of Newmont Mining Corporation ("Newmont") pursuant to that company having exercised a participation right to maintain Newmont's 16.15% interest in Pilot Gold; and
  - private placement to Teck Madencilik Sanayi Ticaret A.Ş. ("TMST"), a subsidiary of Teck Resources Limited ("Teck") pursuant to that company having exercised a participation right to maintain TMST's 5.41% interest in Pilot Gold.
- Positive PEA at Halilağa: Announced the results of a preliminary economic assessment (the " Halilağa PEA") for the Halilağa copper-gold porphyry project in northwestern Turkey ("Halilağa"). The PEA illustrates that Halilağa is viable with conservative commodity price assumptions in today's cost environment, supporting a straightforward open pit mine, utilizing conventional milling and flotation.
- Initial drill results at TV Tower: Reported the first drill results since assuming operational control at the TV Tower property ("TV Tower") in northwestern Turkey. Our drill program at TV Tower is ongoing, and has returned some of the highest-grade gold, silver and copper drilling intervals reported in northwestern Turkey. The first two drill holes of our program at the Küçükdağ ("KCD") target returned long intervals of high grade gold, silver and copper, including:
  - 5.94 g/t gold, 12.6 g/t silver, and 0.53% copper over 137.1 metres in KCD-39, including
    - 18.88 g/t gold, 13.1 g/t silver and 1.36% copper over 27.0 metres, including
      - 55.75 g/t gold, 30.7 g/t silver and 3.33% copper over 3.0 metres.
  - 0.93 g/t gold, 7.0 g/t silver, and 0.51% copper over 69.0 metres in KCD-38.
- New claims at Kinsley: On September 1, 2012, staked certain unpatented lode mining claims (the "New Claims") on United States Bureau of Land Management ("BLM") administered land. The claims are located between two previously separate claim blocks at the Kinsley Mountain sediment-hosted gold property ("Kinsley"), creating a contiguous property and consolidating access to the main mineralized trends to the North.
- Strong gold mineralization at Kinsley: Continued to report strong intervals of gold mineralization in step-out holes at Kinsley, including 5.48 g/t gold over 20.4 metres in PK14C, 2.3 g/t gold over 19.8 metres in PK057, and 6.03 g/t gold over 13.7 metres in PK061. Drilling to date has demonstrated mineralization extending over a 2.2 kilometre trend with north-northeast trending, higher grade corridors.

---

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

This MD&A contains forward-looking statements that involve numerous risks and uncertainties. Actual results of Pilot Gold could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties, including those set forth below under the heading "*Cautionary Notes Regarding Forward-Looking Statements.*" For further information of the risks and uncertainties facing the Company, and for other information about our business and projects, please see the Company's AIF for the year ended December 31, 2011, dated March 28, 2012, and the Company's (final) short form prospectus dated October 25, 2012 (the "Prospectus"), under the heading "*Risk Factors,*" which can be found on Pilot Gold's SEDAR profile at www.sedar.com.

Overview and Description of the Business

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

We have three key projects to drive value: TV Tower, Kinsley and Halilağa [pronounced: (hā)-lē-lā]. In Turkey, we hold a 40% interest in TV Tower, an extensive, target-rich, epithermal gold-silver property, located close to established infrastructure that hosts two significant new gold discoveries. Pursuant to the TV Tower Agreement (defined elsewhere in this MD&A) we hold an option to increase our interest to 60%, subject to meeting certain requirements over the next three years. In Nevada, we currently hold a 51% interest in Kinsley, a sediment-hosted gold project with the stratigraphy, structure and mineralization style common to other sediment-hosted gold systems in northeast Nevada. We are currently earning in to an additional 14%, to an aggregate of 65% interest in Kinsley. In addition to TV Tower and Kinsley, Pilot Gold holds a 40% interest in Halilağa, a large gold-copper porphyry project located 20 kilometres southeast of TV Tower. We recently announced the results of a preliminary economic assessment at Halilağa. The Halilağa PEA demonstrates its potential with robust economics, providing the Company and our partner with a number of strategic options.

Pilot Gold's exploration platform is supported by a pipeline of exploration projects in Nevada and Turkey. Promising projects in Nevada include the Griffon and Antelope sediment-hosted gold properties, as well as the Brik and Viper properties on which our team made new gold discoveries in 2011.

Outlook

Our confidence in the opportunity that each of our three key projects represents increased significantly during the three months ended September 30, 2012. Recent drill results at TV Tower and Kinsley, and the receipt of the Halilağa PEA validate our belief that we hold superior exploration projects in Turkey and Nevada. The closing of the Offering positions the Company to advance these opportunities without the need to raise additional capital in the medium-term.

TV Tower

During the preceding quarter we signed a joint venture and earn-in agreement (the "TV Tower Agreement") that allows the Company to direct exploration activity and to develop and oversee the drill program at the 71 km^2 TV Tower property. We became project Operator at TV Tower on June 20, 2012, and have the option to increase our interest in TV Tower to 60% over the next three years. Our 2012 program includes 9,000 metres of drilling, primarily focused on the Küçükdağ [pronounced: k-chŭk-dă] (KCD) target and is designed to infill and expand the gold-silver-copper mineralized footprint. Drilling at KCD has returned some of the highest-grade gold, silver and copper drilling intervals reported in northwestern Turkey to date. We plan systematic testing of other high-priority targets on the property in early 2013. Approximately 6,075 metres comprising 29 holes have been completed to date, with assays pending for 27 holes. There are three drills operating at TV Tower as at the date of this MD&A.

Kinsley

We completed an earn-in to an initial 51% interest at Kinsley during the second quarter of 2012, and immediately elected to exercise an option to earn a further 14% interest in the property. We have already incurred approximately 90% of the expenditure requirement to attain that 65% interest, and anticipate completing earn-in in early 2013. On achieving earn-in we expect to share with a subsidiary of Nevada Sunrise Gold Corporation ("NEV") a planned $6.5 million exploration budget for 2013, proportionate to our respective interests.

Our exploration team has recently identified several north-trending zones of higher-grade mineralization one of which is at least 400 metres by 100 metres. It remains open in all directions in the Western Flank area of

Kinsley. Drilling has also intercepted higher grades at deeper stratigraphic levels than encountered by previous operators. As a result we feel the potential for the presence of a large, untapped system continues to grow.

During Q2 2012, we submitted an application to the BLM for a Plan of Operations for 100 acres of disturbance which will allow for expanded exploration activities. The Company has a permit in place for additional drilling at the Western Flank target, and plans to apply for an additional Notice of Intent permit for drilling the northern claim blocks. Pending receipt of approval from the BLM, we anticipate accelerating activity at Kinsley.

In September 2012, the Company staked 41 unpatented lode mining claims of highly prospective land held on BLM administered ground (the New Claims). The claims were filed with the BLM and Elko County, Nevada in the first week of October. The majority (36) of the New Claims are located between two previously separate claim blocks at Kinsley, creating a contiguous property and consolidating access to the main mineralized trends to the North. The additional ground brings the total to 332 claims. Mapping, rock and soil sampling are all underway at the newly added ground.

Halilağa

On October 10, 2012, the Company completed and subsequently filed the Halilağa PEA, which updated a March 23, 2012 technical report for the project. The Halilağa PEA provided preliminary economic analysis that supports management's conclusion that Halilağa is a compelling development project and demonstrates (i) the economic benefits of the higher grades of copper and gold at surface, and (ii) the benefits of available and proximate infrastructure for mine development. The combination of higher grades that are mineable in the first three years, combined with Halilağa's favourable infrastructure and location in a jurisdiction that is open to mine development, provide convincing support for continued resource conversion and expansion, as well as geotechnical, metallurgical and engineering studies.

The simplified economic model that underlies the Halilağa PEA illustrates the robust economics of this copper-gold porphyry. We expect to continue discussions with our partner at Halilağa on strategic next steps for the project, and have proposed undertaking metallurgical, hydrological and environmental studies in order to continue to advance and de-risk the project.

Mineral Properties

Additional information about each of our material projects is summarized in our AIF for the year ended December 31, 2011, dated March 28, 2012, as well as in respective project technical reports filed on SEDAR at www.sedar.com.

Actual expenditures to the end of Q3 2012 and the 2012 budgeted cash exploration and development expenditures for our material properties are summarized in the following table:

		Our share (in $ '000s) of:			
Project	**Minerals**	**Expenditures through Q3 2012**	**2012 Budget (original)**	**2012 Budget (revised)(2)**	**Pilot Gold ownership**
TV Tower	gold, silver, copper	$1,511	1,200	4,131	40% (1)
Kinsley	gold	$3,306	2,713	2,869	51% (1)
Halilağa	copper, gold, molybdenum	$1,311	1,949	1,949	40%
Total		**$6,128**	**5,862**	8,949	

(1) Pilot Gold holds an option to increase its ownership interest at TV Tower (to 60%) and Kinsley (to 65%), and is currently working to earn-in to the respective increased interest at each.

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

TV Tower (40% owner and Operator)

TV Tower consists of approximately 7,109 hectares of mineral tenure in eight contiguous licences. One of the licences is at the operation stage, one is pending conversion to the operation stage, and the remaining six licences are in the exploration stage. TV Tower is proximal to Halilağa, and is interpreted to host multiple, epithermal gold and porphyry systems, similar to the neighbouring Ağı Dağı and Kirazlı gold properties of Alamos Gold Inc. ("Alamos"). Our 40% interest is held through a shareholding in Orta Truva Madencilik Şanayi ve Ticaret Anonim Şirketi ("Orta Truva"), a Turkish Joint Stock Company. Our joint venture partner at Orta Truva is TMST, an indirect subsidiary of Teck.

Pursuant to the TV Tower Agreement, signed on June 20, 2012, we became Operator of and secured a right to acquire an additional 20% interest (to an aggregate 60% interest) in TV Tower (the "TV Tower Earn-in"), a large (71 km^2) epithermal gold-silver property located in northwestern Turkey. To acquire an additional 20% interest in Orta Truva, and thus indirectly, a further 20% of TV Tower, Pilot Gold:

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

The $5 million expenditure requirement in the first year is a committed expenditure, whereby the Company must make a cash payment to TMST for the portion of the $5 million not incurred before the first anniversary of the TV Tower Agreement, regardless as to whether we determine to proceed with the earn-in. Should the Company elect to proceed with the earn-in, the shortfall amount would also be added to the TV Tower Expenditure Requirement for the second year of the earn-in.

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

On August 8, 2012, we announced the commencement of a 16,000 metre ($5.34 million) resource definition and exploration drill program of diamond core drilling at TV Tower for the first year of the TV Tower Earn-in. On September 19, 2012, we reported that the first two drill holes of the 2012 program at the KCD target had returned long intervals of high grade gold, silver and copper. Highlighted was drill hole KCD-39, which returned 5.94 grams per tonne gold, 12.6 g/t silver and 0.53% copper over 137.1 metres, which extends the high-grade gold/silver/copper breccia zone in discovery hole KCD-02 over 50 metres to the south.

These results marked the start of an aggressive exploration program, including property-wide airborne geophysics and ongoing surface mapping and geochemical sampling. There are currently three core drills operating at TV Tower; a total of 6,075 metres in 29 completed holes have been drilled since the Company assumed the role of Operator. As at the date of this MD&A, the Company awaits final assay results from 27 completed drill holes.

From January 1, 2012 to September 30, 2012, we have incurred $1.51 million in accordance with the TV Tower Agreement. Our 2012 revised budget, since becoming Operator, is $4.13 million.

Kinsley (51% owner, and Operator)

The Kinsley property consists of 332 claims comprising 6,573 acres, and hosts a past-producing mine, with numerous untested sediment-hosted exploration targets, including the recently staked New Claims, the Kinsley North claims and the Western Flank. In May 2012, we completed our expenditure commitment to earn a 51% interest at Kinsley and immediately elected to continue working toward an earn-in to an additional 14% (in aggregate a 65% interest).

The first phase of the 2012 program included a 12,000 metre ($2.87 million) exploration program and an extensive geochemistry and geological mapping program in the area surrounding the historic mine pits. Over the course of the 2012 drill program, 11,864 metres of infill and step-out core and RC drilling were completed to define and expand the mineralized zones identified by previous operators. In conjunction with drilling, a comprehensive regional effort to identify new targets was completed, encompassing both the original 141 claims, as well as 128 claims staked by the Company to the north in a largely unexplored area. Through this work, a new mineralized zone was intersected in drilling (Candland Canyon), and the Western Flank has been expanded to now cover an area 600 metres by 100 metres. Mineralization is now shown to extend over 2.2 kilometres, including high grade discoveries along a recently-discovered north-south-trending zone of gold mineralization.

The Company has submitted an application to the BLM for a Plan of Operations which will allow for expanded exploration activities beyond the previously disturbed areas. We have also recently applied for two separate permits that would enable additional drilling at (i) the Western Flank, and (ii) on those claims formerly known as Kinsley North. We continue to complete target generation and data analysis activities as we prepare for the next phase of exploration on the property.

In September 2012, the Company staked 41 unpatented lode mining claims of highly prospective land held on BLM administered ground held prior to that point by another company (the New Claims). The claims were filed with the BLM and Elko County, Nevada in the first week of October. The majority (36) of the New Claims are located between two previously separate claim blocks at Kinsley, creating a contiguous property and consolidating access to the main mineralized trends to the North. Mapping, rock and soil sampling are all underway at the newly added ground.

To the date of this MD&A, we have incurred approximately $2.72 million in exploration expenditures attributable to the earn-in of the second option on the property. We are finalizing the terms of the joint venture agreement with Intor Resources Corporation ("Intor"), a subsidiary of NEV.

Through September 30, 2012, we had capitalized $3.31 million (year-ended December 31, 2011: $1.13 million) in expenditures at Kinsley. Capitalized costs include values attributable to stock-based compensation, share issuances and other non-cash items directly relating to the advancement of the property that are not eligible toward earn-in.

<u>Halilağa</u> (40% owner, and non-operator)

Located approximately 45 kilometres southeast of the city of Çanakkale on the Biga Peninsula, Turkey, Halilağa hosts a significant copper-gold porphyry deposit based on results from 30,004 metres of drilling in 72 drill holes through October 17, 2011. The Company's 40% interest in Halilağa is held through a shareholding in Truva Bakır Maden İşletmeleri Anonim Şirketi ("Truva Bakır"). TMST is our partner and holds the remaining 60% of this Turkish entity.

On October 10, 2012, the Company completed and subsequently filed the Halilağa PEA[2] which updated the March 23, 2012 technical report on the property that included a project-first independent resource estimate[3] on Halilağa's Kestane copper-gold porphyry [pronounced: kĕs-tā-nē]. The resource comprises:

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

Strip Ratio: 2.5 : 1

A. At a 0.2% copper equivalent cut-off grade

B. At a 0.2 g/t gold cut-off grade

[2] For further details on the Halilağa PEA, refer to the NI 43-101 technical report, entitled "*Preliminary Economic Assessment Technical Report for the Halilaga Project, Turkey*", dated August 27, 2012, prepared by Gordon Doerksen, P. Eng of JDS Energy and Mining Inc., Dino Pilotto, P.Eng and Maritz Rykaart, P.Eng of SRK Consulting (Canada) Inc. ("SRK"), Kevin Scott, P.Eng of Ausenco Solutions Canada Inc. ("Ausenco"), Garth Kirkham, P.Geo. of Kirkham Geosystems Ltd., and James Gray, P.Geo. of Advantage Geoservices Ltd.

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

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

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

- estimated by two holes and within 25 metres of a drill hole, or
- estimated by two holes and within 50 metres of the second closest hole, or
- estimated by three holes and within 25 metres of a drill hole, or
- estimated by three holes and within 80 metres of the second closest hole, or
- estimated by three holes and within 100 metres of the third closest hole, or
- estimated by four holes if the average distance to samples is ≤ 100 metres.

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

Mineral Resources and Mineral Reserves are subject to risks related to metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political, and other relevant issues, that are beyond the control of the company. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. However, based on recent work, we currently anticipate that a good portion of the current Mineral Resource should be converted to Mineral Reserves with future drilling.

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

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

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

Key assumptions of the Halilağa PEA

- Production rate: 50,000 tonnes per day, with about 243.3 million tonnes ("Mt") of mineralized material mined and processed during the project life (137 Mt [56%] of the planned material to be processed is classified as Indicated, the remainder as Inferred)
- Overall strip ratio (the ratio of waste rock to economic mineralized rock): Approximately 1:1
- Average grade of the plant feed: 0.28% copper and 0.3 grams/tonne of gold
- Mine production life: 14 years[4].

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

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

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

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

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

---

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

The mineral resources used in the Life of Mine ("LOM") plan and economic analysis include 56% Indicated resources, and 44% Inferred mineral resources. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them to be categorized as mineral reserves, and there is no certainty that the inferred resources will be upgraded to a higher resource category. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral reserves can only be estimated as a result of an economic evaluation as part of a Pre-Feasibility Study ("PFS") or a Feasibility Study of a mineral project. Accordingly, at the present level of development there are no mineral reserves at Halilağa. There is thus no certainty that the results of the Halilağa PEA will be realized.

[5] Common assumptions to all three cases include:

- 100% equity financing;
- 20% corporate income tax, no withholding taxes and VAT recovery;
- No tax incentives for large projects from the Turkish government;
- 1.3% royalty on payable copper and 2.6% royalty on payable gold; and
- Mineable tonnes and grade in the LOM mine schedule based on open pit ("OP") optimization conducted using “Case A” metal prices.

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

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

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

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

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

The summary disclosure set forth above relating to Halilağa is derived from the Halilağa PEA unless otherwise expressly noted, and provides only a preliminary overview of the project's economics based on broad, factored assumptions. Readers are cautioned that the economic analysis summarized in the Halilağa PEA is only intended to provide an initial, high-level review of the project. The contents of the report reflect various technical and economic conditions at the time of writing. Given the nature of the mining business, these conditions can change significantly over relatively short periods of time. Consequently, actual results may be significantly more or less favourable. Further studies, including engineering and economics are required (typically a PFS) with regards to infrastructure and operational methodologies. Furthermore, the Halilağa PEA mine plan and economic model include the use of a significant portion of Inferred resources which are considered to be too speculative geologically to be used in an economic analysis except as permitted by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") for use in PEAs as mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no guarantee that Inferred resources can be converted to Indicated or Measured resources nor is there any guarantee that the project economics described in the Halilağa PEA would be achieved.

Recent activity on the property

The 2012 exploration program includes a planned 8,750 metres of infill and exploration core drilling. Phase One of the program was completed in August and transitioned uninterrupted into Phase Two. The active drill program at Halilağa is nearing completion. The first round of assays from 2012 (not included in the Halilağa PEA) returned broad intervals of continuous copper-gold mineralization in all holes, including 0.64 g/t gold and 0.52% copper over 134.90 metres in HD-115. Of the eight holes completed in Phase One, six were infill holes within the defined resource while the remaining two, HD-108 and HD-110, were drilled beyond the resource area, and at least 100 metres from the nearest previously reported drill holes. All Phase One drill holes intersected copper-gold porphyry-style mineralization, including notable high-grade intervals in holes HD-108, HD-109 and HD-115. For 2012, through the date of this MD&A, there has been a total of 7,484 metres comprising 24 drill holes (Phases One and Two). TMST determined to abandon 4 holes (563 metres) due to ground conditions. Results from 8 holes are currently pending.

Revised budgeted expenditures for 2012 are $4.87 million, with Pilot Gold's share totalling $1.95 million, further to a mid-year revision of the budget by project operator, TMST. The amount previously reported as Pilot Gold's budgeted share for Halilağa was $1.36 million. Our share of actual expenditures through the end of the first nine months in 2012 was $1.31 million. Teck and Pilot Gold continue to refine the program and are reviewing strategies for advancement of this development-track copper-gold porphyry.

Permitting Update

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

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

Pilot Gold believes the petition is without merit, and even if successful and the EIA is annulled, the ability to continue the planned 2012 exploration program at Halilağa will be unaffected. Should the EIA be annulled, Truva Bakır would revisit the EIA process and submit an updated EIA to address identified issues. Truva Bakır has also been advised that the petition does not challenge or impact the underlying tenure on the licenses that comprise Halilağa. In the event that a different or larger project is contemplated it would then require a separate EIA and be subject to the Turkish process for public disclosure.

Further detail relating to the EIA process, and related risks is described in our AIF for the year ended December 31, 2011, dated March 28, 2012, the Prospectus, and in the Halilağa PEA filed under the Company's profile on SEDAR at www.sedar.com.

Other property interests

Pilot Gold has several other property interests in the United States, providing a portfolio of opportunities for growth. They include the recently acquired Gold Bug property, a large low-sulphidation epithermal gold-silver project located in the Eastern Calderas region of Nevada featuring multiple untested targets, and the Griffon property, a past-producing sediment-hosted gold system on the southern extension of the Cortez Trend that appears to share some of the same geology as Kinsley. We have an aggregate budget of $0.41 million approved for 2012 on these two properties, and have incurred $0.49 million, including acquisition costs, through September 30, 2012.

At the Regent, Brik, New Boston and Viper projects, the aggregate budget in 2012 is $0.22 million. Although plans for each of these four properties are under review for 2013 as we focus on Kinsley in Nevada and turn our attention to the recently acquired Griffon property, management believes that each of Regent, Brik, New Boston and Viper are properties of merit that warrant continued exploration. Through the end of September 2012, we had incurred $0.12 million in aggregate expenditures on this group of properties.

In September 2012, La Quinta Resources Corporation (the "La Quinta"), advised the Company that it intended to terminate its earn-in option to the Easter property. As a part of the termination agreement, La Quinta has transferred the property title, related mineral claims and those claims it had staked within the defined area of interest to Pilot Gold. Management believe the Easter property warrants continued exploration and is reviewing the Company's next steps.

Additional information about our pipeline projects is summarized in our AIF for the year ended December 31, 2011, dated March 28, 2012, filed on SEDAR at www.sedar.com.

Selected Financial Information

As described in our annual financial statements for the year ended December 31, 2011, Pilot Gold ceased to be a wholly owned subsidiary of Fronteer Gold Inc. ("Fronteer") on April 6, 2011, pursuant to an arrangement agreement between Fronteer and Newmont Mining Corporation ("Newmont"), whereby Newmont acquired all the outstanding common shares of Fronteer by way of a plan of arrangement (the "Fronteer Arrangement"). The effective date of the Fronteer Arrangement was determined to be March 30, 2011 (the "Arrangement Date").

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

The percentage derived from the total exploration expenditure, up to the Arrangement Date, incurred by Fronteer in this comparative period on Pilot Gold's properties, over Fronteer's total exploration and development expenditures for this same period, was used to determine the appropriate balance to record in our unaudited Interim Financial Statements for those items of general and administrative expenses, wages and salaries stock-based compensation and other overhead costs not directly chargeable to the Company through to the Arrangement Date.

The selected period information and summary of financial results in this MD&A and our Interim Financial Statements should be read in conjunction with the consolidated annual financial statements of Pilot Gold for the year ended December 31, 2011. Discussion in this MD&A related to the results of our operations up to the Arrangement Date reflects the allocation of costs from Fronteer pursuant to the application of continuity of interest accounting.

The financial data presented below for the current and comparative periods, was prepared in accordance with IFRS. The presentation currency of the company is US dollars; the functional currency of Pilot Gold Inc. is Canadian dollars.

Results of Operations

The Company's operations are in one industry – the exploration for gold, copper and other precious and base metals. At December 31, 2011, Pilot Gold has three geographic segments: Canada, the USA, and Turkey. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the one industry in which we operate provides the most meaningful information to a user.

Three and nine months ended September 30, 2012 vs. three and nine months ended September 30, 2011

The following financial data (in thousands, except per share data) are derived from our consolidated financial statements for the nine-month periods ended September 30, 2012, and 2011:

	Three months		**Nine months**	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Total revenues	-$nil	-$nil	-$nil	$-nil
Net loss for the quarter	**$1,814**	**$2,058**	**$4,658**	**$9,742**
Basic and diluted loss per share	$0.03	$0.03	$0.08	$0.18

The most significant contributors to the loss for the three and nine months ended September 30, 2012 were stock-based compensation ($0.33 million and $1.37 million respectively) and the cost of wages and benefits ($0.41 million and $1.31 million respectively). Expenses for the nine months ended September 30, 2012 were offset by income resultant from a change in the fair value of our financial instruments ($0.56 million) and the reversal of a previous impairment of the VAT receivable in Turkey ($0.31 million). In the comparative period, the most significant contributors to the losses were also stock-based compensation, wages and office and general expenses.

Stock-based compensation

The amounts expensed for stock-based compensation, not included as part of property investigation expense, or capitalized to mineral properties, were for the three and nine months ended September 30, 2012, $0.33 million and $1.37 million respectively. Despite a company-wide option grant during the preceding quarter, stock-based compensation is lower than in the comparative periods ($0.47 million and $5.34 million, respectively) as a significant number of options granted as part of the "Initial Option Grant" (being the company-wide grant shortly after the listing of our Common Shares) vested in April 2011, whereas neither the option grant in 2012, nor the number of options vesting in the current period were as large. The impact of certain forfeitures was also recorded in the current period.

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

Generally, stock-based compensation expense should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are cancelled in a period.

Wages and benefits

In the three and nine months ended September 30, 2012, Pilot Gold recorded $0.41 million and $1.31 million respectively (September 30, 2011: $0.30 million and $0.91 million) to wages and benefits expense. The balance of wages and benefits has increased when compared to the comparative period, owing to an annual wage increase for the majority of our team effective January 2012. Our 2012 budget for wages and benefits not attributable to deferred exploration is $2.1 million. The expense through September 30, 2012 is generally consistent with the amount budgeted and includes compensation expenses invoiced by Oxygen Capital Corp. ("Oxygen") in accordance with a management services agreement the Company entered into with effect of August 1, 2012. The comparative period includes an allocation of Fronteer's wages and benefits costs as employment relationships with the majority of our personnel began after March 30, 2011. Prior to this date, Pilot Gold had no employees and no related cash flows.

Consistent with our accounting policies relating to the capitalization of exploration expenditures, in any period a significant portion of our remuneration costs are capitalized to our exploration properties based on the nature of work undertaken. Wages and benefits included on our statement of loss reflect only those costs not attributable to either exploration on specific projects, or property investigation. During the nine months ended September 30, 2012, we capitalized $0.55 million (September 30, 2011: $0.67 million) in wages and benefits to our properties.

Office and general

In the three and nine months ended September 30, 2012, office and general expenditures reflecting activities at our offices in Canada, the United States and Turkey, amounted to $0.37 million and $1.16 million respectively (September 30, 2011: $0.37 million and $0.87 million). Expenses reported that relate to the comparative period include those allocated to the Company in accordance with continuity of interest accounting in the first three months of 2011, as well as ramp-up costs following our initial public listing in April 2011. Our 2012 budget for office and general expense is $1.11 million. The expense through September 30, 2012 is slightly higher than the amount budgeted as a result of additional costs incurred relating to our website re-launch, certain office supplies, and renewals for software and subscriptions. For a portion of 2012, certain of our office-related costs were offset by recoveries from Blue Gold Mining Inc. ("Blue Gold"), further to an administrative services agreement with that company. Management fees of $0.01 million charged to Blue Gold are included in Other Income on the Company's statements of loss (comparative period: $-nil). As of August 1, 2012, office and general includes expenses recharged to the Company by Oxygen.

Property investigation

In the three and nine months ended September 30, 2012, the Company incurred property investigation costs of $0.12 million and $0.50 million, respectively (September 30, 2011 three and nine months: $0.78 million and $1.15 million). Costs of property investigation are expensed until a new project is acquired or the rights to explore the property have been established. Project investigation is a core part of our business and growth strategy and we remain active in identifying projects that will enhance our growth pipeline, including identifying near term producing assets for acquisition.

Property investigation includes $0.20 million of stock-based compensation expense attributed to property investigation for the nine months ended September 30, 2012 (comparative period: $0.28 million), based on an allocation that corresponds with the deferral of such costs to mineral properties.

The TV Tower Agreement, effective June 20, 2012, specifies that Expenditures incurred beginning January 1 2012 qualify toward earn-in. Because certain Expenditures were originally recorded to property investigation during Q1 2012, we reversed $0.31 million previously expensed in the nine months ended September 30, 2012 decreasing the total property investigation expense for the period.

Professional fees

Professional fees in the three and nine months ended September 30, 2012 were $0.09 million and $0.27 million respectively (September 30, 2011: $0.06 million and $0.32 million), and relate primarily to legal, accounting and audit costs. The most significant contributors in the nine months ended September 30, 2012 relate to the legal costs associated with completing the Kinsley Mountain earn-in, the purchase of the shares and warrants of NEV in Q1 2012, termination of a property option relating to mineral property rights in Peru held by Rae-Wallace Mining Company (the "RW Option"), and ongoing discussions related to securing other opportunities for our portfolio.

Investor relations, promotions and advertising

Investor relations, promotions and advertising expenses in the three and nine months ended September 30, 2012 were $0.09 million and $0.35 million respectively (September 30, 2011: $0.10 million and $0.19 million), and relate primarily to attendance at trade shows, the rebranding of Pilot Gold's corporate appearance, property tours with investment banking analysts and other similar costs intended to increase the Company's profile, and update the market's understanding our material projects. Expenditures to date are slightly ahead of the amount budgeted for 2012 of $0.40 million, with certain non-recurring investor relations and marketing activities having been undertaken in the first quarter of the year as well as some allocated costs from the set-up of Oxygen. The comparative period includes costs involved in the set-up of Pilot Gold as a new company.

Write-down of mineral property interest

During the three months ended September 30, 2012 the Company decided to write down the value of deferred exploration expenditures relating to the Hannapah, Baxter Springs, Cold Springs and Sandy exploration properties, further to a review and prioritisation of the Company's portfolio of mineral property assets. A total of $0.54 million in deferred exploration expenditures were recorded to the consolidated statement of loss at September 30, 2012 as a result. Claims fees relating to Baxter Springs, Cold Springs and Sandy have been paid to maintain these three properties in good standing through August 31, 2013.

Dilution loss

During the three months ended June 30, 2012, we elected to terminate our participation in the 2012 exploration program at Gold Springs, led by High Desert. In accordance with the terms of the related operating agreement we were diluted from a 40% interest in Gold Springs LLC, to a 30% interest. The resulting dilution has led to the recognition of a loss of $88,729 recorded in other expenses.

Change in fair value of financial instruments

The balance of our derivative financial instruments includes 1,000,000 share purchase warrants of Rae-Wallace and 3,125,000 share purchase warrants of NEV.

Changes to the fair value of our derivative financial instruments are recorded to income (loss) in each period. The value of share purchase warrants is determined using the Black-Scholes option-pricing model. In estimating the value of the warrants, we make assumptions about the volatility of underlying share prices of the shares and warrants held and the expected life of these warrants. These estimates affect the warrant value recognized and the underlying gain or loss recorded as mark-to-market adjustments. The estimates are chosen after analyzing the share price history and management's intentions about holding the investment. As it relates specifically to those warrants held in Rae-Wallace, the estimate of fair value has been determined by looking at comparable corporations who are listed on a recognized exchange because, as at the date of this MD&A, Rae-Wallace is traded only over the counter and not on a formal stock exchange.

Other comprehensive income (loss)

The net balances of other comprehensive income (loss) for the three and nine months ended September 30, 2012 were comprehensive income of $0.49 million and a loss of $0.17 million, respectively (September 30, 2011: loss of $2.42 and $2.16 million). The nine months ended September 30, 2012 includes a $0.81 million gain (September 30, 2011: loss of $2.08 million) from the impact of exchange gains and losses arising from exchange differences further to the translation of our foreign operations with a non-United States dollar functional currency. A net value loss on financial assets of $0.98 million was recorded during the nine months ended September 30, 2012 (nine months ended September 30, 2011, loss of $0.08 million) relating to the revaluation of common shares we hold in other publicly listed companies. The impact from exchange differences will vary from period to period depending on the rate of exchange. In the period between January 1, 2012 and September 30, 2012, there was a 3.5% change in the exchange rate between the United States and Canadian dollars.

Financial Position

The following financial data are derived from our financial statements as at September 30, 2012, and the year ended December 31, 2011:

	September 30, 2012	December 31, 2011
Total assets	$38.56 million	$37.49 million
Long-term liabilities	$0.03 million	$0.07 million
Cash dividends declared	$nil	$nil

Total Assets

Total assets ($38.56 million) have increased since December 31, 2011 by $1.07 million reflecting in part an increase to the value of our long-term investments, an increase to the value of our interests in associates, and an increase to the value of our mineral property interests, as we've continued to advance exploration. These increases were offset by a decrease in cash and short-term investments. Total assets have also increased as a result of the recognition of $4.45 million relating to the legal costs, and shares and warrants issued to TMST pursuant to the TV Tower Agreement as the right to earn in (the "Earn-in Option"). The Earn-in Option also includes $0.79 million of Expenditures recognized to date. As Expenditures continue to progress, the Earn-in Option will increase in value.

Current assets decreased to $8.03 million as at September 30, 2012 (December 31, 2011: $18.90 million), and comprise primarily cash of $7.03 million and $0.12 million in short term investments (December 2011: $7.39 and $11.03 million respectively). The decrease reflects cash outflows related to exploration and corporate activities through the nine months ended September 30, 2012. The remaining balance of current assets comprises receivables and prepayments of $0.87 million (December 31, 2011: $0.48 million) which have increased primarily due to receivables from Blue Gold for management services as well as amounts due from certain of our associates further to exploration activities in those entities.

Non-current assets include primarily (i) deferred exploration expenditures; (ii) partial consideration to acquire the Earn-in Option; and (iii) our net investments in associates.

During the nine months ended September 30, 2012, we incurred $3.68 million (year ended December 31, 2011, $6.1 million) in net deferred exploration expenditures. Exploration activities during the first quarter of 2012 reflect primarily our exploration program at Kinsley Mountain, our principal exploration project in Nevada. The value of our associates increased from that at December 31, 2011, due to increased funding of our share of expenditures at our 40%-owned associates in Turkey, and funding of activity for a portion of the period at the now 30%-owned Gold Springs LLC. Increases were offset by our loss on dilution of the investment in Gold Springs LLC. In aggregate, funding to our associates through the nine months ended September 30, 2012 was $2.34 million.

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

Non-current liabilities

At September 30, 2012 and at December 31, 2011, our non-current liabilities comprise liabilities recorded in recognition of a legal obligation in Turkey to accrue for lump-sum termination payments for employees when their employment is terminated due to retirement or for reasons other than resignation or misconduct. The comparative period also includes deferred tax liabilities. In the current period our operating losses are sufficient to cover any liabilities, and hence none has been recorded.

Shareholders' equity

Pursuant to the TV Tower Agreement, during the quarter ended June 30, 2012 we issued 3,275,000 Common Shares and 3,000,000 Pilot Warrants to TMST. Each Pilot Warrant is exercisable for a period of three years from the date of issue and is exercisable for one Common Share at an exercise price of C$3.00 per share. As noted above, the related value of these Common Shares and Pilot Warrants has been recorded as part of the Earn-in Option, a non-current asset.

The fair value of each warrant was determined to be C$0.19 using the Black-Scholes valuation model and the following inputs:

Risk free interest rate	1.13%
Expected life	3 years
Expected volatility	63%
Expected dividend yield	0.0%

During the nine months ended September 30, 2012, the Company also issued an aggregate of 125,000 Common Shares to other public companies in connection with earn-in agreements to acquire, or maintain our interest in exploration properties in the United States.

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

Subsequent to September 30, 2012 as part of the 2012 Bought-Deal, and the concurrent private placements with TMST and a subsidiary of Newmont, the Company issued an aggregate of 22,725,048 units of the Company (the "Units") at a price of C$1.65 per Unit. Each Unit consists of one Common Share and one half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of C$2.20 until October 31, 2014. The Warrants are listed on the Toronto Stock Exchange under the symbol "PLG.WT".

Summary of Quarterly Results

The following information (in thousands of $, except per share amounts) is derived from and should be read in conjunction with, our unaudited condensed interim consolidated financial statements for the past eight quarters, as well as the audited comparative consolidated financial statements for December 31, 2011. The financial data for all periods presented, was prepared in accordance with IFRS. The presentation currency of the Company is US dollars; the functional currency of Pilot Gold Inc. is Canadian dollars.

Condensed consolidated statements of loss and comprehensive income (loss)

	Sept 30 2011	Jun 30 2012	Mar 31 2012	Dec 31 2011	Sept 30 2011	Jun 30 2011	Mar 31 2011 *	Dec 31 2010 *
Continuing operations								
Loss from continuing operations after tax	(1,814)	(1,383)	(1,461)	(2,099)	(2,058)	(7,270)	(414)	(442)
Other comprehensive income								
Exchange differences on translating foreign operations	809	(464)	469	556	(2,373)	273	20	(5)
Net value gain (loss) on financial assets	(322)	(516)	(146)	(2)	(49)	(214)	180	(20)
Loss per share from continuing operations								
Basic and diluted	(0.03)	(0.02)	(0.02)	(0.04)	(0.03)	(0.14)	(0.01)	(0.01)

*The balances presented for the three month periods ended March 31, 2011, and December 31, 2011 reflect entirely the allocation of costs from Fronteer, consistent with the continuity of interest basis of accounting, as if Pilot Gold had been an independent entity through March 30, 2011.The net losses through those periods are non-cash, and represent an allocation of costs incurred and the operations on, properties ultimately acquired by Pilot Gold. Management cautions readers of this MD&A that the allocation of expenses in the statements of loss for the quarters prior to the Arrangement Date do not necessarily reflect the nature and level of our ongoing operating expenses and activities.

In the quarter ended September 30, 2012, our loss from operations of $2.05 million included $0.54 million in the write-down of deferred exploration expenditures and was offset by the reversal of the write down of the VAT in our Turkish subsidiary. Consistent with previous quarters, net cash outflows were primarily directed to the exploration and development of the Company's exploration properties, and in funding paid to our associates.

In the three-month period ended June 30, 2012, our loss from operations of $1.38 million was offset by the reversal of the write-down of the RW Option and favourable exchange gains relating to our US dollar cash balances held in Canada ($0.12 million).

In the three-month period ended March 31, 2012, our loss from operations of $2.2 million was offset by a favourable change in the fair value of our long-term investments ($0.8 million), owing primarily to an increase to the fair value of our holding of our recently acquired shares and warrants of NEV and exchange gains arising on the translation of foreign operations of $0.47 million further to the appreciation of the Canadian dollar versus the US dollar. In the three months ended March 31, 2012, we also determined to write off the capitalized costs acquired from Fronteer relating to the RW Option ($0.18 million) further to a determination of the likelihood we would recover such costs, or elect to proceed with the option

The loss for the three-month period ended December 31, 2011 reflects a similar loss as recorded in the previous three-month period of $2.10 million, and similar cash outflows from operating activities of $1.34 million. The consistency as compared to the prior quarter is a reflection of the normalization of our business, post Fronteer Arrangement. In the three-month period ended December 31, 2011 our other comprehensive loss was impacted by $2.4 million on translation of our foreign operations due to the depreciation of the Canadian dollar relative to the US dollar.

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

In the three-month period ended September 30, 2011 our condensed consolidated statements of loss and comprehensive loss reflected a number of start-up, initial-public listing and post-Fronteer Arrangement costs as well as the impact of the inaugural stock-based compensation grant, resulting in a loss for that period of $7.27 million, and cash outflows from operating activities of $1.08 million. During the three month period ended June 30, 2011, we also closed a $C25-million financing (the "2011 Bought-Deal") on June 14, 2011, impacting our cash flows from financing activity in that period.

Investments

At the effective date of this MD&A, the market value of our portfolio of equity holdings of is approximately $1.28 million, and includes common shares and/or common share purchase warrants in the following companies:

- Nevada Sunrise Gold Corporation ("NEV");
- Rae-Wallace Mining Company ("Rae-Wallace"); and
- Global Resources Corporation Limited ("GRCL").

In the first quarter of 2012, in order to secure an additional interest in Kinsley, we participated in a private placement in NEV, our minority partner at Kinsley. Through the offering, which closed on March 23, 2012, we hold 6,250,000 common shares of Nevada Sunrise Gold Corporation ("NEV Shares") and 3,125,000 warrants to purchase NEV Shares ("NEV Warrants"), and retain a right to participate in future financings to maintain this position. Further details relating to our participation in the placement by NEV are included in our MD&A for the year ended December 31, 2011. The value of the NEV Shares and NEV Warrants at the date of this MD&A is $0.85 million. Our purchase price was approximately $0.75 million.

During the second quarter of 2012 we also received an additional 100,000 shares in GRCL in exchange for providing that company with a six-month extension to their earn-in option at our Yunt Dag property in Turkey.

On July 18, 2012, as partial consideration in exchange for waiving our rights over the options we held on certain of Rae-Wallace's properties (the RW Option), we received an additional 1,985,100 shares of Rae-Wallace and an extension to the expiry date of the warrants already held of 24 months after Rae-Wallace achieves a listing on a recognised exchange.

Liquidity and Capital Resources

Pilot Gold manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. We have no long-term debt.

Subsequent to period end, on November 1, 2012 we closed the 2012 Bought-Deal and respective private placements with TMST and a subsidiary of Newmont, raising in aggregate, C$37.5 million (gross). Share issue costs associated with the 2012 Bought-Deal were approximately C$1.87 million. An over-allotment option provided to the underwriters of the 2012 Bought-Deal was fully exercised, the proceeds of which are included in the amount detailed in this *Liquidity and Capital Resources* section.

A summary of the planned use of proceeds detailed in the Prospectus, subject to discretion to change such allocation and predicated on the base financing amount contemplated in the Offering is as follows:.

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

Funds raised further to the exercise of the over-allotment option are expected to be allocated towards the further development of TV Tower and Kinsley.

In 2011, we successfully closed a bought-deal financing that provided net proceeds of $24.1 million to the Company (the "2011 Bought-Deal"), with share issue costs of approximately $1.7 million. For a summary of our planned use of proceeds relating to the 2011 Bought-Deal see our MD&A for the year ended December 31, 2011.

Since the close of the 2011 Bought Deal, through to September 30, 2012, we have incurred approximately $2.8 million in costs related to Halilağa, $2.7 million in costs related to TV Tower, $1.7 million in costs related to the Regent property, \$5.2 million in costs related to the exploration and development on portfolio of other mineral properties in Nevada and Turkey, and \$7.1 million in cash flows relating to mineral property investigation, office-related costs, and general corporate activities. Expenditures relating to our material properties have to date been in line with anticipated use of proceeds from the 2011 Bought Deal.

The Company does not have, and has no immediate ability to generate any cash flows from operations. The Company earns only minimal income through investment income on treasury, and amounts arising through various property option agreements. As at the date of this MD&A, the Company has approximately \$41.7 million in cash and cash equivalents available, equity investments of \$1.28 million, working capital of \$41.4 million and no debt, which provides us with the resources to execute on our current exploration plans, and gives us the financial flexibility to react to additional opportunities if, and when, they present themselves.

On an ongoing basis, management evaluates and adjusts its planned level of activities, including planned exploration, development, permitting activities, and paying for administrative costs, to ensure that adequate levels of working capital are maintained. We believe that this approach, given the relative size of Pilot Gold, is reasonable. Our revised exploration budget for 2012 is \$10.5 million, up from \$6.51 million reported in connection with the March 31, 2012 MD&A, owing primarily to the increased planned expenditure at TV Tower and additional exploration at Kinsley Mountain. Our general and administrative budget for 2012 is \$4.22 million. General and administrative costs include salaries, professional fees and those costs associated with running the Company's offices in Vancouver, Nevada and Turkey. Management believes that the available funds are sufficient for current operations and will enable Pilot Gold to execute its planned exploration and development program on its material properties for at least one year, assuming no other factors change.

The properties in which we currently have an interest are in the exploration and development stage; accordingly we are dependent on external financing, including the proceeds of future equity issuances or debt financing, to fund our activities. Circumstances that could impair our ability to raise additional funds, or our ability to undertake transactions are discussed in our AIF for the year ended December 31, 2011 dated March 28, 2012, and in the Prospectus under the heading "Risk Factors." There is no assurance that we will be able to raise the necessary funds through capital raisings in the future.

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

Indemnifications

Newmont

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

Teck Resources Limited

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

Contractual Obligations

Mineral Properties and Capital Expenditures

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

i) cash payments to be made to the government or underlying land or mineral interest owners; or
ii) minimum expenditure requirements in order to maintain our rights to such mineral interests.

Most of these are not firm commitments, with such obligations being eliminated should we choose to no longer invest funds exploring the property.

TV Tower: The \$5 million minimum Expenditure requirement in the first year of the earn-in to Orta Truva is a committed expenditure, whereby Pilot Gold must make a cash payment to TMST for the portion of the \$5 million not incurred before the first anniversary of the TV Tower Agreement regardless as to whether we determine to proceed with the earn-in. Should the Company elect to proceed with the earn-in, the shortfall amount would also be added to the TV Tower Expenditure requirement for the second year of the earn-in.

At this time it is not possible to estimate the obligation that would arise out of any shortfall of Expenditures in year-one of the earn-in required in the TV Tower Agreement in order to complete the earn-in to the additional 20% interest. It is similarly not possible to estimate the obligation that might arise relating to the value of the Additional Consideration. No amount for either has therefore been recorded.

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

Pilot Gold had no other commitments for material capital expenditures as of September 30, 2012.

Leases

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years. Each lease is renewable at the end of the lease period at market rate. Subsequent to August 1, 2012 office rental arrangements in Canada are paid through Oxygen. The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the nine months ended September 30, 2012 is $0.21 million.

Total future minimum lease payments, under non-cancellable operating leases as at September 30, 2012 are as follows:

Year	
2012	$ 109,658
2013	423,565
2014	397,221
2015	275,425
2016	262,178
2017+	589,901
	$ 2,057,948

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

Changes to Management Personnel

In anticipation of the transition of Ian Cunningham-Dunlop, currently the Company's Chief Operating Officer to a potential role between Riverstone Resources Inc. and Blue Gold, further to a proposed transaction between those two companies, we promoted Mr. Vance Spalding to the role of Vice President, Exploration. Ian Cunningham-Dunlop currently retains the title of Chief Operating Officer.

Mr. Spalding holds a B.Sc. in geology from the University of Idaho and holds the designation of Certified Professional Geologist. Mr. Spalding has managed the Company's U.S. operations since Pilot Gold's inception, and had previously been a key member of the Fronteer team. His expanded mandate to oversee activity in Turkey and in the United States will ensure the Company provides the appropriate level of focus on our flagship properties.

Industry and Economic Factors that May Affect our Business

Economic and industry factors are substantially unchanged from those reported in our MD&A for the year ended December 31, 2011. In particular, there remain significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development.

As a result, the Company may have difficulty raising debt or equity financing for the purposes of mineral exploration and development, and, if obtained, on terms favourable to the Company and/or without excessively diluting present shareholders of the Company. These economic trends may limit the Company's ability to develop and/or further explore its mineral property interests and may limit the ability of the Company to satisfy earn-in expenditure requirements on our material projects

The Company continually seeks to minimize its exposure to business risks, but by the nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties, or those described under the heading "*Risk Factors*" in our AIF for the year ended December 31, 2011, dated March 28, 2012, as well as those factors discussed in the Prospectus, also in the section entitled "Risk Factors", or those in our MD&A for the year ended December 31, 2011, each of which can be found on Pilot Gold's SEDAR profile at www.sedar.com, materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

Financial Instruments and Other Instruments

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

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

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

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

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

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

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

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

(iv) Held to maturity: Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Pilot Gold's management has the positive intention and ability to hold to maturity. They are measured at amortized cost less any allowance for impairment. Amortization of premiums or discounts and losses due to impairment are included in current period income (loss). Pilot Gold holds no instruments in this category

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

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

Risks Associated With Financial Instruments

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

Liquidity Risk

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

Market Risk

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

Foreign Exchange Risk

The results of our operations are exposed to currency fluctuations. To date, we have raised funds entirely in Canadian dollars. The majority of our mineral property expenditures, including the cash calls from our 60% partner on Halilağa and TV Tower, and our 30% partner at Gold Springs are incurred in United States dollars. The fluctuation of the Canadian dollar in relation to the United States dollar will have an impact on Pilot Gold's financial results.

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

A 10% increase or decrease in the USD dollar relative to the Canadian dollar, through the nine months ending September 30, 2012 would result in a $0.37 million increase or decrease respectively in net loss and comprehensive loss. Our exposure in Turkey on fluctuations of the Turkish Lira remains minimal given the nature, type and currency (USD) of expenditure, and the relative asset values.

We have not entered into any derivative contracts to manage foreign exchange risk at this time.

Credit Risk

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

Interest Rate Risk

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

Related Party Transactions

Oxygen Capital

Oxygen is a private entity owned by certain of the Company. Oxygen provides services to the Company including staffing, office rental and other administrative functions. Related party transactions during the period total $174,960 in expenditures and $73,559 in capitalised costs reflected in the Company's consolidated statement of loss and comprehensive loss and statement of financial position respectively. As at September 30, 2012, the Company held a receivable and payable from and to Oxygen of $0.07 million and $0.16 million respectively. These were settled during the month of October. The Company also has a deposit of $0.24 million with Oxygen to be used against the final three months of service with that company upon termination of the management services agreement.

Compensation of key management personnel

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

	Nine months ended September 30, 2012	2011
Salaries and other short-term employee benefits	798,434	498,363
Share-based payments	1,148,546	4,994,033
Total	**1,946,980**	**5,492,396**

Associates

The Company's associates are also related parties. The following amounts show cash paid directly to our associates in the nine months ended September 30, 2012:

	Nine months ended September 30, 2012	2011
Truva Bakır	$1,382,076	$1,534,092
Orta Truva	343,215	1,037,005
Gold Springs	390,989	-
Total	**$2,116,280**	**$2,571,097**

As at September 30, 2012, we had outstanding receivables from Orta Truva of $1.32 million, of which $0.53 million is attributable to the investment in associate and the remaining $0.79 million is attributable to the Earn-in Option asset. A receivable of $0.03 million was outstanding from Truva Bakır at September 30, 2012.

Internal Controls Over Financial Reporting

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

Based on a review of its internal control procedures at the end of the period covered by this MD&A, management has determined that the Company's internal controls over financial reporting have been effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in Pilot Gold's internal controls over financial reporting that occurred during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Disclosure Controls and Procedures

Disclosure controls and processes have been designed to ensure that information required to be disclosed by Pilot Gold is compiled and reported to management as appropriate to allow timely decisions regarding required disclosure. Pilot Gold's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of September 30, 2012, that the disclosure controls and procedures are effective to provide reasonable assurance that material information related to Pilot Gold is made known to them by employees and third party consultants working for Pilot Gold and its subsidiaries. There have been no significant changes in our disclosure controls and procedures during the period ended September 30, 2012.

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

Changes in Accounting Policies and New Accounting Pronouncements

For information on changes to accounting policies and new accounting pronouncements, please refer to our disclosure in our MD&A for the year ended December 31, 2011, dated March 28, 2012, available SEDAR.

Significant Accounting Policies

Pilot Gold's significant accounting policies are presented in Note 4 of the audited consolidated statements for the year ended December 31, 2011. We have followed these accounting policies consistently throughout the year.

We have chosen to defer all exploration and evaluation cost relating to our mineral exploration properties.

As noted elsewhere in this MD&A, in the absence of any specified accounting treatment under IFRS, we chose to apply the continuity of interest basis of accounting to account for the impact of the Fronteer Arrangement, and our comparative results.

Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Factors that could affect these estimates are discussed in our AIF for the year ended December 31, 2011 dated March 28, 2012, as well as those factors discussed in Prospectus, each under the heading "*Risk Factors.*" Subject to the impact of such risks, the carrying value of Pilot Gold's financial assets and liabilities approximates their estimated fair value.

(i) Review of asset carrying values and impairment assessment

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

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

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

At September 30, 2012, the Company decided to write down the value of deferred exploration expenditures relating to the Hannapah, Baxter Springs, Cold Springs and Sandy exploration properties, further to a review and prioritisation of the Company's portfolio of mineral property assets. There were no indicators of impairment on the Company's other assets. Management believes that the related estimates are reasonable.

(ii) Decommissioning and restoration provisions

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

As at September 30, 2012, the Company has recorded $0.03 million (December 31, 2012: $0.05 million) relating to restoration provisions.

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

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

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

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

(iv) Deferred tax assets and liabilities

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

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

Off Balance Sheet Arrangements

As disclosed elsewhere in this MD&A, the Company has a commitment to incur $5 million in Expenditures related to TV Tower prior to the first anniversary of the TV Tower Agreement, a portion of which has already been incurred. The remaining balance of eligible expenditures ($3.83 million), although committed, does not qualify as an obligation in accordance with IFRS, and has not been included on the Company's balance sheet.

Also as disclosed elsewhere in this MD&A, the Company has a commitment to incur $0.50 million in Expenditures related to the Gold Bug property by August 31, 2014. Of that sum, $0.47 million is outstanding as at September 30, 2012.

The Company has no other off-balance sheet arrangements.

Proposed Transactions

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

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

Legal Matters

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

Outstanding Share Data

There are 85,210,334 Common Shares and 14,362,524 Warrants to purchase Common Shares issued and outstanding at the date of this MD&A.

As at September 30, 2012, there were 5,471,000 stock options issued to directors, officers, employees, and key consultants. A further 135,000 were granted on November 2, 2012. Of the total number of stock options, 2,884,167 are exercisable, the same number are exercisable at the date of this MD&A. No stock options have been exercised as of the date of this MD&A.

Subsequent Events Not Otherwise Described herein

With the exception of the bought deal financing, and option grants, described in this MD&A, there were no other subsequent events.

Additional Information

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

Approval

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

(signed) "Matthew Lennox-King"	*(signed) "John Wenger"*
Matthew Lennox-King	John Wenger
President and Chief Executive Officer	Chief Financial Officer and Corporate Secretary

November 8, 2012

Scientific and Technical Disclosure

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

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

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

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

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

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

Vance Spalding, B.Sc., CPG, Pilot Gold Vice President, Exploration, is the Company's designated QP for the purposes of NI 43-101, and has reviewed and validated that the scientific or technical information contained in this MD&A related to the Halilağa PEA is consistent with that provided by the QPs responsible for the Halilağa PEA, and has verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Mr. Spalding has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

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

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

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

Cautionary Notes Regarding Forward-Looking Statements

All statements in this MD&A, other than statements of historical fact, are "forward-looking information" and “forward-looking statements” with respect to Pilot Gold within the meaning of applicable securities laws, including, but not limited to, statements that address future mineral production, reserve potential, exploration drilling, the future prices of gold, silver, copper and molybdenum, potential quantity and/or grade of minerals, potential size of a mineralized zone, potential expansion of mineralization, the timing and results of future resource estimates, the timing of a PEA or other study, proposed exploration and development of our exploration properties, the estimation of mineral reserves and resources, anticipated expenditures on the Company’s mineral projects, future financial or operating performance of the Company and its business, operations, properties and condition, Pilot Gold’s ability to fully fund cash-calls made by its joint venture partners for ongoing expenditure on the properties, completion of expenditure obligations under the Kinsley Option Agreement and the Griffon Option Agreement, proposed exploration and development of Pilot Gold’s exploration properties, successful earn-in at TV Tower, including the ability to incur the minimum annual Expenditure requirements, estimated future working capital, uses of funds, future capital expenditures, exploration expenditures and other expenses for specific operations, future issuances of Common Shares to satisfy earn-in obligations or the acquisition exploration properties, information with respect to exploration results, the timing and success of exploration activities generally, the costs and timing of the development of new deposits, potential quantity and/or grade of minerals, potential size of mineralized zone, potential expansion of mineralization, potential type of mining operation, and the timing and possible outcome of any pending litigation, and permitting timelines. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "planned", "expect", "project", "predict", "potential", "targeting", "intends", "believe", "potential", and similar expressions, or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved.

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

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others, general business, economic, competitive, political, regulatory and social uncertainties, disruptions or changes in the credit or securities markets and market fluctuations in prices for Pilot Gold’s securities, judgement of management when exercising discretion in their use of proceeds from the Offering or setting budgets for the Company’s mineral projects, potential dilution of common share voting power or earnings per share as a result of the exercise of outstanding convertible securities, discrepancies between actual and estimated mineral reserves and resources, changes in project parameters as plans continue to be refined, changes in labour costs or other costs of operation, the speculative nature of mineral exploration and development, the Company's ability to renew existing licences and permits or obtain required licences and permits, changes in government legislation and regulation, fluctuations in commodity prices, the Company currently has a major shareholder with greater than 10% holdings, uncertainties associated with minority interests and joint venture operations, the majority of the Company's operations occur in foreign jurisdictions, risks associated with the Company's indemnified liabilities, the Company has limited operating history and no history of earnings, risks of litigation, the risks involved in the exploration, development and mining business generally, as well as those factors discussed in the section entitled "Risk Factors" in Pilot Gold's AIF for the year ended December 31, 2011 dated March 28, 2012, and in the Prospectus, each of which is available under Pilot Gold's SEDAR profile at www.sedar.com. Although Pilot Gold has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements.

Forward-looking statements are made as of the date of this MD&A and accordingly are subject to change after such date. Except as otherwise indicated by Pilot Gold, these statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of our operating environment. Except in accordance with applicable securities laws, Pilot Gold does not undertake to update any forward-looking statements that are included in this document. Pilot Gold disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on forward-looking information.