



**PILOT GOLD INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the three months ended March 31, 2013**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Three months ended March 31, 2013

This Management's Discussion and Analysis, dated as of May 13, 2013, is for the three month period ended March 31, 2013 (the "MD&A"), and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2013 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 (together, the "Interim Financial Statements"), and other corporate filings, including our Annual Information Form for the year ended December 31, 2012, dated March 27, 2013 ("AIF"), available under Pilot Gold's company profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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 March 31, 2013, the value of C\$1.00 was \$0.98<sup>1</sup>.

### OUR BUSINESS

Pilot Gold is focused on exploring and advancing high-quality assets that host the key traits of mines: grade, scope, size potential and access to infrastructure in mining-friendly jurisdictions. Our three key assets include interests in the TV Tower and Halilağa projects in Turkey and Kinsley Mountain in Nevada.

Our treasury gives us the resources to execute on our current exploration and drilling plans and the financial flexibility to react to additional opportunities if, and when, they present themselves. We also have a pipeline of early-stage projects.

### HIGHLIGHTS AND SIGNIFICANT SUBSEQUENT EVENTS

- Cash and short-term deposits at March 31, 2013, totaled \$31.1 million.
- Sold the Regent property for \$3 million in cash while retaining exposure to production through a net profits royalty of 15% and a sliding scale gold equivalent bonus payment.
- Continued advancing our three material projects with the following highlights:
  - Launched a 30,000 metre, property-wide 2013 drill program on March 23, 2013 at the TV Tower gold-silver project, with three diamond core drills in operation at the KCD and Kayalı targets and plans finalized to drill at the Columbaz target.
  - Commenced a staged metallurgical testing program designed to characterize the metallurgical response of the variable mineralization types at TV Tower's KCD target.
  - Completed the first of three milestone expenditure requirements toward an earn-in to an additional 20% interest of TV Tower in January 2013. Issued 1,637,500 Common Shares to a subsidiary of Teck Resources Limited on March 19, 2013 further to having achieved this first milestone.
  - In February 2013, earned-in to a 65% interest at the Kinsley Mountain gold project pursuant to satisfaction of minimum expenditure requirements and exploration success on the property.
  - Continued advancing the potential of the Halilağa copper-gold deposit by commissioning additional tax, economic, metallurgical, hydrological, environmental and engineering studies, while continuing property exploration.

This MD&A contains forward-looking statements that involve numerous risks and uncertainties. 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, which can be found on Pilot Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com), and those set forth in this MD&A under the headings "*Cautionary Notes Regarding Forward-Looking Statements*" and "*Industry and Economic Factors that May Affect our Business*" materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

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<sup>1</sup> Nominal noon rate as per the Bank of Canada. Canadian dollars herein expressed as "C\$".

## OUTLOOK

We plan significant investments in 2013, and have sufficient resources to continue building on our exploration success to date and to advance our three key projects:

### TV Tower

- Pursuant to the TV Tower Agreement (as defined in this MD&A) we hold an option to increase our interest from 40% to 60% in the project, subject to meeting certain requirements over the next three years. We anticipate surpassing the second year expenditure requirement in 2013 with a budget for the year of \$7.92 million, approximately \$2.2 million of which has already been incurred.
- We have begun co-ordinated testing of multiple targets as part of a 30,000 metre, property-wide drill campaign. Through 2013 we expect to complete:
  - 15,000 metres of resource definition and exploration drilling at the Küçükdağ ("KCD") high grade gold-copper-silver target. Metallurgical testing and preliminary engineering, environmental, cultural and economic studies are underway. We aim to have an initial resource estimate for KCD by year end. Additional surface geological work and drill site permitting is also underway.
  - 7,500 metres at the Kayalı high-sulphidation, shallow oxide gold target. Kayalı is located approximately eight kilometres south of KCD and consists of a thick blanket of silica-altered volcanoclastic rocks cut by east-west-trending structures (silicified ribs) with elevated gold. Other parallel structures may be present in the general area. Prior year drilling (KYD-01) returned 0.87 g/t gold over 114.5 metres from a depth of 4.5 metres, including 2.85 g/t Au over 15.4 metres.
  - 7,500 metres at the Sarp/Columbaz target. Located approximately two kilometres south of KCD, Sarp/Columbaz comprises low-sulphidation gold-silver bearing veins (in some locations up to 10 metres thick) that have been traced discontinuously over an east-northeast strike length of up to 1,000 metres. Work at Sarp/Columbaz is set to commence upon receipt of permits for construction of roads and drill sites.
- We plan to continue to extend geological mapping and sampling to all parts of the TV Tower property in 2013 and to identify and refine new drill targets, some or all of which may be the subject of drill testing in 2013. Other targets of note include:
  - Kestanecik – a low sulphidation gold-silver target consisting of several parallel quartz veins up to several metres thick and several hundred metres long;
  - Kartaldağ West – a one-kilometre-long sheared zone of high sulphidation vuggy silica with inclusions of low sulphidation quartz vein material, argillic alteration and rock and soil samples with elevated gold; and
  - Gümüslük – a one-kilometre-long zone of elevated gold in soil samples (up to 6130 ppb).

### Kinsley Mountain

- The 2013 work program at Kinsley includes \$5.2 million in expenditures and 22,000 metres of core and reverse circulation ("RC") drilling designed to establish an initial resource under and adjacent to the historic pits, and to test priority exploration targets on flanking and outlying areas. We expect to commence the 2013 drill program shortly after receipt of an approved Plan of Operations.
- The 2013 work program also includes preliminary metallurgical, engineering, and related studies. Target generation and data analysis activities have continued at Kinsley since the start of 2013.
- We recovered \$0.21 million from Nevada Sunrise Gold Corporation ("NEV"), our joint venture partner at Kinsley Mountain pursuant to the initial cash call for its 35% share of costs incurred and expected at Kinsley for the period January 1, 2013 to June 30, 2013.

### Halilağa

- A subsidiary of Teck Resources Limited ("Teck"), our partner at Halilağa, has expressed commitment to advance, and continue to maximize the potential value of, Halilağa. In 2013 we plan to continue strategic studies including economic, metallurgical, hydrological, environmental and engineering analysis to validate the conceptual economics and potential of this porphyry project.

## OVERALL PERFORMANCE

### *Material exploration and development projects*

With the exception of Halilaža, the Company's material exploration projects and those in which we have an interest are early stage and do not contain any mineral resource estimates as defined by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The potential quantities and grades disclosed herein relating to targets at TV Tower and Kinsley are conceptual in nature and there has been insufficient exploration to define a mineral resource for the targets disclosed in this MD&A. It is uncertain if further exploration will result in these targets being delineated as a mineral resource.

Actual expenditures to the end of Q1 2013 and the 2013 budgeted cash exploration and development expenditures for our material property interests are summarized in the following table:

Project	Minerals	Our share (in \$ '000s) of:		Pilot Gold ownership
		Actual expenditures during Q1 2013	Budgeted expenditures for 2013	
TV Tower	gold, silver, copper	2,438	7,922	40% <sup>(1)</sup>
Kinsley	gold	171	3,388	65% <sup>(2)</sup>
Halilaža	copper, gold, molybdenum	41	241	40% <sup>(3)</sup>
<b>Total</b>		<b>2,650</b>	<b>11,551</b>	

- (1) Pilot Gold is currently working to increase its ownership interest at TV Tower to 60% (from 40%) in accordance with an option agreement. The initial \$5 million minimum expenditure requirement was surpassed in January 2013 and approved in March 2013. The Company is responsible for 100% of expenditures at TV Tower in 2013.
- (2) The Company's interest in Kinsley increased from 51% to 65%, pursuant to having notified Nevada Sunrise Gold Corporation ("NEV") on February 8, 2013 that we had met the \$3 million earn-in expenditure requirement. The total budget for Kinsley for 2013 is \$5.21 million, of which Pilot Gold's (65%) share is \$3.39 million.
- (3) Amounts budgeted for 2013 for Halilaža include Pilot Gold's share for activities such as joint venture monitoring, attending joint venture meetings and legal expenses as well as an estimate of the Company's share of joint venture expenditures as undertaken by Teck. During the first quarter of 2013, Teck advised the Company of a revised total budget for 2013 of \$0.604 million, of which Pilot Gold's share is \$0.241 million (an increase from the \$0.233 million amount previously reported).

Additional information about each of our material projects is also summarized in our AIF, and can be viewed at SEDAR at [www.sedar.com](http://www.sedar.com).

We have no revenue-producing operations. Our 2013 global budget – inclusive of exploration, development, capital and general and administrative costs – calls for expenditures by Pilot Gold of approximately \$18.5 million, which represents less than half the aggregate of our current cash, short term deposits, receivables and investment balances. Given our strong liquidity position, we do not anticipate any problems in funding our budgeted expenditures.

### ***TV Tower (40% owner and operator)***

The TV Tower project ("TV Tower") is an extensive, target-rich, epithermal gold-silver property in northwestern Turkey comprising approximately 7,109 hectares of mineral tenure in eight contiguous licences and located close to established infrastructure. Drilling to date has returned high-grade gold, silver and copper drilling intervals, including 227 grams per tonne gold (g/t Au) over 12.0 metres in KCD-50.

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 Teck Madencilik Sanayi Ticaret A.Ş. ("TMST"), an indirect subsidiary of Teck.

On June 20, 2012, we became Operator of, and secured a right to acquire an additional 20% interest (to an aggregate of 60%) in, Orta Truva, and thus indirectly, a further 20% of TV Tower (the "TV Tower Earn-in") pursuant to a joint venture and earn-in agreement (the "TV Tower Agreement"). Pilot Gold's current interest in Orta Truva will remain unchanged at 40% until we complete the earn-in requirements. Upon satisfaction of the TV Tower Earn-in we will remain Operator so long as we remain the majority owner.

To acquire the additional 20% interest, Pilot Gold must incur \$21 million in eligible exploration expenditures ("Eligible Expenditures", as that term is defined in the TV Tower Agreement) over three years (the "TV Tower Expenditure Requirement"), with a minimum expenditure of \$5 million in the first year (completed), \$7 million in the second year (underway), and \$9 million in the third year. The Company must also issue Pilot Gold common shares ("Common Shares") to TMST upon attainment of certain milestones, and may be required to make a one-time cash payment to TMST upon completion of the TV Tower Expenditure Requirement (the "Additional Consideration") depending upon the size of the then delineated gold resource outlined by a NI 43-101 technical report. For further detail on the TV Tower Agreement refer to the Company's AIF.

On March 18, 2013, the Company notified Teck that we had completed the \$5-million first year minimum committed expenditure amount in January 2013. We issued 1,637,500 Common Shares to TMST in connection with accomplishing this first milestone on March 19, 2013. Through successful execution on our 2013 Budget, we will surpass the second year expenditure commitment.

In February 2013, we completed the first year drill program at TV Tower since becoming operator. This first year program included 14,440 metres of exploration diamond core drilling, comprising 70 diamond drill holes focused on the KCD target. Our first-year exploration program also included property-wide airborne geophysics, surface mapping, regional prospecting and extensive soil and rock geochemical sampling. Drilling in this first program returned some of the highest-grade gold, silver and copper drill intercepts ever reported in northwestern Turkey.

We briefly paused drilling through February and March 2013 to avoid inclement weather conditions, allow our exploration team to properly assess results and data received to date, and to plan the 2013 program. Drilling has recommenced on TV Tower with three drills currently operating on the property in a program designed to infill and expand the gold-silver-copper mineralized footprint recognized in drilling to date.

From January 1, 2013 to March 31, 2013, we incurred \$2.44 million in Eligible Expenditures at TV Tower (year ended December 31, 2012: \$4.77 million). We are on track to achieve our 2013 budget of \$7.92 million at TV Tower and have completed approximately 6,500 metres of the 2013 drill program to the date of this MD&A.

Further information relating to TV Tower is available in the technical report entitled: "*Updated Technical Report on the TV Tower Exploration Property*" dated August 3, 2012, and effective July 15, 2013 prepared by Paul Gribble of Tetra Tech WEI Inc., available under Pilot Gold's issuer profile at SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Kinsley (65% owner and operator)***

Kinsley Mountain ("Kinsley") is a sediment-hosted gold property along the Long Canyon Trend with a stratigraphy, structure and mineralization-style common to other sediment-hosted gold systems in northeast Nevada. The Kinsley property consists of 380 claims comprising 3,096 hectares, and hosts a past-producing mine with numerous untested sediment-hosted exploration targets, including several on claims staked by Pilot Gold in 2012.

We acquired an earn-in option to Kinsley in 2011, and in May 2012 completed our expenditure commitment to earn an initial 51% interest. We immediately elected to continue working toward an earn-in to an additional 14% (in aggregate a 65%) interest, which was completed in February 2013. Intor Resources Corporation ("Intor"), a subsidiary of NEV, holds the remaining 35% interest and may be subject to dilution should it fail to fund its share of programs going forward.

The Company's exploration program has begun to demonstrate the size potential and grade potential of Kinsley. In 2012 approximately 11,870 metres of infill and step-out core and RC drilling demonstrated mineralization extending over an existing, 2.2 kilometre long northwest trend cut by north-northeast trending, higher-grade corridors of unknown extent.

New mineralized zones were also intersected in drilling in Candland Canyon, east of the historic mine complex, and in the Western Flank area to the northwest of the mine, which has been expanded to cover an area 600 metres by 100 metres. In conjunction with drilling, comprehensive regional soil and rock sampling and an extensive geochemistry and geological mapping effort was completed to identify new targets areas to the north and southeast of the existing pits in largely unexplored areas. This effort identified jasperoid samples with highly anomalous pathfinder element geochemistry extending the entire length of the range, a distance of over seven kilometres to the north of the historic mine.

Drill highlights from 2012 include:

- 5.48 g/t Au over 20.4 metres, including 16.43 g/t Au over 5.5 metres in hole PK014C;
- 2.30 g/t Au over 19.8 metres in hole PK057, 50 metres northwest of the nearest historic pit;
- 6.03 g/t Au over 13.7 metres in hole PK061, including 15.18 g/t Au over 4.6 metres, on the west side of Kinsley Mountain; and
- 9.5 g/t Au over 4.6 metres in hole PK067, including 20.5 g/t Au over 1.5 metres.

The Company has submitted an application to the United States Interior Department's Bureau of Land Management (the "BLM") for a Plan of Operations ("PoO") that will allow for expanded exploration activities in the southern third of the property beyond the previously disturbed areas. The Company anticipates receiving an approved PoO in July 2013. Until this permit is approved, the Company's drilling activities will be limited to the area under a BLM Notice of Intent that authorizes five acres of disturbance on the property. We continue to complete target generation and data analysis activities as we prepare for the next phase of exploration on the property.

Through March 31, 2013 we had capitalized \$0.20 million in expenditures at Kinsley (year ended December 31, 2012, \$3.67 million). Subsequent to period end we recovered \$0.21 million from NEV pursuant to a cash call we made to NEV for its 35% share of costs at Kinsley between January 1, 2013 and June 30, 2013. The majority of expenditures at Kinsley in 2013 will occur in the second half of the year. The budget for 2013 of \$5.21 million, of which Pilot Gold's share (65%) is \$3.39 million.

Further information relating to Kinsley is available in the technical reports entitled: "*Technical Report on the Kinsley Project, Elko County, Nevada, U.S.A.*", dated March 26, 2012, effective February 15, 2012 prepared by Michael M. Gustin, CPG, Moira Smith, Ph.D., P.Geol., and Kent Samuelson; available on SEDAR under Pilot Gold's issuer profile at SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Halilağa (40% owner, and non-operator)***

Halilağa is a copper-gold porphyry ("Halilağa") located 20 kilometres southeast of TV Tower, with a preliminary economic assessment (the "Halilağa PEA") illustrating within the very preliminary parameters of a PEA that conceptually, Halilağa may support a straightforward open pit mine utilizing conventional milling and flotation for recovery of copper and gold.

Although preliminary in nature and derived from broad, factored assumptions, management believes that Halilağa is a compelling development project and demonstrates the potential:

- (i) economic benefits of the higher grades of copper and gold at surface, and
- (ii) benefit of available and proximate infrastructure for mine development.

In 2013, the Company and project operator, TMST, expect to continue advancing Halilağa through strategic studies, including economic, metallurgical, hydrological, environmental and engineering analysis to validate the conceptual economics of the Halilağa PEA and enhance the potential of this porphyry project. Specifically it is anticipated that studies will include:

- Analysis and application of availability tax rate and investment incentives.
- Metallurgical test work to define processing parameters.
- Process and recovery optimization studies.
- Validation of operating expenditure ("OPEX") estimates and capital cost ("CAPEX") estimates used in the Halilağa PEA.
- Review of processes to optimize gold recoveries.
- Review and follow-up of recommendations presented by the authors of the Halilağa PEA.

Community and public relations activities are expected to continue throughout 2013.

From January 1, 2013 to March 31, 2013, our share of expenditures at Halilağa was \$0.04 million (year ended December 31, 2012: \$1.63 million). Expenditures incurred relate largely to costs associated with the metallurgical and cost validation studies underway.

For further details on the Halilağa PEA, refer to the Company's AIF, and the NI 43-101 technical report, entitled "*Preliminary Economic Assessment Technical Report for the Halilağa 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; Kevin Scott, P.Eng of Ausenco Solutions Canada Inc; Garth Kirkham, P.Geo. of Kirkham Geosystems Ltd.; and James Gray, P.Geo. of Advantage Geoservices Ltd. A copy of the Halilağa PEA is available on Pilot Gold's website at [www.pilotgold.com](http://www.pilotgold.com) and under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Company's interest in Halilağa is held through a 40% shareholding in Truva Bakır Maden İşletmeleri Anonim Şirketi ("Truva Bakır"). TMST is our partner and holds the remaining 60% of this Turkish entity.

#### *Halilağa Permitting Update*

In 2012, as part of its application to renew and advance certain exploration licenses that comprise Halilağa, Truva Bakır was awarded an approved Environmental Impact Assessment ("EIA") report from the Ministry of Environment and Urbanism in Turkey (the "Ministry"), the governmental department responsible for approving such reports.

As detailed in our Management's Discussion and Analysis for the year ended December 31, 2012 (the "Annual MD&A"), Truva Bakır was subsequently 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 "EIA Challenge"). 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.

There has been no further update to the EIA Challenge, or its proceeding in the Court. Pilot Gold believes the petition is without merit, and even if successful and the EIA is annulled, the ability to continue planned 2013 exploration activities at Halilağa will be unaffected.

Further detail relating to the EIA process, and related risks is described in our AIF, and in the Halilağa PEA filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Other property interests*

#### *Regent*

The Company announced on January 10, 2013 that it had signed and closed a definitive purchase agreement (the "Regent Agreement") to sell 100% of the Regent exploration property to Rawhide Mining LLC ("RMC") for \$3 million in cash. The initial \$2 million cash payment was received on closing, and the remaining \$1 million cash payment is receivable by July 8, 2013.

Pursuant to the Regent Agreement, Pilot Gold will retain a net profits royalty of 15% (the "Regent NPR") on Regent and is entitled to a sliding scale gold equivalent bonus payment (the "Regent Gold Bonus") as detailed below, each of which is payable in certain circumstances after RMC has achieved production at Regent.

The Regent NPR is calculated on net profits from Regent, after RMC recovers \$3 million in upfront cash payments to Pilot Gold and its development costs to take Regent to production. The Regent Gold Bonus is payable to Pilot Gold for any gold-equivalent ounces from Regent placed on the RMC leach pad in excess of 115,000 ounces based on the following:

<b>Gold price/oz.</b>	<b>Gold Bonus payable/oz.</b>
\$1,800 or more	\$29.050
\$1,700 to \$1,800	\$23.275
\$1,600 to \$1,700	\$17.500
\$1,500 to \$1,600	\$11.550
\$1,400 to \$1,500	\$ 5.775
Less than \$1,400	\$ -nil

There are no NI 43-101 compliant resources or reserves at Regent. There is no certainty that any amount relating to the NPI or Regent Gold Bonus will be realized. Accordingly, the Company has not recorded an asset relating to the NPI, or the Regent Gold Bonus.

#### *Portfolio*

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
- an earn-in option to the Griffon property, a past-producing sediment-hosted gold system on the southern extension of the Cortez Trend underlain by similar host rocks as Kinsley.

The aggregate budget for 2013 on these two properties is \$0.66 million. Total cash expenditures made in the three months ended March 31, 2013 at Gold Bug and Griffon was \$0.06 million.

With no effect on continuing operations, the Company determined during the three months ended March 31, 2013 to write-down the value of its to Buckskin North property further to a determination that it no longer met the profile to continued retention in our portfolio. There were no indicators of impairment on the Company's other assets.

The Company anticipates that although each of the other portfolio properties warrant continued exploration, only holding costs will be incurred in 2013.

Additional information about our pipeline projects is summarized in our AIF, filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## SELECTED FINANCIAL INFORMATION

Management is responsible for the consolidated financial statements referred to in this MD&A, and provides officers' disclosure certifications filed with Canadian provincial securities commissions. The Audit Committee of the Company's Board of Directors (the "Board") reviews and approves the Interim Financial Statements and MD&A.

The condensed interim consolidated financial information for the three months ended March 31, 2013 has been prepared in accordance with IAS 34, *Interim financial reporting*. The condensed consolidated interim financial information should be read in conjunction with Pilot Gold's audited consolidated financial statements for the year ended December 31, 2012 (the "Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Our significant accounting policies are presented in Note 3 of Annual Financial Statements. Details of new accounting standards effective the reporting period beginning January 1, 2013 and their effect on the financial information can be found in Note 3 of the Interim Financial Statements. No material changes were noted. We have elected to defer all exploration and evaluation costs relating to our mineral exploration property interests.

The financial data presented below for the current and comparative periods was prepared in accordance with IFRS. Because Pilot Gold Inc., parent company to the group, raises its financing and incurs head office expenses in Canadian dollars, it has been determined to have a Canadian dollar functional currency. In order to enhance comparability with our peers and as a better representation of the principal currency used by the mining and mineral exploration industry, the presentation currency of our Interim Financial Statements is United States dollars.

The Company's operations are in one industry – the exploration for gold, copper and other precious and base metals. At March 31, 2013, 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.

The selected period information and summary of financial results in this MD&A should be read in conjunction with the Interim Financial Statements.

### Results of Operations

The following financial data (in millions, except per share data) are derived from our financial statements for the three month periods ended March 31, 2013, and 2012:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Total revenues	\$-nil	\$-nil
Net loss for the quarter	\$2.51	\$ 1.46
Basic loss per share	\$0.03	\$0.02
Diluted loss per share	\$0.03	\$0.02

### *Quarter Ended March 31, 2013 vs. Quarter Ended March 31, 2012*

The most significant contributors to the loss for the three months ended March 31, 2013, were non-cash stock-based compensation expenses of \$1.11 million (2012: \$0.52 million), the cost of wages and benefits of \$0.49 million (2012: \$0.46 million), and office and general expenses of \$0.39 million (2012: \$0.38 million). Expenses for the three months ended March 31, 2013 were offset by income resultant from management fees arising from our qualifying expenditures on the TV Tower project of \$0.11 million (2012: \$nil).

Where practical, the Company began to actively reduce costs relating to general and administrative activities as well as other non-property related activities during the quarter ended March 31, 2013, in an effort to direct capital to activities at TV Tower and Kinsley.

### *Stock-based compensation*

Stock based compensation expense, arising from the vesting of granted employee stock options, totaled \$1.11 million for the first quarter of 2013, as compared to \$0.52 million for the same period in 2012. This total does not include amounts recorded as part of property investigation expense (\$0.01 million), or capitalized to mineral properties (\$0.03 million). The expense is higher in the current period as compared to 2012 as a reflection of a Company-wide grant of stock options to purchase Common Shares ("Options") in January 2013. 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. It is expected that Options will typically be granted once each year, resulting in a higher stock based compensation expense in the particular quarter of the grant, as opposed to those other quarters of the year.

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 the 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.

### *Wages and benefits*

In the three months ended March 31, 2013, Pilot Gold recorded \$0.49 million (March 31, 2012: \$0.46 million) to wages and benefits expense. The balance of wages and benefits has increased when compared to the prior year, reflecting salary increases to our employees and the allocated cost of personnel providing services to the Company pursuant to the management services agreement with Oxygen Capital Corp. ("Oxygen"). The expense through March 31, 2013 is generally consistent with the amount budgeted for wages and benefits for the quarter not attributable to deferred exploration (\$0.42 million) and includes compensation expenses invoiced by Oxygen Capital Corp. ("Oxygen") in accordance with a management services agreement.

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 three months ended March 31, 2013, we capitalized \$0.10 million (March 31, 2012: \$0.21 million) in wages and benefits to our property interests and \$0.01 to property investigation (March 31, 2012: \$0.11 million).

### *Office and general*

There was little change in office and general expenditures during the three months ended March 31, 2013 as compared to the same period ended March 31, 2012. In the three months ended March 31, 2013, office and general expenditures reflecting activities at our offices in Canada, the United States and Turkey, amounted to \$0.39 million (March 31, 2012: \$0.38 million). Expenditures in the current period include allocated costs from Oxygen (beginning August 1, 2012) and reflect an increase overall to the Company's level of activity and office needs further to having assumed the role of Operator at TV Tower, and in having earned in to a 65% interest at Kinsley.

### *Investor relations, promotion and advertising*

Costs associated with investor relations, promotion and advertising activities during the three months ended March 31, 2013 were 9.4% lower than in the comparative period primarily reflecting the timing of investor relations activities, and the absence in 2013 of costs associated with the rebranding and website re-launch that occurred in 2012.

### *Property investigation*

Property investigation related expenditures are expensed until a new project is acquired or the rights to explore the property have been established. Property investigation costs, which include the costs of due diligence and exploration of projects under investigation for acquisition, decreased by 93.4% to \$0.02 million in the first quarter of 2013 compared to \$0.37 million in 2012. Project investigation and generative exploration are a core part of our business and growth strategy and we remain active in identifying projects that will enhance our growth pipeline, including identifying producing or near term producing assets for acquisition. However, the completion of the TV Tower Agreement, effective June 20, 2012, and the earn-in to 65% at Kinsley provided us with the opportunity to shift our focus to our existing projects, reducing the cost attributable to property investigation.

### *Write-down of mineral property interest*

During the three months ended March 31, 2013, the Company wrote down the value of deferred exploration expenditures relating to the Buckskin North property further to a review and prioritisation of the Company's portfolio of mineral property assets. Buckskin North had previously been classified as an asset held for sale on our statement of financial position. During the comparative three month period, management wrote off the deferred costs related to the acquisition of, and subsequent expenditures on, an option to acquire a 51% interest in up to two exploration properties in Peru owned by Rae-Wallace Mining Company ("Rae-Wallace"). There were no indicators of impairment on the Company's other assets at March 31, 2013.

### *Change in fair value of financial instruments*

The balance of our derivative financial instruments includes 1,000,000 share purchase warrants of Rae-Wallace ("RW Warrants") and 3,125,000 NEV Share purchase warrants ("NEV Warrants"). During the year ended December 31, 2012, the impairment of our available-for-sale financial assets consisting of 6,250,00 shares in NEV and 3,895,100 shares in Rae-Wallace, led to all further losses to be recognised in the statement of income rather than other comprehensive income.

Changes to the fair value of our derivative and impaired available-for-sale 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 the RW Warrants, the estimate of fair value has been determined by looking at the volatility of comparable corporations listed on a recognized exchange. The fair value of our impaired available-for-sale financial instruments is determined through their quoted price on the exchanges on which they are listed.

### *Management fees*

During the three months ended March 31, 2013, the Company received a total of \$0.11 million (March 31, 2012: nil) in management fees primarily as a result of a service agreement between the Company and Orta Truva. These fees relate mainly to the mark-up on Eligible Expenditures on TV Tower as per the terms of the agreement.

### *Finance income*

Finance income during the three months ended March 31, 2013 of \$0.12 million is significantly higher than that of the comparative period of the three months ended March 31, 2012 of \$0.06 million due to a higher balance in the cash and short term investments held during the current period.

### *Other comprehensive loss*

The net balance of other comprehensive loss for the three months ended March 31, 2013 was \$1.07 million (March 31, 2012: gain of \$0.32 million) and arises from the impact of exchange gains and losses from the exchange differences on the translation of our foreign operation with a non-United States dollar functional currency. The impact from exchange differences will vary from period to period depending on the rate of exchange. In the period between January 1, 2013 and March 31, 2013, there was a 2.9% change in the exchange rate between the United States and Canadian dollars.

## **Financial Position**

The following financial data are derived from our financial statements for the three month period ended March 31, 2013, and the year ended December 31, 2012:

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Total assets	\$73.51 million	\$72.39 million
Long-term liabilities	\$0.04 million	\$0.04 million
Cash dividends declared	\$nil	\$nil

### *Total Assets*

Total assets have increased since December 31, 2012, by \$1.12 million to \$73.51 million, reflecting the issuance of Common Shares valued at \$2.95 million pursuant to the TV Tower Agreement, and capitalised to the Earn-in Asset, net of a decrease in cash and short-term investments further to incurring office related costs such as general and administrative, investor relations, legal and other professional fees through the period. Notwithstanding periodic or one-time transactions, and any changes to the value of our investment holdings, total assets will generally remain constant from one period to the next, less the cost of expenditures on activities not eligible for capitalization.

The Company manages a portfolio of securities of publicly traded entities. The market value of our portfolio of investment holdings is subject to fluctuation from one period to another dependent upon market prices and trading activities of those entities.

During the first quarter of 2013 we declined to participate in the proposed exploration program at the Gold Springs project led by High Desert Gold Corporation ("High Desert"). Gold Springs is held by Gold Springs LLC, a Nevada partnership entity. The result of this decision was a dilution from the previous 29% interest to a 17% interest, and in accordance with IFRS, the de-recognition of our investment as an associate, and a revaluation of our reduced interest as an investment. At March 31, 2013, the total value of our investment holdings was approximately \$0.56 million more than the balance at December 31, 2012.

As the Company earns-in to an increased interest in Orta Truva (and therefore TV Tower), 40% of Eligible Expenditures are capitalized to the value of the Company's interest in Orta Truva, and 60% of Eligible Expenditures are deferred to the "Earn-in Option" intangible asset. The bifurcation of the expenditure in each period permits the Company to fund 100% of activity at TV Tower while maintaining our proportionate interest in Orta Truva until such time as the earn-in has been completed. The majority of Eligible Expenditures are incurred by our wholly owned Turkish subsidiary in accordance with a technical services agreement. Our subsidiary invoices Orta Truva for services performed, and we fund Orta Truva through capital advances, such that it can settle the amount due. At March 31, 2013, \$4.93 million was due from Orta Truva pursuant to invoices issued prior to period end relating to the Company's activities at TV Tower; \$3.91 million of amounts due were received as at the date of the MD&A. Summary financial information of Orta Truva and Truva Bakir and a reconciliation of the Earn-in option to Orta Truva and our investment in Truva Bakir are provided in the Interim Financial Statements at notes 9 and 10.

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 each of March 31, 2013, and 2012, 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.

### *Shareholders' equity*

The Company issued an aggregate of 1,637,500 Common Shares to Teck on March 19, 2013 pursuant to the TV Tower Agreement.

The weighted average fair value of Options granted during the period determined using Black-Scholes was C\$1.34 per option. The weighted average significant inputs into the model were share price of C\$2.13 at the

grant date, exercise price C\$2.12, volatility of 78%, dividend yield of 0%, an expected Option life of 5 years and an annual risk-free interest rate of 1.5%. A 2.77% forfeiture rate is applied to the Option expense.

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

## SUMMARY OF QUARTERLY RESULTS

The following information (in thousands of \$, except per share amounts) is prepared in accordance with IFRS and is derived from and should be read in conjunction with, our unaudited condensed interim consolidated financial statements for each of the past eight quarters, as well as the Interim Financial Statements. Consistent with the preparation and presentation in our Interim Financial Statements, these unaudited quarterly results are presented in United States dollars. The determination of functional currency for the Company and each of its subsidiaries and associates is unchanged from that which is consolidated in the Interim Financial Statements.

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

	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012	Mar 31 2012	Dec 31 2011	Sept 30 2011	Jun 30 2011
<b>Continuing operations</b>								
Loss for the period before discontinued operations after tax	(2,510)	(3,361)	(1,814)	(1,383)	(1,461)	(2,099)	(2,058)	(7,270)
<b>Other comprehensive income</b>								
Exchange differences on translating foreign operations	(1,084)	(121)	809	(464)	469	556	(2,373)	273
Net value gain (loss) on financial assets	13	917	(322)	(516)	(146)	(2)	(49)	(214)
<b>Loss per share from continuing operations</b>								
Basic and diluted	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)	(0.04)	(0.03)	(0.14)

In the quarter ended March 31, 2013, loss from operations was \$2.47 million with a further \$0.39 million in losses recognized on our derivative and impaired available-for-sale financial instruments. These losses were offset by \$0.12 million in interest income and \$0.11 million in management fees earned pursuant to the TV Tower Agreement. 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 quarter ended December 31, 2012, our loss from operations of \$3.06 million includes \$0.98 million for the write down of the Regent property to net realisable value and \$0.63 million relating to 2012 bonuses to employees and service providers paid in 2013. An additional \$0.73 million in losses recognized on impairment of certain of available-for-sale investments previously recognised in other comprehensive income was offset by \$0.38 million in management fees received on Eligible Expenditures on the TV Tower project.

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. This was offset by the reversal of the write down of the balance of Value Added Tax receivable previously recorded by our Turkish subsidiary of \$0.31 million.

In the three month period ended June 30, 2012, our loss from operations of \$1.33 million includes the reversal of the write-down of a property option relating to mineral property rights in Peru (the "RW Option") held at the time by Rae-Wallace. This was offset by 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 net loss from operations of \$2.36 million includes the write-down of the RW Option for \$0.17 million and 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 derivative financial instruments and the gain on recognition of shares we acquired in NEV.

The net loss for the three month period ended December 31, 2011 reflects a similar loss as recorded in the previous three month period of \$2.13 million, and similar cash outflows from operating activities of \$1.34 million. A loss of \$0.56 million on translation of our foreign operations due to the appreciation of the Canadian dollar relative to the US dollar is included in other comprehensive loss for the period.

In the three month period ended September 30, 2011 operating losses were \$2.30 million. Additional losses include a \$0.29 million write down for a VAT receivable in Turkey offset by \$0.14 million in foreign exchange gains. Cash outflows from operating activities were \$3.13 million.

In the three month period ended June 30, 2011 our operating losses of \$6.89 million 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. Cash outflows from operating activities were \$1.38 million. During the three month period ended June 30, 2011, we also closed the 2011 Bought-Deal, impacting our cash flows from financing activity in that period of \$35.02 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

Pursuant to the closing of three related and concurrent financings (the "2012 Bought-Deal", the "Newmont Subscription" and the "Teck Subscription", together, the "Offering", each as defined and described in the Annual MD&A), receipt of partial consideration from the sale of the Regent property, and the balance of existing treasury, as at the date of this MD&A, the Company has approximately \$34.25 million available in cash and short-term investments. With no debt, the Company's working capital balance as at this date of this MD&A is approximately \$34.00 million. The value of the Company's equity investments for which a market price per share is available is \$0.73 million.

Pilot Gold manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties.

Although we have no revenue-producing operations, and earn only minimal income through management fees, investment income on treasury, amounts arising through various property option agreements and occasionally as a result of the disposal of an exploration asset, the closing of the Offering in November 2012 positions the Company to advance our material properties without the need to raise additional capital in the medium-term. On an ongoing basis, management evaluates and adjusts its planned level of activities, including planned exploration, development, permitting activities, and committed 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 global budget, including exploration and administration for 2013, is \$18.52 million. We anticipate spending \$7.92 million at TV Tower, \$3.39 million at Kinsley, \$0.24 million at Halilađa, and approximately \$1.50 million on other exploration activities. General and administrative costs of \$5.30 million include salaries, professional fees and those costs associated with running the Company's offices in Vancouver, Nevada and Turkey as well as for investment in capital equipment and review of new opportunities. 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.

For a summary of the planned use of proceeds detailed in the Company's (final) short form prospectus dated October 25, 2012 (the "Prospectus"), see our Annual MD&A. Our approved budget for 2013 as described in this MD&A is in line with the summary in the Annual MD&A. Expenditures relating to our material properties to date have also been in line with the anticipated use of proceeds from the Offering.

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 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.

## ***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.

Although most of these are not firm commitments, with such obligations being eliminated should we choose to no longer invest funds exploring the property, we have certain obligations relating to TV Tower and Gold Bug:

TV Tower: The second-year (\$7 million) and third-year (\$9 million) TV Tower Expenditure Requirements are not commitments in that the obligation would be eliminated should we choose to no longer invest funds exploring the property. A shortfall, should one occur in making the \$7 million of Expenditures prior to the second anniversary of the TV Tower Agreement, can be rolled into the third year Expenditure requirement to maintain the TV Tower earn-in in good standing. We must issue 1,637,500 Common Shares to TMST upon incurring the \$7 million of Expenditures requirement, generally expected to be prior to December 31, 2013. It is not possible to estimate the obligation that might arise relating to the value of the Additional Consideration. Accordingly, no amount has 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 \$0.12 million at the date of this MD&A.

Pilot Gold had no other commitments for material capital expenditures as of March 31, 2013.

### *Leases*

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years. Each lease is renewable at the end of the lease period at market rates. Office premises and other operating leases in Canada are provided by Oxygen and included in the amount invoiced to the Company monthly. Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations that had been executed or incurred by Oxygen in connection with or related to the services provided to the Company by Oxygen. These amounts are included in the table below. The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the three months ended March 31, 2013 is \$65,340.

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

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

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

## RELATED PARTY TRANSACTIONS

### *Oxygen Capital Corporation*

Oxygen is a private company owned by three directors of the Company. Oxygen provides services to the Company at cost including staffing, office rental and other administrative functions. Related party transactions during the period total \$0.49 million in expenditures and \$0.05 million in deferred exploration expenditures relating to mineral properties, reflected in the Company's Interim Financial Statements. As at March 31, 2013, the Company held a receivable and payable from and to Oxygen of \$0.01 million and \$0.11 million respectively. These amounts were settled during April 2013.

The Company also has a deposit of \$0.26 million with Oxygen to be used against the final three months of service with that company upon termination of the Oxygen Agreement. Oxygen does not charge a management fee or mark-up on cost of its services.

### *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:

	Quarter ended March 31, 2012	Quarter ended March 31, 2012
Salaries and other short-term employee benefits	\$0.48 million	\$0.27 million
Share-based payments	\$0.81 million	\$0.41 million
<b>Total</b>	<b>\$1.29 million</b>	<b>\$0.68 million</b>

### *Associates*

The Company's associates are also related parties. The following amounts show cash paid directly to our associates in the three months ended March 31, 2013 and 2012:

	2013	Three months ended March 31, 2012
Truva Bakır	\$2.00 million	\$0.22 million
Orta Truva	\$0.07 million	\$0.25 million
Gold Springs	-	-
<b>Total</b>	<b>\$2.07 million</b>	<b>\$0.47 million</b>

As at March 31, 2013, we had total outstanding receivables from Orta Truva of \$4.93 million (December 31, 2012: \$4.25 million). A \$0.01 million receivable was outstanding from Truva Bakır at March 31, 2013 (December 31, 2012: \$0.01 million).

During the three months ended March 31, 2013, we declined to participate in the proposed exploration program at the Gold Springs project led by High Desert, diluting our interest in that project to 17%. Gold Springs ceased to be a related party at that time.

## OFF BALANCE SHEET ARRANGEMENTS

Other than the commitments described in this MD&A relating to the TV Tower Earn-in and the Gold Bug property, neither of which qualify as an obligation in accordance with IFRS, the Company has no off-balance sheet arrangements.

### *Indemnifications*

#### *Newmont Mining Corporation*

As described in our AIF, Pilot Gold ceased to be a wholly owned subsidiary of Fronteer Gold Inc. ("Fronteer") on April 6, 2011, pursuant to an arrangement agreement ("Arrangement Agreement") between Newmont Mining Corporation ("Newmont"), Fronteer and Pilot Gold, 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 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) for a period of six years following the effective date of the Fronteer Arrangement.

#### *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 to indemnifications between each of the shareholders of Orta Truva, and between Orta Truva and the respective shareholders.

#### *Oxygen Capital Corporation*

Upon termination of the Oxygen Agreement, Pilot Gold is required to indemnify Oxygen for costs associated with those agreements or obligations which had been executed or incurred by Oxygen in connection with or related to the services provided to the Company by Oxygen. The associated commitment, relating to the discharge of such agreements and obligations, is included in the summary of contractual obligations in this MD&A.

## INDUSTRY AND ECONOMIC FACTORS THAT MAY AFFECT OUR BUSINESS

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are substantially unchanged from those described under the heading "*Risk Factors*" in our AIF, available on Pilot Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com). In particular, there remain significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development. There are also significant uncertainties regarding the price of gold, copper, other precious and base metals and other minerals and the availability of equity financing for the purposes of mineral exploration and development. The market price of gold in particular continues to exhibit significant volatility. In recent months, the gold price has dropped markedly.

While the decrease in the price of gold and recent uncertainties in capital markets do not have a direct impact on the Company's ability to carry out exploration, the Company may be impacted should it become more difficult to gain access to capital (e.g. debt or equity financing for the purposes of mineral exploration and development) when and if needed. Difficulty in accessing capital on favourable terms may limit the Company's ability to develop and/or further explore the mineral properties in which we have an interest and may limit our ability to meet capital calls with respect to our associates.

The specific risks noted in our AIF 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.

## CHANGES IN ACCOUNTING POLICES AND NEW ACCOUNTING PRONOUNCEMENTS

For information on the Company's accounting policies and new accounting pronouncements, please refer to our disclosure in our Interim Financial Statements, at Note 5.

## 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 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 carrying value of the Earn-in option, including the fair value of the 3,000,000 Common Share purchase warrants ("Teck Warrants") issued to TMST. 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.

As noted in the Interim Financial Statements, the Company decided to write down the value of deferred exploration expenditures relating to the Buckskin North exploration property, further to a review and prioritisation of the Company's portfolio of mineral property assets.

### *(ii) Provisions for decommissioning and restoration liabilities*

Closure 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, is predictable. As a result there could be significant adjustments to the provision for decommissioning, which would affect future financial results.

As at March 31, 2013, the Company has recorded \$0.04 million, of which \$0.03 million is a current liability, (December 31, 2012: \$0.04 million), relating to restoration provisions.

### *(iii) Determination of the fair value of share-based payments*

The fair value of Options granted and Warrants (including the Teck Warrants) issued 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 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.

## **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 12 months, 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).
- (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. The Board provides 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 short term investments.

#### ***Market Risk***

The significant market risk to which we are exposed is 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 cash calls from our 60% partner on Halilağa, 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 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 Canadian dollars in relation to the United States dollar.

A 1% increase or decrease in the exchange rate of the United States dollar relative to the Canadian dollar, would result in a \$0.3.1 million increase or decrease respectively in the Company's cash and short term investment balance. Our exposure relating to operating activity in Turkey from fluctuations of the Turkish lira remains minimal given the nature, type and currency (USD) of expenditure. A significant strengthening in the value of the Turkish lira compared to the United States dollar could, however, adversely impact the economics associated with Halilağa. 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.

## **OUTSTANDING SHARE DATA**

There are 86,847,833 Common Shares and 14,362,524 Warrants to purchase Common Shares issued and outstanding at the date of this MD&A.

As at March 31, 2013, there were 7,120,000 Options outstanding issued to directors, officers, employees, and key consultants.

Of the total number of Options granted, 3,261,667 are exercisable as at March 31, 2013; and 3,893,334 are exercisable as at the date of this MD&A. No Options have been exercised as of the date of this MD&A.

## **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.

## **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.

With the exception of a proposed acquisition of additional exploration licenses in Turkey, and ongoing reviews of opportunities to expand our property portfolio in the United States, including evaluating the potential for an increase to key property interests in Nevada, there are no proposed asset or business acquisitions or dispositions before the Board 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.

## **SUBSEQUENT EVENTS NOT OTHERWISE DESCRIBED HEREIN**

With the exception of transactions and activities described in this MD&A, there were no other subsequent events.

## **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 material financial information 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 March 31, 2013 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 March 31, 2013, 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 March 31, 2013.

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.

## **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](http://www.sedar.com)

## **APPROVAL**

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](http://www.pilotgold.com).

*(signed) "Matthew Lennox-King"*  
Matthew Lennox-King

*(signed) "John Wenger"*  
John Wenger

President and Chief Executive Officer

Chief Financial Officer and Corporate Secretary

May 13, 2013

## 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](http://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 an independent qualified person as defined in NI 43-101 ("QP"). 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.

Mineral resource estimates 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 at Halilağa may differ from the one indicated by drilling results and the difference may be material. Although there has been no economic analysis summarized in this MD&A relating to the Halilağa PEA, readers are cautioned that the findings of the Halilağa PEA are preliminary in nature and are only intended to provide an initial, high-level review of the Halilağa project. Further studies, including engineering and economics, are required (typically as a Pre-Feasibility Study) with regards to infrastructure and operational methodologies. Moreover, the illustrative mine plan and economic model detailed in the Halilağa PEA 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 NI 43-101 for use in PEAs, as mineral resources that are not mineral reserves do not have demonstrated economic viability and are too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves. Additional disclosure and cautionary notes relating to the Halilağa PEA are summarized in the AIF.

Moira Smith, Ph.D., P.Geo, Pilot Gold Chief Geologist, 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. Dr. Smith 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 for TV Tower through to the effective date of the TV Tower Agreement, all drill samples and analytical data were collected under the supervision of TMST, using industry standard QA-QC protocols. Dr. Smith is responsible for compiling the technical information contained in this MD&A but she 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 projects and TMST has given her no reason to doubt their authenticity. Dr. Smith 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. She is satisfied that TMST is meeting industry standards for all levels of exploration work being carried out on the property.

### ***Cautionary Notes Regarding Forward-Looking Statements***

This MD&A, contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws, which include, but are not limited to, statements or information concerning, future financial or operating performance of Pilot Gold and its business, operations, properties and condition, the future price of gold, silver, copper, molybdenum and other metal prices, the potential quantity and/or grade of minerals, the potential size of a mineralized zone or potential expansion of mineralization, proposed exploration and development of Pilot Gold’s exploration property interests, the timing and amount of estimated future production, costs of production and mine life of the various mineral projects of Pilot Gold, the interpretation and actual results of historical production at certain of our exploration properties, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by our joint venture partners or other third parties, the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration, acquisition and development activities, estimated exploration budgets and timing of expenditures and community relations activities, requirements for additional capital, Pilot Gold’s ability to fully fund cash-calls made by its joint venture partner for ongoing expenditure at Halılađa, timing of receipt of an approved PoO, completion of expenditure obligations under the option and earn-in agreements to which the Company is a party, government regulation of mining operations, environmental risks and reclamation expenses, title disputes, the ability to maintain or convert the underlying licences for Halılađa and TV Tower in accordance with the requirements of applicable mining laws in Turkey; government regulation of exploration and mining operations; environmental risks, including satisfaction of requirements relating to the submissions and successful defence of EIA reports and other claims or existing, pending or threatened litigation or other proceedings, limitations of insurance coverage, future issuances of Common Shares to satisfy earn-in obligations or the acquisition of exploration properties and the timing and possible outcome of regulatory and permitting matters and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of Pilot Gold to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “will”, “projects”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Statements relating to mineral reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral reserves and resources described exist in the quantities predicted or estimated and may be profitably produced in the future. Estimated values of future net revenue do not represent fair market value. There is no certainty that it will be commercially viable to produce any portion of the resources.

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 and 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 to be 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; potential dilution of Common Share voting

power or earnings per share as a result of the exercise of Options, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Company is an exploration and development stage company with no history of pre-tax profit and no income from its operations and there can be no assurance that the Company's operations will be profitable in the future; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental risks and hazards, cave-ins, pitwall failures, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, insurrection or acts of war or terrorism; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization; Pilot Gold's ability to renew existing licences and permits or obtain required licences and permits; changes in government legislation and regulation; fluctuations in commodity prices; requirements for future funding to satisfy contractual obligations and additional capital needs generally; changes or disruptions in market conditions; market price volatility; 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; increased infrastructure and/or operating costs; reclamation costs; the Company has limited operating history and no history of earnings; reliance on a finite number of properties; limits of insurance coverage and uninsurable risk; contests over title to properties; environmental risks and hazards; regulation of State Forest Land in Turkey; limitations on the use of community water sources; the need to obtain and maintain licences and permits and comply with laws and regulations or other regulatory requirements; competitive conditions in mineral exploration and mining business; the ability of the Company to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; influence of third party stakeholders; risks of litigation; the Company's designation as a "passive foreign investment company"; the Company system of internal controls; conflicts of interest; credit and/or liquidity risks; fluctuations in the value of Canadian and United States dollars relative to each other; changes to the Company's dividend policy; the risks involved in the exploration, development and mining business generally; and the factors discussed in the section entitled "*Risk Factors*" in the AIF. Although we have attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

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.

#### ***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.