



**Pilotgold**  
The Science of Discovery®

2014  
ANNUAL REPORT



# Financial Statements

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## Management's Discussion and Analysis

### Year ended December 31, 2014

This Management's Discussion and Analysis, dated as of March 24, 2015, is for the year ended December 31, 2014 (the "MD&A"), and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 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 "Annual Financial Statements"), and other corporate filings, including our Annual Information Form for the year ended December 31, 2014, dated March 24, 2015 (the "AIF"), available under Pilot Gold's company profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## HIGHLIGHTS AND SIGNIFICANT SUBSEQUENT EVENTS

### TV Tower

- Increased our interest in TV Tower to 60% after having satisfied the earn-in requirements.
- Advanced multiple targets and made several discoveries at the +90km<sup>2</sup> TV Tower project, including two gold-copper porphyries: Valley and Columbaz. Highlights from drilling include<sup>1</sup>:
  - Valley: 1.59 grams/tonne ("g/t") gold ("Au") and 0.48% copper ("Cu"), or 2.41 g/t gold-equivalent ("AuEq"), over 130.9 metres in KRD014, including 3.12 g/t Au and 0.85% Cu (4.57 g/t AuEq<sup>2</sup>) over 49.9 m;
  - Hilltop: 0.22 g/t Au and 0.26% Cu, or 0.67 g/t AuEq<sup>2</sup>, over 261.3 m in KRD006, including, 0.54 g/t Au and 0.36% Cu over 57.8 m.
  - Columbaz: 0.60 g/t Au and 0.11% Cu (0.80 g/t AuEq<sup>2</sup>), over 357.7 m in CD008C, including, 8.41 g/t Au over 7.8 m.
- Completed an initial independent resource estimate for the KCD gold-silver-copper deposit at TV Tower.
- Launched a \$7.59 million 2015 exploration program, funded pro-rata by Teck and Pilot Gold.

<sup>1</sup> See press releases dated June 19, 2014, and October 22, 2014 in the case of TV Tower, and December 9, 2014 in the case of Kinsley

### Kinsley

- Reported results of metallurgical testing, illustrating gold recoveries of up to 95% with concentrate grades up to 312 g/t gold at Kinsley's Western Flank, suggesting that sulphide mineralization is amenable to flotation processing and the potential production of a marketable gold concentrate.
- Reported high-grade gold results from the Western Flank target, including: 10.1 g/t gold over 39.6 m in PK186C; 6.19 g/t Au over 45.7 m in PK175CA, and 21.3 g/t Au over 29.0 m in PK 137<sup>2</sup>.
- Received approval to extend the Plan of Operations at Kinsley, allowing an additional 20.5 acres of exploration disturbance on the unexplored northern claims, bringing the total allowable disturbance to 91.97 acres.
- Launched a \$2.0 million 2015 drilling campaign, with a focus on exploration drilling at new targets on the original and recently-permitted northern claims.

### Halilağa

- Released a revised PEA for the Halilağa copper-gold porphyry deposit that demonstrates a \$474 million after-tax NPV7%, provides a 43% after-tax IRR and generates after-tax cash flows of \$802.9 million life of mine. The project, as outlined in the Revised Halilağa PEA, requires \$346 million in pre-production capital expenditures (including a 25%, \$65.4 million contingency); and a payback period (after-tax) of 1.3 years<sup>3</sup>.

### Corporate

- Raised C\$20 million by way of a bought-deal equity financing through a syndicate of underwriters led by National Bank Financial Inc. and Scotiabank (the "2014 Bought-Deal").
- Completed the acquisition of Cadillac Mining Corporation ("Cadillac") and its Goldstrike-Utah project, pursuant to which the Company acquired all of the issued and outstanding shares of Cadillac by way of a court-approved plan of arrangement.
- Completed the year with \$17.8 million in working capital.

<sup>2</sup> AuEq calculated using \$1,200/oz Au and \$3.00/lb Cu and assuming 100% recovery

<sup>3</sup> See NI 43-101 technical report, entitled "Revised Preliminary Economic Assessment Technical Report Halilaga Project, Turkey," effective December 20, 2014

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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 in forward-looking statements.

## OUTLOOK

With a proven technical team and strong treasury, Pilot Gold continues to discover and upgrade high quality projects featuring strong grades, meaningful size and mining-friendly locales. Our cornerstone assets include the:

- past-producing Kinsley Mountain project in Nevada, at which our team has demonstrated a new geologic model pointing to new high-grade zones of mineralization;
- TV Tower project in Turkey, the centre of a highly-prospective district has delivered multiple gold, silver and copper-gold discoveries over the past 4 years, and hosts numerous untested targets; and the nearby,
- Halilağa copper-gold porphyry project, in Turkey at which we have illustrated in an updated preliminary economic analysis (“**PEA**”) that smaller-scale, copper-gold porphyries can be designed to be low capital cost, provide high returns and a rapid payback.

Pilot Gold remains in a strong position with high-quality projects in two jurisdictions and the capital to advance each while global exploration activities continue to be reduced by many companies, and in some cases are altogether curtailed. Despite challenging market conditions, the relatively stagnant gold price, a declining silver price, and the ongoing volatility in the price of copper, our conviction in the importance of executing well-planned,

efficient exploration and development programs designed to advance high-quality projects remains unchanged.

Pilot Gold’s budget for the remainder of 2015 is fully funded. The anticipated focus of our 2015 programs will be as follows.

Through 2015, we expect to complete:

- A 21,000 metre drill program at TV Tower, with a focus on infill and exploration drilling at the project’s porphyry copper-gold and oxidized high sulphidation epithermal gold targets, and on receipt of additional permits, testing new exploration targets on the rest of the property. Underpinned by the Küçükdağ (“**KCD**”) gold-silver deposit in the northern part of the project, the recognition of three porphyry systems to date provides the Company with multiple opportunities to carry out exploration and resource definition drilling. A large area of the property displays extensive epithermal and porphyry-related alteration and remains relatively unexplored. The budget for the 2015 exploration program at TV Tower is \$7.59 million (our share of which is \$4.54 million). The 2015 exploration program is expected to begin early in the second quarter.
- An 11,000 metre drill program at Kinsley focused on testing high-priority targets in the recently permitted Kinsley North area and in the area between the Western Flank zone and the historic pits. The current year program is designed to capitalize on our understanding of the stratigraphy and controls on mineralization, primarily defined by intersections of NW and NNE-trending structures with favourable stratigraphy. Based on results to date, we believe it is very unlikely that the Western Flank is the only high-grade zone and consequently we hope 2015 will be another year of discovery at Kinsley. Drilling at Kinsley resumed on March 8, 2015 with one reverse circulation (“**RC**”) drill rig. The budget for the 2015 exploration program at Kinsley is \$2.0 million (our share of which is \$1.58 million).
- Continued strategic studies at the Halilağa copper-gold porphyry deposit, located 15 kilometres southeast of the Valley and Hilltop porphyry discoveries at TV Tower. As summarized in this MD&A, the 2012 PEA and the Revised Halilağa PEA both demonstrate a flexible project providing rapid payback, high returns, and strong cash flows. Pilot

Gold expects to continue discussing alternatives with Teck Resources Limited (“**Teck**”) and various third-parties a process to unlock the value and potential of this robust development opportunity.

As at the date of this MD&A we have \$14.12 cash, cash equivalents and short term deposits. In absence of an acquisition or other significant initiatives, at the end of 2015 we expect to hold approximately \$8.5 million.

Our reporting currency is the United States dollar (“\$”, or “**USD**”). All dollar figures in this MD&A are expressed in USD unless otherwise stated. As at December 31, 2014, the value of C\$1.00 was \$0.86<sup>4</sup>.

## MATERIAL EXPLORATION AND DEVELOPMENT PROJECTS – OVERALL PERFORMANCE

With the exception of the Kestane copper-gold deposit at Halilağa and the KCD gold-silver deposit at TV Tower: (i) the Company’s exploration projects 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**”); (ii) the potential quantities and grades disclosed in this MD&A are conceptual in nature, and (iii) there has been insufficient exploration to define a mineral resource for the targets disclosed herein. It is uncertain if further exploration will result in these targets being delineated as a mineral resource. Additional information about each of our material projects is also summarized in our AIF and the respective NI 43-101 Technical Reports, each of which can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

Pilot Gold’s share of expenditures to the end of 2014 as compared to our share of the 2014 budgeted cash exploration and development expenditures, and those planned for 2015 on our material property interests are summarized in the following table (in 000s):

PROJECT	MINERALS	Actual cash expenditures for 2014	Budgeted expenditures for 2014 <sup>(1)</sup>	Budgeted expenditures for 2015	Pilot Gold ownership
TV Tower	gold, silver, copper	\$ 4,597	\$ 4,678	\$ 4,553	60% <sup>(1)</sup>
Kinsley	gold	\$ 5,170	\$ 5,109	\$ 2,008	79%
Halilağa	copper, gold, molybdenum	\$ 586	\$ 602	\$ 329	40% <sup>(2)</sup>
<b>TOTAL</b>		<b>\$ 10,353</b>	<b>\$ 10,389</b>	<b>\$ 6,890</b>	

(1) Pilot Gold has increased its beneficial interest at TV Tower to 60% (from 40%) in accordance with an option agreement. Formal conveyance of the incremental 20% interest is in progress as of the date of this MD&A. After having sole-funded the program and budget on the property from 2012-2014, the Company will be responsible for only 60% of expenditures at TV Tower in 2015. TV Tower is held by Orta Truva Madencilik Sanayi ve Ticaret Anonim Şirketi (“**Orta Truva**”) a Turkish Joint Stock Company. Our partner at Orta Truva is Teck Madencilik Sanayi Ticaret A.Ş. (“**TMST**”), a subsidiary of Teck.

(2) Amounts budgeted for 2014 at Halilağa included Pilot Gold’s share for certain economic, metallurgical, hydrological, environmental and engineering analyses undertaken by Truva Bakır Maden İşletmeleri Anonim Şirketi (“**Truva Bakır**”), the Joint Stock Company that owns Halilağa. TMST is the 60% owner of Truva Bakır and operator of Halilağa. Each shareholder of Truva Bakır is also funding its proportionate share of costs associated with the Environmental Impact Assessment (“**EIA**”) matter described in this MD&A.

During the year ended December 31, 2014, we incurred \$16.0 million in cash exploration and administration expenditures (2014 amended annual budget: \$16.20 million). Our treasury is sufficient to satisfy planned expenditures, for 2015 (see discussion under “Liquidity and Capital Resources” in this MD&A).

### TV Tower (60% owner and operator)

The 9,065 hectare (+90 km<sup>2</sup>) TV Tower gold-silver-copper property comprises nine contiguous licences and is located close to established infrastructure in northwestern Turkey. Discoveries to date include: three copper-gold porphyry systems (Hilltop, Valley, and Columbaz), and three epithermal gold systems (KCD, Kayalı and Yumruđağ). Early in 2014 we defined a large silver-gold resource (KCD) on the project.

Our interest in TV Tower is held through a shareholding in Orta Truva, the legal entity that holds title and beneficial interest in the licenses that comprise the property. TMST is our joint venture partner at TV Tower. Pursuant to a joint venture and earn-in agreement (the “**TV Tower Agreement**”), we satisfied the 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**”) on March 12, 2015<sup>5</sup>.

<sup>4</sup> Nominal noon rate as per the Bank of Canada. Canadian dollars herein expressed as “C\$”.

<sup>5</sup> Administrative transfer of the additional 20% is underway as of the date of this MD&A.

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Pilot Gold will remain the project operator of TV Tower so long as we remain the majority owner. To acquire the additional 20% interest, Pilot Gold incurred \$21 million in eligible exploration expenditures (“**Eligible Expenditures**”) over a 3 year period and issued 6,550,000 Common Shares and 3,000,000 Warrants to TMST. There was no additional cash payment due to TMST relating to the Additional Consideration described in the TV Tower Agreement. The completion of the earn-in marks a significant milestone in the evolution of Pilot Gold, formalizing legal control of TV Tower and increasing our interest in the project by 20%. Completion of the TV Tower Earn-in also concludes a period of sole-funding exploration at the project, with each partner now obligated to fund its pro-rata share of future programs. Teck’s participation means we will be able to complete significantly more drilling at a lower cost to the Company than in previous years.

Satisfaction of the TV Tower Earn-in will be accounted for as a consolidation of TV Tower concurrent with the wind-up of the Earn-in Option asset and the value attributed to our former 40% holding in Orta Truva.

Pilot Gold will also begin to recognize a non-controlling interest on its financial statements for the 40% interest held by TMST. The allocation of consideration to the total assets acquired and liabilities assumed has not yet been determined as of the date of this MD&A.

To date, we have identified a contiguous area greater than 50km<sup>2</sup> of epithermal and porphyry-related alteration across this prospective gold-silver-copper district. The principal focus of the Company at TV Tower has been on three areas of the tenure:

### **Kayalı-Karaayı (K2)**

The Karaayı license hosts two confirmed porphyry targets and has become the cornerstone of a growing mineralized district. Karaayı was acquired from, and is held in a trust pending formal registration of transfer, by Batı Anadolu Madencilik Sanayi ve Ticaret A.Ş. (“**Batı Anadolu**”), which was at the time a Turkish subsidiary of Chesser Resources Limited<sup>6</sup>. Consideration paid to acquire Karaayı was treated as an Eligible Expenditure.

Drilling as well as geological mapping and soil and rock sampling, demonstrated the existence of a largely contiguous,

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<sup>6</sup> Batı Anadolu was subsequently acquired by Nurol Holdings A.Ş. (“Nurol”), a Turkish entity. Nurol has since conveyed its interest in Batı Anadolu to a subsidiary, Tümad Madencilik A.Ş. Registration of transfer awaits approval of the Ministry of Energy and Natural Resources.

oxidized epithermal gold system stretching over four km, linking the Kayalı and Karaayı (collectively, “**K2**”) gold targets. Drilling also revealed the presence of a blanket of supergene copper mineralization (up to 300 m wide and 60 m thick) underlying the gold oxide zones, and demonstrated the presence of at least two porphyry systems: Valley Porphyry and Hilltop Porphyry (each on the Karaayı license).

Although additional drilling is required, the long runs of gold and copper mineralization starting at surface noted in drill holes KRD010 and KRD014 are encouraging and yield gold grades superior to typical grades of mineralization in many copper-gold porphyries. We completed 9,158 m of drilling as part of the 2014 program at Karaayı. Preliminary metallurgical flotation testing of material from the Valley Porphyry is underway.

The close proximity of the Valley, Hilltop and Columbaz copper-gold porphyries and the relatively short distance to Halilağa highlight the prospectivity of TV Tower, and lays the foundation for a potentially large copper-gold porphyry district in northwest Turkey. The process leading to discovery of the porphyries led to development of a geochemical and geophysical “fingerprint”, and from it, recognition of several compelling targets for further investigation in 2015.

### **Columbaz**

On October 22, 2014, we announced the Columbaz porphyry discovery at TV Tower, seven km north of the Hilltop and Valley porphyries. Drill results from follow-up drilling were reported in February 2015 with highlights including 0.36 g/t Au and 0.13% Cu over 499.1 m (0.59 g/t AuEq), including 0.48 g/t Au and 0.18% Cu over 234.3 m (0.79 g/t AuEq) in hole CD0012C<sup>7</sup>. We drilled 3,390 m as part of the 2014 program at Columbaz.

### **Küçükdağ (KCD)**

In January 2014, we published an initial independent resource estimate for the KCD gold-silver deposit that delineates an Indicated Mineral Resource of 996,000 AuEq ounces (23.06 Mt at 1.34 g/t AuEq) and an Inferred Mineral Resource of 351,000 AuEq ounces (10.77 Mt at 1.01 g/t AuEq). The initial resource at KCD is based on results from 37,860 m of drilling in 169 drill holes through 2013, with an effective date of November 6, 2013. The resource estimate shows that the deposit is

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<sup>7</sup> See press release dated February 6, 2015

comprised of discrete gold-rich and silver-rich zones. The Silver Zone measures 600 x 600 m at surface and remains open for expansion to the north and northwest.

Metallurgical testing was carried out in 2014 on silver-bearing composites from KCD encompassing (i) flotation of the sulfides to investigate the potential for making a high-grade Ag concentrate, and (ii) oxidative treatment of flotation concentrates to enhance Ag extraction and improve overall Ag recovery. The result of this testing demonstrated that silver recovery from rougher plus scavenger flotation, followed by oxidative treatment, could achieve recoveries of up to 89% under certain conditions.

The initial KCD resource estimate<sup>8</sup> is comprised of:

	Tonnes	Au	Ag	Cu	AuEq	Metal (x10 <sup>3</sup> )		
	(x10 <sup>4</sup> )	(g/t)	(g/t)	(%)	(g/t)	Au(oz)	Ag(oz)	Cu(lb)
<b>Gold Zone</b>								
Indicated	11.62	1.22	8.8	0.23	1.74	456	3,298	59,470
Inferred	1.70	0.85	8.5	0.15	1.23	46	464	5,591
<b>Silver Zone</b>								
Indicated	11.44	0.04	46.7	0.08	0.94	14	17,182	19,388
Inferred	9.08	0.02	52.7	0.05	0.97	6	15,367	9,292
<b>Total</b>								
<b>Indicated</b>	<b>23.06</b>	<b>0.63</b>	<b>27.6</b>	<b>0.16</b>	<b>1.34</b>	<b>470</b>	<b>20,479</b>	<b>78,859</b>
<b>Inferred</b>	<b>10.77</b>	<b>0.15</b>	<b>45.7</b>	<b>0.06</b>	<b>1.01</b>	<b>53</b>	<b>15,831</b>	<b>14,883</b>

<sup>8</sup> See TV Tower Technical Report for details relating to the KCD deposit. The resource estimate was completed by James N. Gray, P. Geo. of Advantage Geoservices Ltd., an Independent Qualified Person as defined by NI 43-101 in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. Quality-control data generated during the various drill programs conducted at KCD were independently verified by SRK, as part of the project review. The resource model consists of a detailed three-dimensional geological model including lithological domains and structural domains derived from 25 m-spaced sections. These, in turn, were used to constrain the interpolation of gold, silver and copper grades. Block grades were estimated by ordinary kriging. Blocks measure 10 x 10 x 5 m. A total of 26,173 individual assay intervals averaging 1.4 m in length were composited into a total of 12,981 composite intervals of 3 m length. Gold, silver and copper assay data were reviewed statistically to determine appropriate grade capping levels by domain. A total of 71 gold assays, 48 silver assays and 33 copper assays were capped prior to compositing based on the evaluation of probability plots by major rock type. In addition to the capping of assay data, the impact of anomalously high gold values was controlled by restricting their range of influence in the estimation process. For mineralization in the Gold Zone to be classified as Indicated the following criteria were used: two holes within 25 m or three holes within 36 m. Indicated classification for the Silver Zone is based on a minimum of two holes within 35 m or three holes within 50 m. All other material within the pit shell was classified as Inferred. The mineral resources are confined within a Whittle pit shell generated by SRK to ensure reasonable prospects of economic extraction. The pit shell was based on the following parameters: Au: \$1,335/oz; Ag: \$22/oz; Cu: \$3.60/lb; Mining: \$2.00/t; Milling, General and Administrative and sustaining CapEx: \$15/t milled; Recovery: Au and Ag = 75%; Cu = 70%; Overall pit slope: 50°. At a 0.5 g/t AuEq cut-off, the strip ratio is 1.47:1. Tonnage estimates are based on 6,027 density measurements which were used to assign average values to lithologic domains of the block model. Bulk density for the main gold mineralized rock unit averages 2.38 tonnes/m<sup>3</sup>.

The budget for the 2014 exploration program at TV Tower was \$4.68 million. From January 1, 2014 to December 31, 2014, we incurred \$4.60 million at TV Tower (year ended December 31, 2013: \$10.20 million). Expenditures during the year ended December 31, 2014 included: drilling and assaying of \$1.65 million, salaries of \$1.82 million and consultant's costs of \$0.54 million, with the remainder including camp costs and transportation.

Further information relating to TV Tower is available in the technical report entitled "Independent Technical Report for the TV Tower Exploration Property, Çanakkale, Western Turkey", effective January 21, 2014 and dated February 20, 2014, prepared by Casey M. Hetman, P. Geo. with SRK Consulting (Canada) Inc. ("SRK"), James N. Gray, P. Geo. of Advantage Geoservices Ltd., and Gary Simmons, BSc, Metallurgical Engineering, of G L Simmons Consulting, LLC. The Updated Technical Report on the TV Tower Exploration Property and the TV Tower Agreement are each available under Pilot Gold's issuer profile on SEDAR at www.sedar.com.

### **Kinsley (79.1% owner and operator)**

Kinsley is a sediment-hosted gold property hosting a past-producing mine located along the Long Canyon Trend in northeastern Nevada. Comprised of 480 claims (~3,875 hectares), Kinsley has a stratigraphic, structural, and mineralization style similar to other sediment-hosted gold systems of the eastern Great Basin.

In August 2013 a 60-acre Plan of Operations ("PoO") was received permitting extensive exploration disturbance on the main claim block, including areas in and around the historic pits and the Western Flank target. We received approval of a 20-acre amendment to the PoO encompassing the property's northern claims on October 28, 2014, permitting exploration over the northern two-thirds of the Kinsley Mountain range and paving the way for a geographically expanded program in 2015.

The year ended December 31, 2014 was pivotal for the project, with results demonstrating that gold is concentrated at the intersections of NW and NNE-trending structures with favourable stratigraphy, and that the largely untested Secret Canyon Shale horizon, host to the high-grade mineralization in the Western Flank, is a viable target over the entire property. The 2014 drill program comprised 26,244 m of drilling in 38 core



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holes and 45 RC holes, and discovered gold mineralization in the Secret Canyon Shale horizon at the Right Spot, Secret Spot, and Silica Knob targets along a 3.5 km-long NNE-SSW corridor including the Western Flank high-grade gold zone. The Western Flank currently measures approximately 150 x 200 m.

Drilling at the Western Flank has not encountered any groundwater to date, which may simplify permitting in a development scenario.

In 2014, samples of Secret Canyon Shale-hosted sulphide mineralization underwent initial metallurgical testing with results suggesting that production of a high-grade concentrate may be feasible. Testing of four composite samples yielded up to 95% total recovery (with flotation and cyanidation of the tails) and concentrate grades up to 312 g/t gold. A process flow-sheet has been developed and studies of the potential marketability of a gold concentrate to commercial smelters or to Nevada mine owners of refractory processing facilities will follow. Additional metallurgical testing is underway.

During 2014, the Company secured 1,080 acre feet of water rights to support planned and future exploration and development at Kinsley, leased five patented claims to the south of the historic mine, and added additional federal lode claims to the Kinsley tenure.

Pilot Gold's interest in Kinsley is approximately 79.1%. Intor Resources Corporation ("**Intor**"), a subsidiary of Nevada Sunrise Gold Corporation ("**NEV**") and our partner at Kinsley, holds the remaining 20.9% interest. Pursuant to Intor's election to participate in the program and budget, each of Intor and Pilot Gold must fund its pro rata share of expenditures at the project.

In the year ended December 31, 2014 approximately \$6.32 million in direct expenditures were capitalized at Kinsley (year ended December 31, 2013, \$3.85 million), including Intor's share. Expenditures and activity through the year included: drilling and assaying (\$4.25 million), salaries (\$0.79 million) and road construction (\$0.38 million).

Further information relating to Kinsley is available in the technical report entitled: "*Updated Technical Report on the Kinsley Project, Elko and White Pine Counties, Nevada, U.S.A.*", effective March 1, 2015, dated March 19, 2015 and prepared by Michael M. Gustin, CPG, Moira Smith, Ph.D., P.Geo. and Gary Simmons, B.Sc.

MMSA available on SEDAR under Pilot Gold's issuer profile at SEDAR at [www.sedar.com](http://www.sedar.com).

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

Halilağa is located 15 km southeast of the Valley and Hilltop porphyries at TV Tower. The Halilağa property is located in northwestern Turkey in a regional industrialized zone that includes large open pit coal mines, a major power plant, ceramics factories, and deep water ports. The 8,866 hectare Halilağa site has road access and electrical grid power. Labour, supply centers and industrial service providers are available in the region. The deposit is characterized by high grades at surface in copper and gold, little-to-no overburden and favourable terrain.

The Company's interest in Halilağa is held through a 40% shareholding in Truva Bakır. TMST is project operator and holds the remaining 60% of this Turkish entity.

An economic assessment (the "**Revised Halilağa PEA**") was published in January 2015 as a revision to the preliminary economic assessment published in 2012 (the "**2012 PEA**").

Within the preliminary parameters of a PEA, the Revised Halilağa PEA illustrates a robust, low strip, technically simple and scalable open-pit mine, utilizing conventional milling and flotation methods. It requires modest up-front capital, has a rapid payback, low cash costs, and generates a strong after-tax IRR, and cash flow.

Highlights of Revised Halilağa PEA (*after-tax, based on \$1,200/oz gold, \$2.90/lb copper*):

- NPV7% of \$474 million, 43.1% IRR and 1.3 year payback;
- Cumulative Free-Cash-Flow of \$802.9 million;
- Copper cash cost of \$1.08/lb (net of by-products);
- Mine plan of 25,000 tonnes per day over 13.6 years with strip ratio of 1.3:1;
- Life-of-mine ("**LOM**") payable production of 780 million pounds copper and 924 thousand ounces gold;
- Pre-production capital costs of \$346 million (including a 25% contingency of \$65.4 million).

Although preliminary in nature and derived from broadly factored assumptions, the conceptual project was

designed to demonstrate the optimal project for the deposit in the context of today's capital market conditions. Management believes that Halilağa has the potential to be a compelling development project, demonstrating the possible economic benefits derived from:

- higher grades of copper and gold at surface;
- low capital and operating cost;
- rapid payback;
- flexible development options to allow multiple mining scenarios with varying timeframes;
- a conventional open-pit mine with standard milling & flotation to produce a clean, high-grade copper-gold concentrate and gold doré; and
- available and proximate infrastructure for mine development.

The Revised Halilağa PEA, prepared by JDS Mining & Energy Inc. ("**JDS**"), is based on an updated mineral resource estimate (the "**Updated Resource**")<sup>9</sup>. The Updated Resource outlines an Indicated Mineral Resource of 182.7 million tonnes, grading 0.30 g/t gold (1.762 million ounces) and 0.27% copper (1.09 billion pounds or 493.3 tonnes), and an Inferred Mineral Resource of 178.7 million tonnes, grading 0.24 g/t gold (1.379 million ounces) and 0.23% copper (906.3 million pounds), using a 0.43 g/t gold-equivalent cut-off<sup>10</sup>. The Updated Resource is an update of the resource estimate documented in a Technical Report, dated March 23, 2012, prepared by Garth Kirkham, P.Geo. of Kirkham Geosystems Ltd., and James Gray, P.Geo. of Advantage Geoservices Ltd. (the "**2012 Resource**"). The Updated Resource

<sup>9</sup> The Updated Resource estimate for Halilağa was completed by James N. Gray, P.Geo. of Advantage Geoservices Ltd., an Independent Qualified Person as defined by NI 43-101 in accordance with CIM Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. The revised resource estimate is based on assays from 115 drill holes (112 core and three RC). Quality-control data generated during the various drill programs conducted at Halilağa were independently verified by JDS, as part of the project review. Geologic control for estimation of the Updated Halilağa Resource was based on an update of the 2012 model of same rock type and structural zonation on the flanks of a porphyry unit. The 2012 Resource was estimated by inverse distance interpolation; the Updated Resource was estimated by ordinary kriging. Copper, gold and molybdenum grades were estimated using 2.0 m composited drill data. The Updated Resource is tabulated within the same optimized pit shell as was generated for the 2012 Resource as the optimization assumptions are still valid. The impact of drilling since the 2012 Resource has been to increase confidence as reflected by the increase in Indicated mineral resources as a portion of the total resource estimate.

<sup>10</sup> AuEq calculated using \$1,200/oz Au and \$3.00/lb Cu and assuming 100% recovery.

is based on assay data available as of July 4, 2013. The geologic model used for the Updated Resource was prepared by Teck and is conceptually the same as that used for the 2012 Resource. All mineralized material classified as Indicated (69%) and Inferred (31%) Mineral Resources was considered in the optimization and mine plan.

Variance of the Revised Halilağa PEA (2015) to the 2012 PEA:

Parameter	2012 PEA	Revised Halilağa PEA
After-tax IRR	20%	43%
After-tax NPV <sub>7%</sub>	\$474 million	\$474 million
After-tax Payback	2.7 years	1.3 years
Initial CAPEX (including contingency)	\$888.8 million	\$346.0 million
Total CAPEX (including contingency)	\$1,168.7 million	\$558.5 million

Changes from previously released PEA:

The Revised Halilağa PEA represents an update of the project's previous PEA (October 2012) which included an initial resource estimate (February 2012) and contemplated a 50,000 tonnes per day operation. The Revised Halilağa PEA contemplates a smaller, optimized 25,000 tonnes per day mine. The base case in the revised PEA and the 2012 PEA both used a \$1,200/oz gold price and a \$2.90/lb copper price.

Optimization enhancements incorporated to the Revised Halilağa PEA:

- an optimized mine plan: a smaller mine size and a reduced throughput tonnage resulted in increased grade over the LOM;
- the use of contract mining: eliminated capital expenditures ("**CAPEX**") related to owner-operator mining fleet which is partially offset by a small increase in operating expenditures ("**OPEX**");
- reduced pre-production CAPEX: as a result of the optimization of the mine plan and the contemplation of contract mining, pre-production CAPEX was reduced by \$542.8 million to \$346 million from \$888.8 million. CAPEX savings were partially offset by the addition of a tailings liner for improved environmental regard.
- increased gold recoveries: added a carbon-in-leach plant to improve gold recovery; increasing overall gold recovery from 60.8% to 73.4%;

- the application of various government incentives: after reviewing various Turkish tax investment incentives, the effective corporate tax rate was reduced to 4%. Additional investment incentives such as value-added-taxes and customs duties exceptions, social security premium relief and interest relief on third-party debt are not modelled and may be available upon application.

*Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Revised Halilağa PEA is preliminary in nature as it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and there is no certainty that the preliminary assessment and economics set forth in the PEA will be realized.* For further details on the Revised Halilağa PEA, refer to the NI 43-101 technical report, entitled “*Revised Preliminary Economic Assessment Technical Report Halilaga Project, Turkey,*” effective December 20, 2014 and dated February 16, 2015, prepared by Gordon Doerksen, P.Eng, Dino Pilotto, P.Eng and Stacy Freudigmann, P.Eng. of JDS Energy and Mining Inc.; Greg Abrahams, P.Geo and Maritz Rykaart, P.Eng of SRK; Gary Simmons of GL Simmons Consulting LLC.; Garth Kirkham, P.Geo. of Kirkham Geosystems Ltd.; and James Gray, P.Geo. of Advantage Geoservices Ltd. A copy of the Revised Halilağa PEA is available under Pilot Gold’s issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

From the year ended December 31, 2014, our share of expenditures jointly incurred at Halilağa was \$0.59 million (year ended December 31, 2013: \$0.28 million). Expenditures reflect costs associated with the ongoing strategic studies and legal costs relating to the matter described under “*Environmental Impact Assessment (Update)*”, in this MD&A, ongoing community and social relations activities and certain field and desktop analyses at Halilağa. Costs associated with the completion of the Revised Halilağa PEA totalled \$0.39 million and have been included as Property Investigation and Technical Studies on the Company’s consolidated statement of loss and comprehensive loss, and we’re sole-funded by the Company.

#### ***Environmental Impact Assessments - Halilağa and TV Tower (update)***

Subsequent to the receipt of approved EIA reports from the Ministry of Environment and Urban Planning in Turkey (the

“**Ministry**”), the governmental department responsible for approving such reports, the Ministry was served with legal petitions by certain claimants in Turkey to annul its approval of the EIAs issued on a designated areas. Each EIA contemplated opening a small adit for test mining purposes. The designated areas included: i) one of the licenses that comprises the overall Halilağa property; and ii) the Karaayı license, part of TV Tower.

The respective petitions filed with the local Çanakkale Administrative Court (the “**Court**”) name the Ministry as the respondent and do not name any of Truva Bakır, TMST, Orta Truva, Batı Anadolu or Pilot Gold. The petitions each requested annulment of the respective EIA Reports and suspension of any activities contemplated thereunder. The plaintiffs reportedly raised a number of challenges in the region on a similar basis, several of which have been evaluated by the Court in parallel to the hearings regarding Halilağa and TV Tower.

Following judicial discovery (the “**Hearing**”), in a two-to-one decision, the Court overturned the validity of the EIA Reports, and concluded that certain additional analyses must be included in an amended EIA for each of the projects in order to allow proposed test mining activities to proceed. An EIA, the Court determined, must include analyses of the potential cumulative environmental impacts (a “**CIA**”) of any contemplated disturbance at a particular project when examined along with all other activities planned for a particular region<sup>11</sup>.

The Ministry subsequently applied to the Turkish Council of State, the highest administrative court in the Republic of Turkey, requesting that it i) hear an appeal of the findings at the Hearing, ii) overturn the Court-mandated inclusion of a CIA in an EIA, and iii) reinstate the EIAs. As of the date of this MD&A the Company awaits a response from the Council of State.

Because the determination of the Court relates only to the designated areas contemplated by the (presently annulled) EIAs, there has not been, and is no current impact or restriction on Pilot Gold to continue planned exploration activities at Halilağa and at TV Tower, outside of the areas contemplated

<sup>11</sup> In the case of Karaayı, a test pit and in the case of Halilağa, an adit for a small bulk sample. The EIAs at TV Tower contemplate 6.9 hectares for operations, and at Halilağa, 17 hectares, representing only a small portion of area of the overall tenure.

in the respective EIAs. Pilot Gold does not believe there to be any threat to the validity of tenure, nor any legal impediment to prevent ongoing exploration activities outside of the EIA-contemplated areas. Even if successful and the annulment of the EIAs is ultimately upheld, the Company expects that it would either revise or submit new EIAs for each project in conformity with the revised requirements. We furthermore note that the revised EIA report for Halilaža would also likely contemplate the project outlined in Revised Halilaža PEA, or some other illustrative mine plan.

## ACQUISITION OF CADILLAC MINING CORPORATION

On August 29, 2014, the Company completed the acquisition of Cadillac, and its 100%-owned Goldstrike-Utah past-producing gold project located in the State of Utah, pursuant to a court-approved plan of arrangement (the “**Arrangement**”). Under the Arrangement, shareholders of Cadillac received (i) 0.12195 of a Pilot Gold common share (“**Common Share**”), and (ii) 0.12195 of a warrant to purchase a Common Share (“**Warrant**”) for each common share of Cadillac held; representing a total of 4,218,164 Common Shares and 4,218,164 Warrants respectively. Each Warrant entitles the holder to acquire one Common Share at an exercise price of C\$2.00 with a two-year term. Existing Cadillac warrants (“**Cadillac Warrants**”) and stock options (“**Cadillac Options**”) assumed are exercisable for a Common Share, adjusted in respect of exercise price and number, based on the 0.12195 exchange ratio.

Through the acquisition of Cadillac we added another past-producing sediment-hosted gold project to our portfolio of exploration assets. Goldstrike-Utah features a large land position and extensive historic databases, while sharing geologic and historical similarities with Kinsley.

The transaction was accounted for as an acquisition of an asset. Accordingly the acquisition has been recorded at cost, including transaction costs of \$0.56 million. Total consideration in connection with the transaction was \$7.16 million, including the fair value of the Common Shares and Warrants issued under the Arrangement, transaction costs, and the fair value of the Cadillac Warrants and Cadillac Options assumed (the “**Consideration**”). The fair value of the Common Shares issued on the Acquisition Date was \$5.05 million. The fair value of each Warrant issued was determined using the Black Scholes

valuation model; the significant inputs into the model were share price of C\$1.30, exercise price of C\$2.00, volatility of 68%, determined on the Company’s historical data over an expected life of 2 years, and an annual risk-free interest rate of 1.10%, resulting in a total fair value of \$1.24 million. Fair value of the Cadillac Warrants and Cadillac shares assumed was determined to be \$48,747.

Consideration was allocated to the assets acquired and obligations assumed based on relative fair values, with the exception of all financial assets acquired, which were recorded at fair value on the date of acquisition. The presumption in IFRS 2, *Share Based Payments*, that the fair value of the assets acquired can be reliably measured, has been rebutted and it has been determined that the fair value of the equity instruments granted in an arm’s length transaction, is the measure of the fair value of the assets received:

<b>Assets acquired and liabilities assumed:</b>	
Cash	\$ 53,343
Available for sale investments	17,960
Reclamation deposit	13,740
Goldstrike mineral property	8,336,985
Net current liabilities	(1,250,123)
Accrued asset retirement obligation	(8,000)
	\$ 7,163,905
<b>Consideration paid:</b>	
Issuance of Common Shares	5,050,408
Issuance of Warrants	1,243,177
Transaction costs	562,920
Drawdown on loan to Cadillac	258,653
Common Shares made issuable upon exercise of Cadillac Options and Cadillac Warrants	48,747
	\$ 7,163,905

The Goldstrike-Utah project is located in southwestern Utah. The property totals 4,642 hectares, contained in 520 federal lode claims, two Utah State leases and 41 patented claims. The property reportedly produced over 200,000 ounces of gold between 1988 and 1996. The Company acquired the project and an extensive database of historic information, including assay and lithological data pertaining to over 1,500 shallow drill holes, surface geological and geochemical maps, and historic blast-hole data for 12 shallow pits. The Company is working to compile and digitize the data, and complete basic mapping and sampling. Permitting for additional activity is also planned.

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## SELECTED FINANCIAL INFORMATION

Management is responsible for the financial statements referred to in this MD&A, and provides officers' disclosure certifications filed with the Canadian provincial securities commissions. The Company's Board approved the Annual Financial Statements and MD&A.

The Annual Financial Statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee. Our significant accounting policies are presented in Note 3 of the Annual Financial Statements; we followed these accounting policies consistently throughout the year. Details of new accounting standards, effective the reporting period beginning January 1, 2014, and their effect on the financial information can be found in Note 5 of the Annual Financial Statements. No material changes were noted. We have elected to defer all exploration and evaluation expenditures relating to our mineral exploration property interests that qualify for deferral.

The financial data presented below for the current and comparative periods was prepared in accordance with IFRS. Because Pilot Gold Inc. 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 consolidated financial statements is USD.

The Company's operations are in one industry – the exploration for gold, copper, and other precious and base metals. At December 31, 2014, Pilot Gold has three geographic locations: 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 Annual Financial Statements.

## Results of Operations

The following financial data (in \$ millions, except per share data) are derived from our consolidated financial statements for the years ended December 31, 2014, 2013 and 2012 respectively:

	2014	2013	2012
Total revenues	-\$nil	-\$nil	-\$nil
Net loss for the year and attributable to shareholders	\$6.71	\$9.14	\$8.02
Basic and diluted loss per share and attributable to shareholders	\$0.07	\$0.10	\$0.12

### ***Fiscal year ended December 31, 2014 vs. fiscal year ended December 31, 2013***

Losses from operations totaled \$6.05 million for the year ended December 31, 2014, down 26% from \$8.15 million a year earlier. The overall reduction is due in the most part to lower non-cash stock based compensation and fewer write-downs of deferred exploration expenditures in 2014. These reductions are offset by increased wages and benefits and investor relations costs, reflecting salary increases, increases to our complement of personnel and a small increase in our participation in conferences and marketing-related activities. A significant portion of our remuneration costs are capitalized to our exploration property interests based on the nature of work undertaken in that period. Wages and benefits included in our statement of loss reflect only those costs not attributable to either exploration on specific projects, or property investigation. Office and general expenditures incurred in Canada are largely incurred on a cost-recovery basis through an administration and technical services agreement (the "**Oxygen Agreement**") with Oxygen Capital Corporation ("**Oxygen**"), a related party.

The comparative difference in the overall net loss over the years ended December 31, 2014 and 2013 reflects smaller losses recorded on the fair value of financial instruments for the year ended December 31, 2014 compared to the prior year. There were no losses attributable to the non-controlling interest.

### **Stock-based compensation**

Stock-based compensation expense for the year ended December 31, 2014, totaled \$1.22 million (December 31, 2013: \$2.28 million). This total does not include amounts recorded as part of property investigation expense or capitalized to

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mineral properties (\$0.30 million collectively for the year ended December 31, 2014, and \$0.14 million in the comparative period). The expense is lower in the current period as compared to 2013 due to (i) a Company-wide grant of employee stock options (“Options”) to purchase Common Shares in January 2014 that had a lower fair value than a similar grant that was made in January 2013, and (ii) the diminishing impact of Options granted in prior periods as they become fully expensed. 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 due to Options that vest immediately.

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.

#### **Property investigation and technical studies**

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 for the year ended December 31, 2014 of \$0.60 million include \$0.40 million in costs relating to the Revised Halilađa PEA that were incurred and expensed by the Company. In the previous year the total of \$0.18 million only included property investigation expenditures.

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

At March 31, 2014, the Company wrote down the value of deferred exploration expenditures relating to the Arasanlı exploration property in Turkey (\$0.14 million), further to a review and prioritization of the Company’s portfolio of mineral

property assets. In the comparative period, the Buckskin North and New Boston properties in Nevada were written-down (\$1.37 million). Arasanlı had previously been classified as held-for-sale. There were no indicators of impairment on the Company’s other assets in the year ended December 31, 2014.

#### **Other income (expenses)**

Other income (expenses) consisted primarily of (i) impairments and fair value losses on our available-for-sale financial assets, (ii) foreign exchange gains or losses, (iii) income (loss) pick-up from our associates, and (iv) finance income, amounting to a loss of \$0.66 million for the year ended December 31, 2014 as compared to \$0.99 million in 2013. The overall decrease primarily reflects losses recorded on our available-for-sale financial assets of \$1.58 million for the year ended December 31, 2013, compared to losses of only \$0.89 million in the current year.

#### **Other comprehensive loss**

The net balance of other comprehensive loss consists of the impact of exchange gains and losses from the exchange differences on the translation of our foreign operations with a non-USD functional currency as well as the fair value gains and losses on our unimpaired available-for-sale financial assets.

For the year ended December 31, 2014 the impact of foreign exchange were losses of \$4.42 million (year ended December 31, 2013: \$3.49 million). The impact from exchange differences will vary from period to period depending on the rate of exchange. In the period between January 1, 2014 and December 31, 2014, there was an 8.3% increase in the relative value of the United States dollar against the Canadian dollar, leading to large foreign exchange losses.

#### ***Fiscal year ended December 31, 2013 vs. fiscal year ended December 31, 2012***

The most significant contributors to the loss for the year ended December 31, 2013, were (i) non-cash stock-based compensation expenses of \$2.28 million, (ii) wages and benefits of \$1.73 million, (iii) a write down of the deferred exploration expenses relating to the New Boston property of \$1.28 million, (iv) a decline in the fair value of financial instruments of \$1.58 million and (v) office and general expenses of \$1.28 million. Expenses for the year ended December 31, 2013 were offset by finance income of \$0.36 million and foreign exchange gains

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of \$0.24 million. There were no losses attributable to the non-controlling interest.

The most significant contributors to the loss for the year ended December 31, 2012 were the cost of wages and benefits of \$2.13 million, stock based compensation \$1.72 million and office and general expenses of \$1.34 million. Expenses for the year ended December 31, 2012 were offset by the reversal of a previous impairment of the VAT receivable in Turkey (\$0.31 million).

### **Stock-based compensation**

Stock based compensation expense, arising from the vesting of Options for the year ended December 31, 2013, totaled \$2.28 million (December 31, 2012: \$1.72 million). This total does not include amounts recorded as part of property investigation expense or capitalized to mineral properties (\$0.14 million collectively for the year ended December 31, 2013) (December 31, 2012: \$0.47 million). The expense is higher in the current year as compared to 2012 as a reflection of a Company-wide grant of Options in January 2013, whereas a similar such grant was made in June 2012. 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.

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 year ended December 31, 2013, Pilot Gold recorded \$1.73 million (December 31, 2012: \$2.13 million) to wages and benefits expense. The balance of wages and benefits is lower than in the comparative period, despite salary increases to our employees,

in part because, effective August, 1 2012, a portion of the cost of personnel providing services to the Company was allocated amongst a group of companies pursuant to the Oxygen Agreement (see also in this MD&A, "Related Party Transactions"). The expense through December 31, 2013 is consequentially also lower than the amount budgeted for wages and benefits for the year not attributable to deferred exploration (\$2.16 million).

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 costs not attributable to exploration on specific projects. During the year ended December 31, 2013, we capitalized \$0.48 million (December 31, 2012: \$0.73 million) in wages and benefits to our property interests and \$0.07 million to property investigation (December 31, 2012: \$0.18 million) with \$1.28 million in wages relating to the TV Tower property capitalised to the Earn-in Option and investment in associates.

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

During the year ended December 31, 2013, the Company wrote down the value of deferred exploration expenditures relating to the New Boston (\$1.28 million), and Buckskin North (\$0.09 million) properties further to a review and prioritisation of the Company's portfolio of mineral property assets. Buckskin North had been classified as an asset held for sale on our statement of financial position as at December 31, 2012. During the comparative year, five of the Company's mineral properties were written down to an aggregate of \$1.52 million. There were no indicators of impairment on the Company's other assets at December 31, 2013.

### **Property investigation and technical studies**

Property investigation costs, which include the costs of due diligence and exploration of projects under investigation for acquisition, decreased by 68% to \$0.18 million in the year ended December 31, 2013 (2012: \$0.56 million). Project investigation and generative exploration are a core part of our business and growth strategy and although we reduced our efforts in 2013, we remained active in identifying projects that would enhance our growth pipeline in 2013 and 2012.

The completion of the TV Tower Agreement, effective June 20, 2012, and the earn-in at Kinsley provided us with the opportunity to shift our focus to our existing projects, reducing the cost attributable to property investigation.

### Financial instruments

The balance of our derivative financial instruments includes 1,000,000 share purchase warrants of Rae-Wallace Mining Corporation (“**RWMC**”) and 312,500 warrants to purchase shares of NEV, both determined to be \$nil.

In the year ended December 31, 2013 the fair value of our investments in the shares of RWMC and of Global Resources Corporation Ltd. were determined to be -\$nil resulting in a write down to the statement of loss. Our 17.5% interest in Gold Springs LLC was also written down to realisable value prior to being disposed of in exchange for 6,058,667 shares in High Desert Gold Corporation (“**HDGC**”). The shares in HDGC were subsequently exchanged for 1,668,058 shares in South American Silver Corporation (“**SASC**”) subsequent to a plan of arrangement between HDGC and SASC. The receipt of the SASC shares led to a \$0.19 million gain, recognised in our statement of loss. During the year ended December 31, 2012, the impairment of our available-for-sale financial assets consisting of 625,000 common shares of NEV, and 3,895,100 shares of RWMC were recognized in the statement of loss.

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. 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. Losses recognized to date arising from impairments were recognized in the statement of loss rather than as a component of other comprehensive loss.

### Other comprehensive loss

The net balance of other comprehensive loss consists of the impact of exchange gains and losses from the exchange differences on the translation of our foreign operations with a non-USD functional currency as well as the fair value gains and losses on our unimpaired available-for-sale financial assets.

For the year ended December 31, 2013 the impact of foreign exchange was a loss of \$3.49 million (2012: \$0.69 million gain). 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 December 31, 2013, there was a 7.31% increase in the United States dollar against the Canadian dollar.

### Financial Position

The following financial data are derived from our consolidated financial statements as at the years ended December 31, 2014, 2013 and 2012:

	December 31, 2014	December 31, 2013	December 31, 2012
Total assets	\$86.85 million	\$71.37 million	\$72.39 million
Non-current liabilities	\$0.12 million	\$0.07 million	\$0.04 million
Cash dividends declared	\$nil	\$nil	\$nil

### Total assets

The \$15.48 million increase in total assets reflects the acquisition of Cadillac and the receipt of cash raised in the 2014 Bought-Deal. Notwithstanding periodic or one-time transactions and any changes to the value of our portfolio of investment holdings, and subject to changes in foreign exchange, total assets will generally remain constant from one period to the next, less the cost of expenditures on activities not eligible for capitalization.

As the Company earned-in to an increased interest in Orta Truva (and therefore TV Tower), 40% of Eligible Expenditures were capitalized to the value of the Company’s interest in Orta Truva, and 60% of Eligible Expenditures were deferred to the “**Earn-in Option**” intangible asset. The bifurcation of the expenditure in each period permitted the Company to fund 100% of activity at TV Tower while maintaining our proportionate interest in Orta Truva until the earn-in had been completed.



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The majority of Eligible Expenditures were incurred by our wholly-owned Turkish subsidiary in accordance with a technical services agreement. Our subsidiary invoiced Orta Truva for services performed, and we funded Orta Truva through capital advances, such that it could settle the amount due. At December 31, 2014, \$1.3 million was due from Orta Truva relating to the Company's activities at TV Tower.

Summary financial information of Orta Truva and Truva Bakır and a reconciliation of the Earn-in Option to Orta Truva, as well as our investment in Truva Bakır, are provided in the Annual Financial Statements.

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 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 December 31, 2014, 2013 and 2012, our non-current liabilities are comprised of (i) 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, and (ii) reclamation work to be performed on exploration properties.

#### **Shareholders' equity**

On March 12, 2014, we closed an agreement with a syndicate of underwriters (the "**Underwriters**"), whereby the Underwriters purchased 13,072,000 Common Shares, on a bought deal basis, at a price of C\$1.53 per Common Share for gross proceeds of C\$20,000,160.

As consideration in the acquisition of Cadillac, the Company issued 4,218,164 Common Shares with a fair value of \$5.05 million and 4,218,164 Warrants with a fair value of \$1.24 million, to the former shareholders of Cadillac.

Refer also to the discussion in this MD&A under heading, "Outstanding Share Data" and under heading "Acquisition of Cadillac Mining Corporation".

## 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 Annual Financial Statements and the consolidated financial statements for each of the past eight quarters. Consistent with the preparation and presentation in our Annual Financial Statements, these unaudited quarterly results are presented in USD. The determination of functional currency for the Company and each of its subsidiaries and associates is unchanged from that which is disclosed in the consolidated in the Annual Financial Statements.

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

	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Loss for the period before discontinued operations after tax	(1,977)	(1,321)	(1,263)	(2,152)	(1,572)	(1,215)	(3,845)	(2,510)
<b>Other comprehensive income and attributable to the shareholders</b>								
Exchange differences on translating foreign operations	(1,823)	(2,829)	2,108	(1,880)	(1,655)	650	(1,756)	(1,084)
Net value gain (loss) on financial assets	(18)	51	124	440	117	(151)	132	14
<b>Loss per share from continuing operations and attributable to the shareholders</b>								
Basic and diluted	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.04)	(0.03)

The most significant contributors to the loss for the quarter ended December 31, 2014 are wages and benefits of \$0.64 million, property investigation of \$0.31 million, office and general costs of \$0.30 million, and non-cash stock based compensation costs of \$0.29 million. The greater loss for the three months ended December 31, 2014 over the previous quarter is driven by additional wages and benefits costs relating to the accrual of the 2014 bonus, as well as costs incurred for the Revised Halilađa PEA not capitalized to the project itself or accounted for by Truva Bakir.

The loss for the three months ended September 30, 2014 was overall higher than the prior quarter due in the most part to a decrease in the fair value of our available-for-sale financial instruments of \$0.38 million. These losses were offset by lower wages and benefits, and office and general expenditures, in aggregate \$0.57 million, in the quarter ended September 30, 2014 as compared to \$0.60 million in the preceding quarter.

The most significant contributors to the loss for the quarter ended June 30, 2014 were wages and benefits and office and general expenses, collectively \$0.91 million as well as non-cash stock-based compensation of \$0.22 million. The overall loss this quarter is lower than the previous quarter due to a number of factors; our non-allocated wages expenditures are lower by \$0.10 million this period than in the previous quarter due to greater continuing work qualifying for capitalisation. Stock-

based compensation is also lower than the previous quarter by \$0.23 million due to a grant of Options in the previous quarter that included Options that vested immediately. Additionally, fair value losses related to our available-for-sale financial instruments were also significantly higher (by \$0.27 million) in the quarter ended March 31, 2014 than at June 30, 2014.

The most significant contributors to the loss for the quarter ended March 31, 2014 were salaries and office and general expenses and non-cash stock-based compensation expenditures, collectively \$1.30 million. The quarter ended March 31, 2014 has higher losses compared to the previous quarter due mostly to a \$0.14 million write-down of Arasanlı and fair value losses relating to our impaired available-for-sale financial instruments (\$0.28 million), offset by lower wages and salary costs (\$0.17 million less than in the previous period) arising from somewhat lower activity at our projects during the first quarter of 2014 as compared to that of the fourth quarter of 2013. Cash outflows from operations for the period were relatively comparable to those of preceding quarters. Exchange differences on translating foreign operations are reflective of the difference between historical rates used to translate the equity accounts on the balance sheets of the non-US dollar functional currency entities, and the period end rates used to translate the assets and liabilities.

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The loss for the quarter ended December 31, 2013, consists mostly of cash outflows related to salaries and office and general expenses and non-cash stock-based compensation expenditures, collectively \$1.03 million. Salaries for the quarter are higher than in previous periods reflecting the accrual of the 2013 bonus to employees (paid in 2014). Other cash outflows include investor relations expenditures, property investigation and professional fees totalling \$0.19 million. Additionally there was \$0.27 million in foreign exchange gains recorded in the period arising from the change in the USD versus the C\$. Net cash outflow for operating activities is \$0.51 million for the quarter. There were no losses attributable to the non-controlling interest. The increase in net value gain on financial assets compared to the previous quarter is due to the gain on receipt of shares of TriMetals Mining Inc.

The loss for the quarter ended September 30, 2013, includes cash flows relating to operating expenditures of \$0.69 million, consisting mostly of salaries and office and general expenses. The loss includes non-cash stock-based compensation expenditures of \$0.35 million which was lower than in previous periods due to the vesting of certain Options granted in the previous year. 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. Other comprehensive income includes the fair value losses on our available-for-sale financial assets.

In the quarter ended June 30, 2013, loss from operations included a \$1.28 million write-down of deferred expenditures at the New Boston property. A \$1.12 million loss was also recognized on impaired available-for-sale financial instruments, offset by interest income of \$0.12 million. The net fair value gain on financial assets includes the reclassification of fair value losses to date of our investment in certain securities, to the statement of loss.

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 foreign exchange gains.

## **FOURTH QUARTER**

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. Of primary focus through the fourth quarter, was the exploration program at TV Tower, and at Kinsley.

In the quarter ended December 31, 2014, our loss from continuing operations of \$1.98 million includes \$1.76 million in operating losses; the total loss is offset by \$0.06 million in finance income and foreign exchange gains of \$0.02 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

We have no revenue-producing operations, and earn only minimal income through investment income on treasury, management fees from joint venture projects at which we are the operator, the proceeds from property option agreements, or as a result of the disposal of an exploration asset.

As at the date of this MD&A the Company has approximately \$14.12 million available in cash and short-term investments. With no debt, the Company's working capital balance as at the date of this MD&A is approximately \$15.19 million.

The receipt of proceeds from the 2014 Bought-Deal positions the Company to advance our material properties without the need to raise additional capital in the next year. 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. There are no known restrictions on the ability of our subsidiaries to transfer or return funds to the parent company in Canada.

Our global budget, including exploration and administration for 2015, is \$10.9 million. We currently anticipate spending approximately \$4.5 million at TV Tower, \$2.0 million at Kinsley, \$0.3 million at Halilaža, and \$0.3 million on other exploration property interests including \$0.3 million at the recently acquired Goldstrike-Utah project. Budgeted general and administrative costs of \$3.7 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.

A summary of the planned use of proceeds detailed in the Company's short form prospectus dated March 26, 2014, predicated on the base financing amount in the 2014 Bought-Deal, and with reference to the balance of cash and short term investments at the time, is as follows:

<b>Activity or Nature of Expenditure (through the end of 2015)</b>	<b>Approximate Use of Net Proceeds (C\$)</b>
Exploration & Development of Kinsley	7.79 million
Exploration & Development of TV Tower	5.47 million
Exploration & Development on portfolio of other mineral property interests	2.60 million
Working Capital	2.72 million
<b>Total</b>	<b>18.58 million</b>

Although our budget for 2015, as described in this MD&A, remains generally in line with the forecast above, exploration successes at Kinsley and TV Tower in 2014 resulted in an acceleration of activity and expenditure at each of those properties. Cash expenditures at Kinsley for the year ended December 31, 2014 total \$5.17 million, and at TV Tower for the same period expenditures total \$4.60 million. The Company's intentions to undertake more detailed analyses of the illustrative economics of Halilağa in a revised PEA was not previously contemplated, nor were the costs associated with the proposed acquisition of Cadillac. Treasury designated for Working Capital and the portfolio properties will be reallocated to satisfy these incremental planned expenditures.

The generally adverse market conditions for other companies in our sector have not significantly affected our ability to fund and operate our projects, even though we have no revenue-producing operations. Our relative capital strength and the current environment may allow us to respond more quickly to opportunities that may be presented.

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.

### **Investments**

At the effective date of this MD&A, the market value of our portfolio of investment holdings is approximately \$0.42 million, and includes (i) 625,000 NEV Shares valued at \$0.17 million, and (ii) securities in other exploration companies with a total value of \$0.25 million as at the date of this MD&A.

### **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 our property obligations are not firm commitments (with such obligations being eliminated should we choose to no longer invest funds exploring the property), we have certain notable obligations relating to TV Tower, Kinsley, Drum, Antelope and Gold Bug:

Kinsley and TV Tower: Pursuant to the respective operating agreements and the elections by members to participate in funding the 2015 Program and Budget for each project, the Company must incur its pro rata share of the budget of: Kinsley \$2.01 million, and TV Tower \$4.56 million.

Drum: Effective January 1, 2013, the Company signed a mining lease for the Drum property, an early stage, sediment hosted target in western Utah. In addition to the advance royalty payments (“ARPs”) described in this MD&A under “Advance Royalty Payments,” Pilot Gold is required to make certain annual exploration expenditures (2015: \$0.3 million, 2016: \$0.5 million, and 2017+: \$0.75 million), in order to maintain the lease agreement in good standing. The Company has incurred \$0.22 million at the date of this MD&A.

Pilot Gold had no other commitments for material capital expenditures as of December 31, 2014.

### Advance Royalty Payments

In accordance with the underlying lease agreements at Kinsley and at our Drum and Antelope projects, we will be required to make ARPs to the respective underlying property holders as follows:

Total future ARPs, as at December 31, 2014 are as follows.

Year	Kinsley <sup>†</sup>	Drum	Antelope
2015	\$ 50,000	\$ 45,000	\$ 40,000
2016	50,000	60,000	50,000
2017	75,000	75,000	60,000
2018	100,000	100,000	60,000
2019	150,000	100,000	60,000
2020 and beyond	200,000	100,000	60,000

<sup>†</sup> Payable to Nevada Sunrise, LLC (“NSL”), a private Nevada-based company, unrelated to Intor

The aggregate advance ARPs on each respective property will subsequently be credited against future NSR payments payable from production at the respective property. Although the annual payments are commitments to the Company, as long as we continue to hold these properties, it is not currently possible to make a reliable estimate of the obligation such that a provision can be made. Pursuant to the underlying lease agreements the Company has the right to terminate the lease by giving thirty days advance notice and returning the Company’s interest in the property to underlying property holder.

### Leases

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years; each lease is renewable at the end of the lease period at market rate. Office premises and other operating leases in Canada are paid to Oxygen, pursuant to the Oxygen Agreement. Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations that had been executed or incurred by Oxygen in connection with, or related to the services provided to the Company by Oxygen. These amounts, as pertaining to non-cancellable leases, are included in the table below. The aggregate lease expenditure related to Pilot Gold’s office premises charged to the statement of loss for the year ended December 31, 2014 is \$0.28 million.

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

Year	
2015	\$ 0.16 million
2016	0.14 million
2017	0.14 million
2018	0.11 million
2019+	0.76 million
	<b>\$ 1.31 million</b>

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

Pilot Gold had no other commitments for material capital expenditures as at December 31, 2014.

## RELATED PARTY TRANSACTIONS

### Administration and Technical Services Agreement - Oxygen Capital Corporation

In 2013 the Company entered into an administration and technical services agreement with Oxygen, a private company owned by three directors and an officer of the Company. Pursuant to the Oxygen Agreement, and without limiting or abrogating the duties of Pilot Gold’s President and Chief Executive Officer or its Chief Financial Officer and Corporate

Secretary, Oxygen provides the Company on a no-fee (cost-recovery) basis:

- technical and administrative services, staff and expertise on an as-needed basis that would not necessarily otherwise be available to Pilot Gold at this stage of the Company's development, and
- access to and the use of the assets including IT infrastructure contained in head office space leased by Oxygen.

Pilot Gold shares a head office with other private and public companies all of whom have a similar arrangement with Oxygen. Oxygen allocates the costs of personnel (plus applicable benefits), assets and infrastructure to the various companies based upon the estimated time spent by personnel on Company activities. Oxygen does not charge a fee to the Company, allocating all expenses at cost. Oxygen exists to consolidate employees and office infrastructure in one entity so that expenses may be more efficiently allocated.

Employees of Oxygen providing services to the Company do so pursuant to a secondment agreement, and take direction from the President & Chief Executive Officer and Chief Financial Officer of the Company. Oxygen has no management role in Pilot Gold.

Transactions with Oxygen during the year ended December 31, 2014 total \$0.81 million are reflected in the Annual Financial Statements. As at December 31, 2014, the Company held a payable to Oxygen of \$0.06 million. Amounts payable were settled subsequent to December 31, 2014. The Company also has a deposit of \$0.27 million with Oxygen to be used against the final three months of service with that company upon termination of the Oxygen Agreement.

#### Compensation of key management personnel

Key management includes members of the Board, the President and CEO, the VP Exploration (and United States country manager), the Chief Financial Officer & Corporate Secretary, and the Turkish country manager. The aggregate compensation paid, or payable to key management for employee services is:

	Year ended December 31, 2014	Year ended December 31, 2013
Salaries and other short-term employee benefits	\$ 1.05 million	\$ 1.19 million
Share-based payments	0.85 million	1.34 million
<b>Total</b>	<b>\$1.90 million</b>	<b>\$2.53 million</b>

#### Associates

The Company's associates are also related parties. Cash paid to each in the comparative periods is shown below:

	Year ended December 31, 2014	Year ended December 31, 2013
Truva Bakir	\$0.22 million	\$1.19 million
Orta Truva	\$1.61 million	\$1.34 million
<b>Total</b>	<b>\$1.83 million</b>	<b>\$2.53 million</b>

As at December 31, 2014, we had outstanding receivables due from Orta Truva of \$1.30 million of which \$0.20 million relates to costs not yet cash called from Orta Truva to its shareholders, and of which \$0.52 was attributable to the Earn-in Option and \$0.78 million to Investment in Associates. The majority of amounts due at December 31, 2014 from our Associates had been collected as of the date of this MD&A.

## OFF BALANCE SHEET ARRANGEMENTS AND INDEMNIFICATIONS

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 on April 6, 2011, pursuant to an arrangement agreement ("**Newmont Arrangement**") 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

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connection with an Indemnified Liability (as such term is defined in the Newmont Arrangement) for a period of six years following the effective date of that Arrangement.

### **TMST**

The TV Tower Agreement also provides for certain indemnifications between TMST and Pilot Gold. Such indemnifications relate to actions of Pilot Gold, as the 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 non-cancellable leases, is included in the summary of contractual obligations in this MD&A.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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.

### **Judgements**

In the process of applying the Company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### **i) Functional currency**

The functional currency for the parent entity, each of its subsidiaries and joint ventures, is the currency of the primary economic environment in which the entity operates. The parent

entity and its holding company subsidiaries in the Cayman Islands have a Canadian dollar functional currency while the remaining subsidiaries have a US dollar functional currency. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### **ii) Review of asset carrying values and impairment assessment**

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 the higher of value in use and fair value less costs to sell. The most significant assets assessed for impairment include the value of the Company’s investment interests in associates, the carrying value of its exploration property interests and deferred exploration expenditures and the carrying value of the earn-in option intangible asset.

#### **iii) Exploration and evaluation expenditure**

The application of the Company’s accounting policy for exploration expenditures requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Recoverability of the carrying amount of Pilot Gold’s exploration property interests is dependent on successful development and commercial exploitation or, alternatively, sale of the respective assets. Changes in any of the assumptions used to determine impairment testing could materially affect the result of this analysis.

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 its property

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interests 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.

During the year ended December 31, 2014, the Company wrote down the value of deferred exploration expenditures relating to the Arasanlı exploration property in Turkey, further to a review and prioritization of the Company's portfolio of mineral property assets. Arasanlı had previously been classified as held-for-sale. There were no indicators of impairment on the Company's other assets.

#### **iv) Investment in associates**

Recoverability of the carrying amount of Pilot Gold's interest in its associate in Turkey is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets. Changes in any of the assumptions used to determine impairment testing could materially affect the result of this analysis.

#### **v) 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.

#### **Estimates and assumptions**

The key assumption concerning the estimation uncertainty that is inherent in forecasting future events at a particular reporting date that has a significant risk of causing a material adjustment

to the carrying amounts of assets and liabilities within the next financial year is described below. The Company bases its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### **Exploration and evaluation expenditure**

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Company's exploration and evaluation assets, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The publication of a NI 43-101 compliant mineral resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred). The estimates directly impact when the Company defers exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditures is unlikely, the relevant capitalised amount is written-off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

## **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.

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.



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At initial recognition, we classify 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.

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', 'Deposits' 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 management has the positive intention and ability to hold to maturity. They are measured at amortized cost less any allowance for impairment. Amortization of premiums or discounts and losses due to impairment are included in current period income (loss). Pilot Gold's short term investments are in this category.
- (v) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables and accrued liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

### ***Risks Associated With Financial Instruments***

We are exposed in varying degrees to a variety of financial instrument related risks. 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,

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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 Common 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 Halılađa and those on TV Tower during the period of the earn-in, are incurred in USD. The fluctuation of the Canadian dollar in relation to the USD and the Turkish lira will have an impact on Pilot Gold's financial results.

Further, although only a portion of our expenditures, general and administrative costs are primarily incurred in Canadian dollars, we record our assets located in Canada in Canadian dollars. As the operating results and financial position of Pilot Gold are reported in USD 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 USD.

A 1% increase or decrease in the exchange rate of the USD relative to the Canadian dollar would result in a \$0.16 million increase or decrease respectively in the Company's cash and short-term investment balance. Although 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, recent volatility in that currency relative to the USD has increased the potential for an impact on the Company's cash and short-term investment balance. A significant strengthening in the value of the Turkish lira compared to the USD could adversely impact the economics associated with Halılađa.

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 or other national banks, our reclamation deposits with A+ or higher rated United States financial institutions or the United States Bureau of Land Management (the BLM).

### **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.

## **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 Annual Financial Statements at Note 3.

## **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 interests been the subject of, any material legal proceedings or regulatory actions.

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

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

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## 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 and increased volatility in the prices of gold, copper, other precious and base metals and other minerals and increasing volatility in the foreign currency exchange markets as assets continue to be repriced against a backdrop of uncertainty relating to the foreign exchange rate. Volatility is increased as well with lack of certainty as to whether the United States Federal Reserve Qualitative Easing programs will continue to be tapered, the impact of the ongoing budget issues in the United States, and the general rebalancing of the global growth forecast.

While the decrease in the price of gold during 2014 and ongoing 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. Further, the recent strengthening of the USD (the currency in which the Company incurs the majority of its operating costs) against the Canadian dollar (the currency in which Pilot Gold has historically raised capital) will impact the rate at which the Company’s treasury is consumed.

The specific risks noted in our AIF dated March 24, 2015, and others in particular relating to permitting for operations, 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.

## 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 an ongoing review of opportunities to expand our property portfolio in the United States, and our continuing discussions with Teck as to maximizing the value of Halilača, 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 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.

## OUTSTANDING SHARE DATA

There are 107,235,497 Common Shares and 7,218,164 Warrants issued and outstanding as at December 31, 2014 and 107,284,277 Common Shares and an unchanged number of Warrants issued and outstanding as at the date of this MD&A.

As at December 31, 2014 there were 8,939,877 Options outstanding issued to directors, officers, employees, and key consultants. This balance includes the 54,877 Options issued pursuant to the Arrangement to former option holders of Cadillac. A further 957,000 Options were granted on February 3, 2015. Of the total number of Options granted, 5,753,210 are exercisable as at December 31, 2014 and 6,751,097 as at the date of this MD&A. 53,780 have been exercised as of the date of this MD&A.

The Company’ Deferred Share Unit plan (“**DSU**”) and Restricted Unit (“**RSU**”) plan were approved by the Company’s shareholders at the Company’s Annual and Special Meeting on May 12, 2014. On February 3 2015, 315,000 units were issued pursuant to the DSU plan and 406,910 units were issued pursuant to the RSU plan.

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## 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 year ended December 31, 2014 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 December 31, 2014, that the disclosure controls and procedures are effective in providing 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 year ended December 31, 2014.

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).



Matthew Lennox-King  
President and Chief Executive Officer

March 24, 2015



John Wenger  
Chief Financial Officer and Corporate Secretary

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## SCIENTIFIC AND TECHNICAL DISCLOSURE

With the exception of Halilağa and TV Tower, 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 NI 43-101. The potential quantities and grades disclosed herein relating to targets at 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.

The existence of similar features at TV Tower's porphyry targets as those at the Halilağa deposit do not mean that another mineral resource will be found to exist at TV Tower or, if found to exist, that it will be of similar grade or quantity that is found at Halilağa.

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 Kinsley Project, Elko and White Pine Counties, Nevada, U.S.A.", effective March 1, 2015, and dated March 19, 2015;
- "Independent Technical Report for the TV Tower Exploration Property, Çanakkale, Western Turkey", effective January 21, 2014, and dated February 20, 2014;
- "Revised Preliminary Economic Assessment Technical Report for the Halilağa Project, Turkey", effective December 20, 2015 and dated February 16, 2015;

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 ("**QP**") as that term is defined by NI 43-101. Readers are encouraged to review the full text of the Disclosure Documents qualifying

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 and TV Tower 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 and TV Tower may differ from that which is indicated by drilling results, and the difference may be material. Furthermore, readers are cautioned that the Revised Halilağa PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the Revised Halilağa PEA will be realized. 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 Revised 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. Additional disclosure and cautionary notes relating to the Revised 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 is consistent with that provided by the QPs responsible for the NI 43-101 Technical Reports for the respective projects, 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

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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 Halılađa, 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 Halılađa and TV Tower regularly during the active drilling season and during those visits is given complete freedom to review drill core and technical data on site, and to discuss the ongoing program and results at Halılađa with TMST staff. She is satisfied that TMST is meeting industry standards for all levels of exploration work being carried out at Halılađa.

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

This MD&A, contains "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws, including statements or information concerning, future financial or operating performance of Pilot Gold and its business, operations, properties and condition; 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 and the Corporation's anticipated expenditures.

Forward-looking statements and forward-looking information is often, but not always, 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. 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, 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; the timing and amount of estimated future production, illustrative 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; Pilot Gold's ability to fully fund cash-calls made by its joint venture partner for ongoing expenditure at Halılađa; satisfaction of expenditure obligations under 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; the timing and possible outcome of regulatory and permitting matters; an inability to finalize the conveyance of the Karaayı license; successful resolution of the challenges to the EIAs described in this MD&A, the impact of archaeological, cultural or environmental studies within the property areas, 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.

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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 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; fluctuations in and the future price of gold, copper, silver and other metal prices; 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 2014 Bought-Deal; potential dilution of Common Share voting power or earnings per share as a result of the exercise of Options or Warrants, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of 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, 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; requirements for future funding to satisfy contractual obligations and additional capital needs generally; uncertainties

associated with minority interests and joint venture operations; risks arising from having the majority of the Company's operations occur in foreign jurisdictions, those associated with the Company's indemnified liabilities and the potential for increased infrastructure and/or operating costs or reclamation costs; 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.

Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. 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. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

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

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and

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dilution. There is also no certainty that these inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied. The mineral resource estimates referenced in this press release use the terms **"Indicated Mineral Resources"** and **"Inferred Mineral Resources"**. While these terms are defined in and required by Canadian regulations (under NI 43-101), these terms are not recognized by the U.S. Securities and Exchange Commission ("SEC"). "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant "reserves" as in-place tonnage and grade without reference to unit measures. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Pilot Gold is not an SEC registered company.



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## Independent Auditor's Report

### To the Shareholders of Pilot Gold Inc.

We have audited the accompanying consolidated financial statements of Pilot Gold Inc. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

### Chartered Accountants

Vancouver, British Columbia  
March 24, 2015

### PricewaterhouseCoopers LLP

PricewaterhouseCoopers Place, 250 Howe Street, Suite 700 Vancouver,  
British Columbia, Canada V6C 3S7

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*"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.*

## Consolidated statements of financial position

(Expressed in United States Dollars)

	As at December 31, 2014	As at December 31, 2013
	\$	\$
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	13,842,109	9,806,384
Short term investments	4,028,676	9,199,306
Receivables and prepayments (Note 6)	1,518,565	1,030,952
Exploration properties held for sale	-	142,583
<b>Total current assets</b>	<b>19,389,350</b>	<b>20,179,225</b>
<i>Non-current assets</i>		
Other financial assets (Note 7)	514,089	760,142
Deposits (Note 8)	1,283,024	1,362,460
Plant and equipment	409,358	554,105
Exploration properties and deferred exploration expenditures (Note 10)	30,381,676	14,883,769
Earn-in option (Note 11)	19,786,018	18,676,395
Investment in associates (Note 12)	15,083,066	14,958,216
<b>Total non-current assets</b>	<b>67,457,231</b>	<b>51,195,087</b>
<b>Total assets</b>	<b>86,846,581</b>	<b>71,374,312</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities (Note 13)	1,620,799	1,708,714
<b>Total current liabilities</b>	<b>1,620,799</b>	<b>1,708,714</b>
<i>Non-current liabilities</i>		
Other liabilities	115,640	68,126
<b>Total non-current liabilities</b>	<b>115,640</b>	<b>68,126</b>
<i>Shareholders' equity</i>		
Share capital (Note 15)	155,081,135	133,117,092
Contributed surplus (Note 15)	19,088,696	16,319,202
Accumulated other comprehensive loss	(7,923,327)	(4,096,784)
Accumulated deficit	(84,874,213)	(78,165,115)
<b>Total shareholders' equity</b>	<b>81,372,291</b>	<b>67,174,395</b>
Non controlling interest (Note 16)	3,737,851	2,423,077
<b>Total liabilities and shareholders' equity</b>	<b>86,846,581</b>	<b>71,374,312</b>

The notes on pages 38 to 58 are an integral part of these consolidated financial statements.

These financial statements are approved by the board and authorised for issue on March 24, 2015:



"Donald McInnes", Director



"Sean Tetzlaff", Director

## Consolidated statements of loss and comprehensive loss

(Expressed in United States Dollars)

	Year ended December 31, 2014	Year ended December 31, 2013,
	\$	\$
Operating expenses		
Wages and benefits	1,824,684	1,726,042
Stock based compensation (Note 15)	1,221,740	2,275,432
Office and general	1,211,324	1,286,422
Property investigation and technical studies	603,739	179,640
Investor relations, promotion and advertising	474,545	416,477
Professional fees	353,204	648,230
Depreciation	171,916	191,689
Write down of deferred exploration expenditures (Note 10c)	143,038	1,373,760
Listing and filing fees	46,588	53,771
Loss from operations	6,050,778	8,151,463
Other income (expenses)		
Change in fair value and impairment of financial instruments (Note 7)	(894,120)	(1,581,384)
Other net (expense) income	(81,357)	37,942
Loss from associates (Note 12)	(63,138)	(148,147)
Net gain on sale of financial instruments	-	102,546
Foreign exchange gains	59,303	238,214
Finance income	320,992	359,978
	(658,320)	(990,851)
<b>Loss for the period and attributable to the shareholders</b>	<b>6,709,098</b>	<b>9,142,314</b>
<b>Other comprehensive loss</b>		
Items that may be reclassified subsequently to net income		
Exchange differences on translations	(4,424,736)	(3,485,705)
Net fair value gain (loss) on financial assets (Note 7)	575,538	(19,634)
Amounts reclassified into net loss on impairment of financial assets	22,655	131,620
Other comprehensive loss for the period, net of tax	(3,826,543)	(3,373,719)
<b>Total loss and comprehensive loss for the period and attributable to the shareholders</b>	<b>10,535,641</b>	<b>12,516,033</b>
<b>Loss per share</b>		
Basic and diluted	\$ 0.07	\$ 0.10
Weighted average number of Common Shares basic and diluted (Note 15)	101,154,616	87,365,874

The notes on pages 38 to 58 are an integral part of these consolidated financial statements.

## Consolidated statements of changes in equity

(Expressed in United States Dollars)

	Number of Common Shares	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity	Non-controlling interest	Total equity
	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2012	85,210,333	126,912,393	5,103,994	8,787,402	(723,065)	(69,022,801)	71,057,923	-	71,057,923
Issuances to Teck pursuant to the Earn-in Option	3,275,000	4,667,971	-	-	-	-	4,667,971	-	4,667,971
Issuance as partial consideration for the Karaayi property	1,250,000	1,329,659	-	-	-	-	1,329,659	-	1,329,659
Issuances relating to mineral property interests	205,000	211,861	-	-	-	-	211,861	-	211,861
Share issue costs	-	(4,792)	-	-	-	-	(4,792)	-	(4,792)
Partial disposal of subsidiary to Non-Controlling interest	-	-	-	-	-	-	-	2,423,077	2,423,077
Stock based compensation	-	-	-	2,427,806	-	-	2,427,806	-	2,427,806
Net impairment of long-term investments recognised in the statement of loss	-	-	-	-	131,620	-	131,620	-	131,620
Unrealized loss on long-term investments	-	-	-	-	(19,634)	-	(19,634)	-	(19,634)
Cumulative translation adjustment	-	-	-	-	(3,485,705)	-	(3,485,705)	-	(3,485,705)
Net loss for the period	-	-	-	-	-	(9,142,314)	(9,142,314)	-	(9,142,314)
Balance as at December 31, 2013	89,940,333	133,117,092	5,103,994	11,215,208	(4,096,784)	(78,165,115)	67,174,395	2,423,077	69,597,472
Issuances as consideration for mineral property rights (Note 10b)	4,218,164	5,050,408	1,248,371	42,192	-	-	6,340,971	-	6,340,971
Issuances on private placement	13,072,000	18,130,145	-	-	-	-	18,130,145	-	18,130,145
Share issue costs on private placement	-	(1,224,336)	-	-	-	-	(1,224,336)	-	(1,224,336)
Option exercise	5,000	7,826	-	(2,946)	-	-	4,880	-	4,880
Stock based compensation (Note 15)	-	-	-	1,481,878	-	-	1,481,878	-	1,481,878
Net impairment of long-term investments recognised in the statement of loss	-	-	-	-	22,655	-	22,655	-	22,655
Unrealized gain on long-term investments	-	-	-	-	575,538	-	575,538	-	575,538
Contributions by non-controlling interest (Note 16)	-	-	-	-	-	-	-	1,314,774	1,314,774
Cumulative translation adjustment	-	-	-	-	(4,424,736)	-	(4,424,736)	-	(4,424,736)
Net loss for the period	-	-	-	-	-	(6,709,098)	(6,709,098)	-	(6,709,098)
Balance as at December 31, 2014	107,235,497	155,081,135	6,352,365	12,736,332	(7,923,327)	(84,874,213)	81,372,292	3,737,851	85,110,143

The notes on pages 38 to 58 are an integral part of these consolidated financial statements.

## Consolidated statements of cash flows

(Expressed in United States Dollars)

	Year ended December 31, 2014	Year ended December 31, 2013
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(6,709,098)	(9,142,314)
Adjusted for:		
Stock based compensation	1,306,793	2,311,025
Write-down of deferred exploration expenditures (Note 10c)	143,038	1,373,760
Change in fair value and impairment of financial instruments	894,120	1,478,838
Other non-cash expenditures on the statement of loss	351,744	343,770
Foreign exchange not related to cash	194,737	603,543
Interest income on short term investments	(46,901)	(107,602)
Movements in working capital:		
Accounts receivable and prepayments	21,720	674,094
Accounts payable and other liabilities	(1,209,274)	(337,518)
Cash deposit to Oxygen Capital Corp.	-	(182,924)
Net cash outflow due to operating activities	(5,053,121)	(2,985,328)
<b>Cash flows from financing activities</b>		
Cash received from financing	18,130,145	-
Share issue costs	(1,224,336)	(4,792)
Contributions from non-controlling interest	1,314,774	-
Cash inflow (outflow) from financing activities	18,220,583	(4,792)
<b>Cash flows from investing activities</b>		
Change in working capital attributable to deferred exploration expenditures	197,154	(28,272)
Cash received from Orta Truva for Eligible Expenditures	4,803,425	13,212,032
Eligible Expenditures on TV Tower	(5,141,673)	(9,819,250)
Funding to Associates	(1,825,293)	(5,759,540)
Purchase of short term investments	(4,117,285)	(9,383,806)
Maturity of short term investments	8,797,907	6,906,677
Purchase and proceeds of sale of property and equipment	(52,755)	(164,861)
Transaction costs net of cash received for Cadillac Acquisition (Note 10b)	(509,577)	-
Expenditures towards option to earn-in	(3,231,680)	(8,798,423)
Interest in exploration properties and deferred exploration expenditures	(7,032,183)	(4,323,066)
Proceeds from sale of mineral properties	-	3,000,000
Purchase of reclamation deposits	(84,522)	(710,000)
Net cash outflow due to investing activities	(8,196,482)	(15,868,509)
Effect of foreign exchange rates	(935,255)	(1,559,171)
Net increase (decrease) in cash and cash equivalents	4,035,725	(20,417,800)
Cash and cash equivalents at beginning of period	9,806,384	30,224,184
Cash and cash equivalents at end of the period	13,842,109	9,806,384

See Note 21 for supplemental cash flow information.

# Notes to the Consolidated Financial Statements

Year ended December 31, 2014

(Expressed in United States Dollars, unless otherwise noted)

## 1. GENERAL INFORMATION

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

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

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

## 2. BASIS OF PRESENTATION

These consolidated financial statements, including comparative figures, have been prepared using accounting policies in compliance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets classified as available-for-sale and fair value through profit and loss which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### (b) Basis of consolidation

The financial statements of Pilot Gold consolidate the accounts of Pilot Gold Inc. and its subsidiaries. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The subsidiaries of Pilot Gold and their geographic locations at December 31, 2014 were as follows:

Name of subsidiary	Principal activity	Location	Proportion of ownership interest and voting power held	Non-Controlling Interest
Pilot Gold USA Inc.	Mineral exploration	United States	100%	-
Kinsley Gold LLC	Mineral exploration	United States	79%	21%
Agola Madencilik Limited Şirketi (“ <b>Agola</b> ”)	Mineral exploration	Turkey	100%	-
Pilot Holdings Inc.	Holding company	Cayman Islands	100%	-
Pilot Investments Inc.	Holding company	Cayman Islands	100%	-
Cadillac Mining Corporation	Mineral exploration	Canada	100%	-
Cadillac West Explorations Inc.	Mineral exploration	Canada	100%	-
Cadillac South Explorations Inc.	Mineral exploration	United States	100%	-

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### **(c) Investments in associates**

The Company conducts a portion of its business through equity interests in associates. An associate is an entity over which Pilot Gold has significant influence, but not control. The financial results of Pilot Gold's investments in its associates are included in Pilot Gold's results according to the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates is recognized in net income (loss) during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

Transactions and balances between the Company and its associates are not eliminated. Unrealized gains on transactions between Pilot Gold and an associate are eliminated to the extent of Pilot Gold's interest in the associate. Unrealized losses are also eliminated to the extent of the Company's interest in the associate unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of loss.

At the end of each reporting period, Pilot Gold assesses whether there is any objective evidence that its investment interests in associates are impaired. If impaired, the carrying value of Pilot Gold's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of loss. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings (loss) in the period the reversal occurs.

### **(d) Foreign currencies**

Items included in the financial statements of each subsidiary and associate in the Company are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). These consolidated financial statements are presented in United States dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, giving rise to foreign exchange gains and losses in the statement of loss.

Pilot Gold Inc. raises its financing and carries out head office expenditures in Canadian dollars, giving rise to 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 these consolidated financial statements is United States dollars. Any assets and liabilities of the Company held in foreign currencies are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in this case, the exchange rates at the dates of the transactions are used. Equity transactions are translated using the exchange rate at the date of the transaction. Exchange differences arising from assets and liabilities held in foreign currencies, are recognised in other comprehensive income (loss) as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income (loss) related to the foreign operation are recognized in profit or loss.

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### **(e) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, and deposits in banks that are readily convertible into a known amount of cash.

### **(f) Exploration properties and deferred exploration expenditures**

Acquisition and exploration expenditures on properties are deferred until such time as the properties are put into commercial production, sold or become impaired. Costs incurred before Pilot Gold has obtained legal rights to explore an area are recognized in the statement of loss. General exploration expenditures are charged to operations in the period in which they are incurred. Pilot Gold recognizes the payment or receipt of amounts required under option agreements as an addition or reduction, respectively, in the book value of the property under option when paid or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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

The Company has farm-out arrangements with third parties on certain of its exploration properties. The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

### **(g) Plant and equipment**

Plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Pilot Gold and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of loss during the period in which they are incurred.

The major categories of plant and equipment noted below are depreciated over their estimated useful life using the following annual rates and methods:

Field equipment	20%	Declining balance
Equipment	30%	Declining balance
Computer software	50%	Straight line
Furniture and fixtures	20%	Declining balance
Leasehold improvements		Term of lease

Depreciation expense of assets used in exploration is capitalized to deferred exploration expenditures, earn-in option, or investment in associate as appropriate. Management reviews the estimated useful lives, residual values and depreciation methods of the Company's plant and equipment at the end of each financial year and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized, if the recognition criteria are satisfied.

### **(h) Assets and liabilities held for sale**

A non-current asset or disposal group of assets and liabilities ("**disposal group**") is classified as held for sale when it meets the following criteria:



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- (i) The non-current asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups; and
- (ii) The sale of the non-current asset or disposal group is highly probable. For the sale to be highly probable:
- The appropriate level of management must be committed to a plan to sell the asset (or disposal group);
  - An active program to locate a buyer and complete the plan must have been initiated;
  - The non-current asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
  - The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale (with certain exceptions); and
  - Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

#### **(i) Impairment of long-lived assets**

Plant and equipment, exploration properties and deferred exploration expenditures are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment is assessed on an asset-by-asset basis. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **(j) Provisions and constructive obligations**

Provisions, including environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of

past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Constructive obligations are obligations that derive from the Company's actions where:

- An established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and
- As a result, Pilot Gold has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Where the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### **(k) Income taxes**

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

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Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by Pilot Gold and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

### **(l) Earnings or loss per share**

Earnings or loss per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase Common Shares at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

### **(m) Financial instruments**

Financial assets and liabilities are recognized when Pilot Gold becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and Pilot Gold has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, Pilot Gold classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

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

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 twelve months of the balance sheet date, which is classified as non-current.

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

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

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.

- (iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Pilot Gold's loans and receivables are comprised of 'Receivables', 'Deposits' 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.
- (v) Held to maturity: Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Pilot Gold's management

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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 loss. Pilot Gold's short term investments are in this category.

- (vi) Financial liabilities at amortized cost: Financial liabilities at amortized cost include account payables and accrued liabilities. Accounts 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, accounts payables are measured at amortized cost using the effective interest method.

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

#### **(n) Impairment of financial assets**

At each reporting date, management of Pilot Gold assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, Pilot Gold recognizes an impairment loss, as follows:

- (i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- (ii) Available-for-sale financial assets: A significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

#### **(o) Share-based payments**

- (i) Stock Options: An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value of option grants is measured at the date of grant using the Black-Scholes option-pricing model ("**Black-Scholes**") and the compensation amount, equal to the option's fair value, is recognized over the period that the employees earn the options. The vesting periods of the stock options granted range from vesting immediately to vesting over a three-year period. Each tranche is recognised on a straight-line basis over the vesting period. Pilot Gold recognizes an expense or addition to exploration properties and deferred exploration expenditures for options granted under the employee stock option plan, arising from stock options granted to employees using the fair value method with a corresponding increase in equity.

The amount recognized as an expense or added to exploration properties and deferred exploration expenditures, is adjusted to reflect the number of options expected to vest.

- (ii) Deferred share units ("**DSUs**") and restricted share units ("**RSUs**") are measured at fair value on the grant date. Equity settled DSUs and RSUs are recognized in equity while DSUs and RSUs to be redeemed in cash are recognized as a liability and subsequently adjusted at each financial position reporting date for changes in fair value. The expense is recognized over the vesting period, with a corresponding charge as an expense or capitalized to deferred exploration expenditures.

#### **Changes in accounting policies**

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

#### **Impairment of Assets**

IAS 36, Impairment of assets ("**IAS 36**") seeks to ensure that an entity's assets are not carried at more than their recoverable

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amount. The IASB has made small changes to the disclosures required by IAS 36 when recoverable amount is determined based on fair value less costs of disposal. The IASB has amended IAS 36 as follows:

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

The Company has applied the required disclosures as appropriate.

#### **Accounting for levies imposed by governments**

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

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

#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Further information on management’s judgments, estimates and assumptions and how they impact the various accounting

policies are described below and also in the relevant notes to the financial statements.

#### **Judgments**

In the process of applying the Company’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements.

##### **i) Functional currency**

The functional currency for the parent entity, each of its subsidiaries and associates, is the currency of the primary economic environment in which the entity operates. The parent entity, its Canadian subsidiaries and its holding company subsidiaries in the Cayman Islands (Note 3) have a Canadian dollar functional currency while the remaining subsidiaries have a US dollar functional currency. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

##### **ii) Review of asset carrying values and impairment assessment**

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 the higher of value in use and fair value less costs to sell. The most significant assets assessed for impairment include the value of the Company’s investment interests in associates, the carrying value of its exploration property interests, deferred exploration expenditures and the carrying value of the earn-in option intangible asset.

##### **Exploration and evaluation expenditure**

The application of the Company’s accounting policy for exploration and evaluation expenditure requires judgment

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to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

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 its property interests 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.

During the year ended December 31, 2014, the Company wrote down the value of deferred exploration expenditures relating to the Arasanli Turkish property, further to a review and prioritisation of the Company's portfolio of mineral property assets. There were no indicators of impairment on the Company's other assets.

#### ***Investment in associates and Earn-in Option***

Recoverability of the carrying amount of Pilot Gold's 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 upon successfully meeting the earn-in requirements of the TV Tower Agreement (Note 11 and Note 23). Changes in any of the assumptions used to determine impairment testing could materially affect the result of this analysis.

#### **iii) 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.

#### ***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### **i) Exploration and evaluation expenditure**

In addition to applying judgment to determine whether future economic benefits are likely to arise from the Company's exploration and evaluation assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The publication of a resource pursuant to National Instrument 43-101, Standards of Disclosure for Mineral Projects ("**NI 43-101**"), is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount

is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

## 5. RECENT ACCOUNTING PRONOUNCEMENTS

New relevant IFRS pronouncements that have been issued but are not yet effective are listed below. We plan to apply the new standard or interpretation in the annual period for which it is first required.

### ***Sale or contribution of assets between an investor and its associate***

IFRS 10, Consolidated Financial Statements (“**IFRS 10**”) has been amended to address an inconsistency between IFRS 10 and IAS 28, Investments in Associates. The main consequence of the amendment is that a full gain or loss is recognized when the transaction involves a business combination, and whereas a partial gain is recognized when the transaction involves assets that do not constitute a business. The amendment is effective for years beginning January 1, 2016.

### ***Financial instruments***

In July 2014 the IASB released the final version of IFRS 9, Financial Instruments (“**IFRS 9**”) covering classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on a company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions.

The new hedge accounting model will align hedge accounting with risk management activities undertaken by an entity. Components of financial and non - financial items will now be eligible for hedge accounting as long as the risk component can be identified and measured. The new hedge accounting model includes eligibility criteria that must be met but these criteria are based on an economic assessment of the strength

of the hedging relationship, which can be determined using internal risk management data. New disclosure requirements relating to hedge accounting will be required and are meant to simplify existing disclosures. The IASB currently has a separate project on macro hedging activities and until that project is completed, entities are permitted to continue to apply IAS 39 for all of their hedge accounting.

On release of the final version, the IASB announced an updated mandatory effective date of January 1, 2018. Entities are still permitted to early adopt all or part of IFRS 9. Pilot Gold is currently evaluating the impact IFRS 9 expected to have on its consolidated financial statements.

At this time and where applicable, Pilot Gold does not anticipate it will be early adopting the above standard.

## 6. RECEIVABLES

	December 31, 2014	December 31, 2013
Sales taxes receivable	\$ 98,738	\$ 29,993
Receivable from Orta Truva for expenditures on TV Tower (Note 11)	1,102,104	750,914
Other receivables	64,324	90,039
Prepayments	253,399	160,006
	<b>\$ 1,518,565</b>	<b>\$ 1,030,952</b>

The majority of Eligible Expenditures (Note 11) are incurred by the Company’s wholly-owned Turkish subsidiary in accordance with a technical services agreement relating to exploration at TV Tower. The balance due from Orta Truva Madencilik Şanayi ve Ticaret A.Ş. (“**Orta Truva**”), the Turkish company that holds TV Tower, reflects Eligible Expenditures incurred by the Company at TV Tower and includes recoverable VAT that is not an Eligible Expenditure. The Company subsequently funds Orta Truva (Notes 11 & 12) such that it can settle the amount due.

## 7. OTHER FINANCIAL ASSETS

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments are treated as long-term investments and may take the form of common shares and share purchase warrants. For accounting purposes, Pilot Gold has determined that any share purchase warrants held are derivative financial instruments

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and any change in fair value is included in income (loss) for the period. The fair value of share purchase warrants is measured using the Black-Scholes valuation model that uses inputs that are primarily based on market indicators. Any common shares (equities) held are designated as available-for-sale and any change in fair value is included in other comprehensive income (loss), until such time as the common shares are sold or otherwise disposed of at which time any gains or losses will be included in income (loss) for the period.

Inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement are summarized in the three level hierarchies below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at December 31, 2014, Pilot Gold holds Level 1 equity securities with a total fair value of \$514,089. As at December 31, 2013 the Company held only Level 1 equity securities with a total fair value of \$760,142.

The total amount in other comprehensive income relating to available for sale financial instruments as at December 31, 2014 is \$578,558 (as at December 31, 2013: \$19,609).

## 8. DEPOSITS

On August 1, 2012 Pilot Gold entered into a technical and administrative services agreement (the "**Oxygen Agreement**") with Oxygen Capital Corp. ("**Oxygen**"), a related party, whereby Oxygen provides geological, engineering, corporate development, administrative and shareholder communication services to the Company at cost. As at December 31, 2014 Oxygen holds an advance deposit of \$274,085 (December 31, 2013: \$401,864) on behalf of the Company, that on termination of the Oxygen Agreement will be applied against the final three months of services, see also related party transactions in Note 22. The

deposit is adjusted biannually to reflect the most recent three months of invoices for services received from Oxygen.

The Company holds \$246,377 in Certificates of Deposit with a US bank, to back certain standby letters of credit, as well as a bond for \$748,822 with the United States Interior Department's Bureau of Land Management ("**BLM**") in order to meet bonding requirements with the BLM on its mineral properties in the USA.

## 9. PLANT AND EQUIPMENT

	Field equipment	Equipment	Computer software	Furniture and fixtures	Leasehold improvements	Total
Cost:	\$	\$	\$	\$	\$	\$
Balance as at January 1, 2013	46,453	711,577	269,416	291,763	308,887	1,628,096
Additions	7,019	85,769	36,918	37,484	-	167,190
Disposals and write-downs	-	(6,029)	-	-	-	(6,029)
Cumulative translation adjustment	(223)	(15,159)	(8,869)	(12,793)	-	(37,044)
<b>Balance as at December 31, 2013</b>	<b>53,249</b>	<b>776,158</b>	<b>297,465</b>	<b>316,454</b>	<b>308,887</b>	<b>1,752,213</b>
Additions	5,329	58,376	-	-	13,620	77,325
Disposals and write-downs	(2,768)	(73,187)	-	-	-	(75,955)
Cumulative translation adjustment	(266)	(18,643)	(10,687)	(15,415)	-	(45,011)
<b>Balance as at December 31, 2014</b>	<b>55,544</b>	<b>742,704</b>	<b>286,778</b>	<b>301,039</b>	<b>322,507</b>	<b>1,708,572</b>
Depreciation:						
Balance as at January 1, 2013	13,907	410,794	233,253	174,493	172,719	1,005,166
Current period depreciation	7,198	85,466	40,406	29,675	58,322	221,067
Disposals and write-downs	-	(1,209)	-	-	-	(1,209)
Cumulative translation adjustment	(109)	(10,256)	(8,076)	(8,475)	-	(26,916)
<b>Balance as at December 31, 2013</b>	<b>20,996</b>	<b>484,795</b>	<b>265,583</b>	<b>195,693</b>	<b>231,041</b>	<b>1,198,108</b>
Current period depreciation	6,696	74,515	22,538	23,827	54,542	182,118
Disposals and write-downs	-	(44,707)	-	-	-	(44,707)
Cumulative translation adjustment	(160)	(14,285)	(10,532)	(11,328)	-	(36,305)
<b>Balance as at December 31, 2014</b>	<b>27,532</b>	<b>500,318</b>	<b>277,589</b>	<b>208,192</b>	<b>285,583</b>	<b>1,299,214</b>
Net Book Value:						
As at December 31, 2013	32,253	291,363	31,882	120,761	77,846	554,105
<b>As at December 31, 2014</b>	<b>28,012</b>	<b>242,386</b>	<b>9,189</b>	<b>92,847</b>	<b>36,924</b>	<b>409,358</b>

Equipment consists of automobiles, and automotive equipment, and computer hardware.



## 10. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

None of the Company's properties have any known body of commercial ore or any established economic deposit; all are currently in the exploration stage. Expenditures at Halilağa are recorded in the Company's investment in Truva Bakır, an equity-accounted associate (Note 12). Expenditures on TV Tower are bifurcated as 60% to the Earn-in Option (Note 11) and 40% to the Company's investment in Orta Truva (Note 12) in order to maintain the Company's proportionate interest in Orta Truva until such time as the earn-in to an additional 20% has been completed.

	Total January 1, 2013	Additions/ Allocations	Transfer to held for sale	Write-down or disposal of asset	Recovery from third party earn-in	Total December 31, 2013	Additions/ Allocations	Transfer to held for sale	Write-down or disposal of asset	Recovery from third party earn-in	Total December 31, 2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>USA</b>											
Kinsley Mountain (Note 10a)	4,809,577	6,268,701	-	-	-	11,078,278	-	6,322,982	-	-	17,401,260
Goldstrike (Note 10b)	-	-	-	-	-	-	8,336,985	314,377	-	-	8,651,362
Viper	1,013,835	5,773	-	-	-	1,019,608	-	17,333	-	-	1,036,941
Brik	743,598	18,324	-	-	-	761,922	-	22,790	-	-	784,712
Griffon	415,971	300,100	-	-	-	716,071	-	36,644	-	-	752,715
Gold Bug	126,130	275,184	-	-	-	401,314	-	336,560	-	-	737,874
Stateline	252,098	26,621	-	-	-	278,719	-	27,871	-	-	306,590
Drum Mountain	-	118,918	-	-	-	118,918	-	109,105	-	-	228,023
Easter	143,433	49,409	-	-	-	192,842	-	12,133	-	-	204,975
Antelope	113,019	36,528	-	-	-	149,547	-	40,697	-	-	190,244
Anchor	196,583	2,991	-	-	(33,024)	166,550	-	-	-	(79,570)	86,980
New Boston	1,281,116	924	-	(1,282,040)	-	-	-	-	-	-	-
<b>Total USA</b>	<b>9,095,360</b>	<b>7,103,473</b>	<b>-</b>	<b>(1,282,040)</b>	<b>(33,024)</b>	<b>14,883,769</b>	<b>8,336,985</b>	<b>7,240,492</b>	<b>-</b>	<b>(79,570)</b>	<b>30,381,676</b>
<b>Turkey</b>											
Arasanli	140,651	1,932	(142,583)	-	-	-	-	-	-	-	-
<b>Total Turkey</b>	<b>140,651</b>	<b>1,932</b>	<b>(142,583)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>9,236,011</b>	<b>7,105,405</b>	<b>(142,583)</b>	<b>(1,282,040)</b>	<b>(33,024)</b>	<b>14,883,769</b>	<b>8,336,985</b>	<b>7,240,492</b>	<b>-</b>	<b>(79,570)</b>	<b>30,381,676</b>
<b>Assets held for sale</b>											
Regent (Note 10d)	2,982,050	-	-	(2,982,050)	-	-	-	-	-	-	-
Buckskin North	91,720	-	-	(91,720)	-	-	-	-	-	-	-
Arasanli (Note 10c)	-	-	142,583	-	-	142,583	-	455	(143,038)	-	-
<b>Total held for sale</b>	<b>3,073,770</b>	<b>-</b>	<b>142,583</b>	<b>(3,073,770)</b>	<b>-</b>	<b>142,583</b>	<b>-</b>	<b>455</b>	<b>(143,038)</b>	<b>-</b>	<b>-</b>

### a) Kinsley Mountain

The Company holds a 79.1% interest in Kinsley Gold LLC (“**KG LLC**”) (Note 16), the entity that holds the underlying lease and directly held claims that comprise the Kinsley Mountain property (together, “**Kinsley**”).

The value of the non-controlling interest increased by \$1,314,773 during the year ended December 31, 2014 upon receipt of funding from the non-controlling interest holder, Intor Resources Corporation.

### b) Goldstrike

On August 29, 2014 (the “**Acquisition Date**”) the Company completed the acquisition of 100% of the issued and outstanding shares of Cadillac pursuant to a plan of arrangement (the “**Arrangement**”). Under the Arrangement, shareholders of Cadillac received (i) 0.12195 of a Pilot Gold common share (“**Common Share**”), and (ii) 0.12195 of a warrant to purchase a Common Share (“**Warrant**”) for each common share of Cadillac held; a total of 4,218,164 Common Shares and 4,218,164 Warrants respectively. Each Warrant entitles the holder to acquire one Common Share at an exercise price of C\$2.00 with a two-year term. Existing Cadillac warrants (“**Cadillac Warrants**”) and stock options (“**Cadillac Options**”) acquired are exercisable for a Common Share, adjusted in respect of exercise price and number, based on the 0.12195 exchange ratio.

The transaction did not meet the definition of a business combination, and was therefore accounted for as an acquisition of an asset. Accordingly, the acquisition has been recorded at cost, including transaction costs of \$562,920 recorded within Additions. Transaction costs comprise primarily legal and advisory fees, share issue costs and internal due diligence costs.

The total value of the consideration of \$7,163,905 includes the fair value of the Common Shares and Warrants issued under the Arrangement, transaction costs and the fair value of the Cadillac Warrants and Cadillac Options acquired (the “**Consideration**”). The fair value of each Warrant issued was determined using the Black Scholes valuation model; the significant inputs into the model were share price of C\$1.30, exercise price of C\$2.00, volatility of 68%, determined on the Company’s historical data over an expected life of 2 years, and an annual risk-free interest rate of 1.10%, resulting in a fair value of C\$0.32 per Warrant. The

fair value of the Cadillac Warrants and Cadillac Stock assumed was determined to be \$48,747.

The Consideration was allocated to the assets acquired based on relative fair values, with the exception of all financial assets and liabilities acquired, which were recorded at fair value on the date of acquisition. The presumption in IFRS 2, ‘Share Based Payments’, that the fair value of the assets acquired can be reliably measured, has been rebutted and it has been determined that the fair value of the equity instruments granted in an arm’s length transaction is the measure of the fair value of the assets received:

<b>Assets acquired and liabilities assumed:</b>	
Cash	\$ 53,343
Available for sale investments	17,960
Reclamation deposit	13,740
Goldstrike mineral property	8,336,985
Net current liabilities	(1,250,123)
Asset retirement obligation	(8,000)
	<b>\$ 7,163,905</b>
<b>Consideration paid:</b>	
Issuance of Common Shares	5,050,408
Issuance of Warrants	1,243,177
Transaction costs	562,920
Drawdown on loan to Cadillac	258,653
Common Shares made issuable upon exercise of Cadillac Options and Cadillac Warrants	48,747
	<b>\$ 7,163,905</b>

### c) Arasanli

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

### d) Regent

The Company announced on January 10, 2013 that it had closed a definitive purchase agreement (the “**Regent Agreement**”) to sell 100% of the Regent exploration property to Rawhide Mining LLC (“**Rawhide**”) for \$3,000,000 in cash. Pursuant to the Regent Agreement, Pilot Gold retains a net profits royalty of 15% on production from Regent and is entitled to a sliding scale gold equivalent bonus payment, each of which is payable in certain circumstances after Rawhide has achieved production at Regent.

## 11. OPTION TO EARN-IN TO TV TOWER (the “Earn-in Option”)

On June 20, 2012 (the “**TV Tower Effective Date**”), the Company and certain of its subsidiaries entered into a share-purchase and joint venture agreement (the “**TV Tower Agreement**”) with Teck Resources Limited (“**Teck**”) and Teck Madencilik Sanayi Ticaret A.Ş (“**TMST**”), pursuant to which, shares equal to an additional 20% interest in Orta Truva will be transferred from TMST to the Company, such that the Company will hold a 60% interest and TMST will hold a 40% interest in Orta Truva. Orta Truva holds the licenses that comprise TV Tower. During the period of earn-in, the Company will be the project operator at TV Tower. Successful completion of the Earn-in Option requires:

- a) Issuing 3,275,000 Common Shares and 3,000,000 Common Share purchase warrants (“**Teck Warrants**”) to TMST within five business days of signing the TV Tower Agreement. Each Teck Warrant is exercisable for a period of three years from the date of issue and shall be exercisable for one Common Share at an exercise price of C\$3.00 per share;
- b) incurring \$21 million in eligible exploration expenditures (“**Eligible Expenditures**”) over three years (the “**TV Tower Expenditure Requirement**”);
- c) issuing 1,637,500 Common Shares to TMST on completion of each of the first and second year expenditure requirements; and
- d) making a one-time cash payment to TMST equal to \$20 per ounce of gold applicable to only 20% of the ounces of gold delineated at TV Tower in excess of 750,000 gold ounces defined as Measured, Indicated or Inferred resources determined pursuant to a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (the “**Additional Consideration**”).

Pursuant to the funding mechanism outlined in the TV Tower Agreement, and in order to maintain the relative interests of TMST and the Company in Orta Truva until the Earn-in Option obligations have been satisfied, 60% of the Eligible Expenditures in a given period are advanced by the Company to TMST and accounted for as a component of the Earn-in Option, a non-

current asset. The remaining 40% is recorded to the Company’s interest in Orta Truva (Note 12).

The majority of Eligible Expenditures are incurred initially by the Company’s wholly-owned Turkish subsidiary. Pilot Gold invoices Orta Truva for services performed in the period, and Orta Truva, in turn invoices TMST and Pilot Gold, for their respective share of Eligible Expenditures for the period. Each shareholder subsequently funds Orta Truva such that it can settle the amount due.

The Earn-in Option was satisfied on March 12, 2015 see Note 23.

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

January 1, 2013	\$ 7,239,057
Eligible Expenditures	6,519,779
Non - Eligible Expenditures	143,113
Value of Common Shares issued	5,465,766
Foreign exchange	(691,320)
December 31, 2013	\$ 18,676,395
Eligible Expenditures	2,726,618
Non - Eligible Expenditures	39,831
Foreign exchange	(1,656,826)
December 31, 2014	\$ 19,786,018

## 12. INVESTMENT IN ASSOCIATES

### Turkey

Pilot Gold owns 40% of Halılađa through a 40% ownership stake in Truva Bakır Maden İşletmeleri A.Ş. (“**Truva Bakır**”), a Turkish company, controlled (60%) by TMST, an indirect subsidiary of Teck. Pilot Gold also holds a 40% interest in Orta Truva. Pilot Gold became the operator of TV Tower on September 20, 2012 and has an option to acquire an additional 20% interest of Orta Truva (Note 11). Orta Truva is also controlled (60%) by TMST. Both Orta Truva and Truva Bakır are incorporated in Turkey.

On September 4, 2013 Orta Truva acquired a beneficial interest in the Karaayı license, contiguous to, and now a part of TV Tower (the “**Karaayı Purchase**”). Consideration for the Karaayı Purchase was paid for by the Company as 1,250,000 Common Shares, and \$300,000 cash, accounted for pursuant to the Funding Mechanism. Until the transaction closes and

conveyance of title is completed, the license will be held in trust and for the benefit of Orta Truva. By virtue of a services agreement, Orta Truva is the operator at Karaayı during the conveyance period and in turn, pursuant to the TV Tower Agreement, the Company will undertake and oversee all exploration activities at the property on behalf of Orta Truva. Exploration expenditures at Karaayı incurred by Pilot Gold qualify as Eligible Expenditures. Formal transfer of title to the Karaayı license to Orta Truva is pending.

### United States

During 2013 Gold Springs was diluted to 17.5% and reclassified into other financial assets (Note 7).

All three associates are unlisted, and as such fair values of the Company's investments are not determinable through an active market. The Company's associates are related parties.

	Truva Bakır	Orta Truva	Gold Springs	Total
At December 31, 2012	\$ 6,412,078	\$ 4,569,351	\$ 945,349	\$ 11,926,778
Share of loss	413	(148,560)	-	(148,147)
Funding	279,104	4,574,838	-	4,853,942
Exchange differences	(413,382)	(315,626)	-	(729,008)
Reclassification to other financial assets	-	-	(945,349)	(945,349)
At December 31, 2013	\$ 6,278,213	\$ 8,680,003	\$ -	\$ 14,958,216
Share of loss	3,384	(66,522)	-	(63,138)
Funding	195,907	1,324,465	-	1,520,372
Exchange differences	(539,941)	(792,443)	-	(1,332,384)
<b>At December 31, 2014</b>	<b>\$ 5,937,563</b>	<b>\$ 9,145,503</b>	<b>\$ -</b>	<b>\$ 15,083,066</b>

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

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

	At December 31, 2014		At December 31, 2013	
	Truva Bakır	OrtaTruva	Truva Bakır	OrtaTruva
Current assets	\$ 274,152	\$ 2,799,015	\$ 307,293	\$ 4,394,365
Non-current assets	14,664,920	21,214,510	15,579,312	18,239,454
Current liabilities	(95,164)	(1,149,767)	(191,073)	(933,811)
<b>Total net assets</b>	<b>\$ 14,843,908</b>	<b>\$ 22,863,758</b>	<b>\$ 15,695,532</b>	<b>\$ 21,700,008</b>
Gain/(loss)	8,458	(166,304)	1,032	(371,400)
% interest held	40%	40%	40%	40%
Company's share of net assets	\$ 5,937,563	\$ 9,145,503	\$ 6,278,213	\$ 8,680,003

As at December 31, 2014, the Company has outstanding receivables from Truva Bakır of \$5,372, and from Orta Truva of \$1,299,828. The balance due from Orta Truva is accounted for as \$519,931 attributable to the investment in associate and \$779,897 attributable to the Earn-in Option asset. The balance due includes \$197,724 relating to Eligible Expenditures incurred and cash called by Orta Truva subsequent to period end. During the year ended December 31, 2014, an \$877,840 distribution was received from Orta Truva for the Company's share of a VAT refund from the Turkish tax authorities relating to periods prior to 2014.

### 13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	December 31, 2013
Trade payables	\$ 650,851	\$ 240,434
Other payables	119,306	85,934
Accrued liabilities	765,971	409,799
Amounts due to Orta Truva	22,511	357,714
Amounts due to Truva Bakır	28,395	48,259
Amounts due to TMST	33,765	536,574
Decommissioning liability	-	30,000
	<b>\$ 1,620,799</b>	<b>\$ 1,708,714</b>

Accounts payable and accrued liabilities are non-interest bearing and are normally settled on 30-day terms. Amounts due to associates and TMST, relate to cash calls due in connection with the Company's pro-rata share of costs incurred at Halılağa and TV Tower. Cash calls are non-interest bearing and are normally settled on 10-day terms. Accrued liabilities at each period end include amounts payable to employees and service providers of the Company in respect of that year's bonus amount paid in the following year.

### 14. INCOME TAXES

a) Provision for income taxes:

The recovery of income taxes differs from the amount that would have resulted from applying combined Canadian federal and provincial statutory tax rates for 2014 of 26.00% (2013 – 25.75%).

	<b>December 31, 2014</b>	December 31, 2013
Loss before taxes	\$ (6,709,098)	\$ (9,142,314)
Statutory tax rate	26.00%	25.75%
Expected income tax recovery	(1,744,365)	(2,354,146)
Permanent differences	1,092,559	420,903
Benefit not recognized and other	651,806	1,933,243
<b>Income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

- b) Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial and tax purposes. The Company holds no deferred tax assets and liabilities.
- c) The following are temporary differences the net benefits of which have not been recognized as at December 31, 2014:

	<b>December 31, 2014</b>	December 31, 2013
Operating losses carried forward	\$ 26,098,665	\$ 17,966,597
Equipment	580,292	531,581
Mineral properties	286,149	(417,929)
Investments and other	3,666,327	3,070,270
<b>Total temporary differences</b>	<b>\$ 30,631,433</b>	<b>\$ 21,150,519</b>

- d) The Company has non capital losses which may be applied to reduce future taxable income. These losses expire between 2015 and 2034:

Canada	US	Turkey	Total
13,864,000	10,041,000	2,194,000	<b>26,099,000</b>

There are no income taxes owed by Pilot Gold at December 31, 2014

## 15. SHARE CAPITAL AND CONTRIBUTED SURPLUS

### a) Authorized

Unlimited Common Shares with no par value.

### b) Issued

On April 2, 2014, the Company completed a bought deal financing for aggregate gross proceeds of C\$20,000,160 (\$18,130,145). A syndicate of underwriters purchased, on a bought deal basis, 13,072,000 Common Shares at a price of C\$1.53 per Common Share.

On August 29, 2014 the Company completed the acquisition of Cadillac (Note 7b), pursuant to which a total of 4,218,164

Common Shares with a fair value of C\$5,483,613 (\$5,050,408), were issued as partial consideration to the shareholders of Cadillac.

### c) Stock-based compensation

#### Pilot Gold Stock Option Plan

The Pilot Gold Stock Option Plan (2014) (the "Option Plan"), was approved on May 12, 2014. Under the terms of the Option Plan, the Board may, from time to time, grant to employees, officers and directors of, or consultants to the Company, non-assignable options to acquire Common Shares ("Options") in such numbers and for such terms as may be determined by the Board.

The number of Common Shares which may be issued pursuant to Options previously granted and those granted under the Plan will be a maximum of 10% of the issued and outstanding shares at the time of the grant; the number of Common Shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis.

Options granted under the Option Plan to date are exercisable over periods of five or ten years. In accordance with the Option Plan, the exercise price of each Option shall under no circumstances be lower than the closing market price of the Company's stock on the trading day immediately before the date of grant. Options granted to Directors vest immediately, the remaining Options vest in thirds at the end of each year from the date of grant. Any consideration paid by the optionee on the exercise of Options is credited to share capital.

Option transactions and the number of Options outstanding are summarized as follows, no options expired in the period, see Note 23 for stock based compensation granted subsequent to year end.

	Shares	Weighted Average Exercise Price
Balance, January 1, 2013	5,541,000	2.75
Options granted	1,590,000	2.12
Options forfeited	(211,000)	2.92
<b>Balance, December 31, 2013</b>	<b>6,920,000</b>	<b>2.60</b>
Options granted	2,555,000	1.13
Options forfeited	(585,000)	2.50
Options exercised	(5,000)	1.08
<b>Balance, December 31, 2014</b>	<b>8,885,000</b>	<b>2.18</b>

At December 31, 2014, Pilot Gold had incentive Options issued to directors, officers, employees and key consultants to the Company outstanding as follows:

Range of prices	Number of Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of Options exercisable	Weighted average exercise price of Options exercisable
	#	(in years)	C\$	#	C\$
C\$0.01 to C\$0.99	250,000	4.07	0.88	-	-
C\$1.00 to C\$1.99	3,705,000	3.77	1.15	1,515,000	1.12
C\$2.00 to C\$2.99	1,585,000	3.18	2.15	838,333	2.16
C\$3.00 to C\$3.99	3,345,000	6.28	3.45	3,345,000	3.45
	<b>8,885,000</b>	<b>4.62</b>	<b>2.18</b>	<b>5,698,333</b>	<b>2.64</b>

For the purposes of estimating the fair value of options using Black-Scholes, certain assumptions are made such as expected dividend yield, volatility of the market price of the Company's shares, risk-free interest rates and expected average life of the Options. We base our expectation of volatility on the volatility of similar publicly-listed companies, as the expected life of our Options exceeds our trading history.

The weighted average fair value of Options granted during the period determined using Black-Scholes was C\$0.72 per Option. The weighted average of the significant inputs into the model were share price of C\$1.09 at the grant date, exercise price of C\$1.13, volatility of 72%, dividend yield of 0%, an expected Option life of 5 years, and an annual risk-free interest rate of 1.63%. A 2.72% forfeiture rate is applied to the Option expense.

For the year ended December 31, 2014, the Company has capitalized a total of \$217,825 (December 31, 2013 - \$106,835) of stock-based compensation to exploration properties and deferred exploration expenditures. For the year ended December 31, 2014, the Company charged a total of \$1,521,124 (2013: \$2,311,023) of stock-based compensation expense to the statement of loss relating to Options, of which \$84,505 (2013: \$35,591) is attributed to property investigation.

### **Cadillac Acquisition Stock Option Plan**

Pursuant to the acquisition of Cadillac (Note 10b), and as adjusted for the transaction ratio of 0.12195, the Company assumed 67,072 Cadillac Options each of which is exercisable for a Common Share. The weighted average exercise price of the

Cadillac Options is C\$0.74. During the year ended December 31, 2014, 12,195 options expired, there were no forfeitures, or exercises. Subsequent to year end 48,780 Cadillac Options were exercised.

Outstanding options are summarised as follows:

Exercise price	Number of Options outstanding and exercisable	Weighted average remaining contractual life
C\$	#	(in years)
0.41	48,780	0.66
2.05	6,097	0.66
	<b>54,877</b>	<b>0.66</b>

### **d) Warrants:**

Warrant transactions and the number of Warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
	#	C\$
Balance, January 1, 2013	-	-
Teck Warrants issued	3,000,000	3.00
Warrants issued	11,362,524	2.20
Warrants exercised or expired	-	-
Balance, December 31, 2013	14,362,524	2.37
Cadillac Warrants issued (Note 10b)	4,218,164	2.00
Warrants expired	(11,362,524)	2.20
Warrants exercised	-	-
<b>Balance, December 31, 2014</b>	<b>7,218,164</b>	<b>2.42</b>

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

Exercise price	Number of Warrants outstanding and exercisable	Weighted average remaining contractual life
C\$	#	(in years)
2.00	4,218,164	1.66
3.00	3,000,000	0.47
<b>2.42</b>	<b>7,218,164</b>	<b>1.17</b>

The fair value of Warrants granted in 2014 was C\$0.32. The significant inputs into the model were share price of C\$1.30 at the grant date, exercise price shown above, volatility of 68%, dividend yield of 0%, an expected life of 2.00 years and annual risk-free interest rate of 1.10%.

## Cadillac Warrants

Pursuant to the acquisition of Cadillac (Note 10b), and as adjusted for the transaction ratio of 0.12195, the Company assumed 135,962 Cadillac Warrants each of which were exercisable for a Common Share. The exercise price of the Cadillac Warrants was C\$1.64, and each expired on November 15, 2014. There were no forfeitures or exercises during the period.

## 16. NON-CONTROLLING INTEREST

On October 24, 2013, the underlying lease and directly-owned claims that comprise Kinsley, were transferred into KG LLC pursuant to which, a non-controlling interest of \$2,423,077 was recorded and included in additions for that year. Prior to this, the property interests were accounted for as an undivided asset. Set out below is the summary financial information for KG LLC, the only subsidiary of the Company that has a non-controlling interest. As KG LLC's expenditures are capitalised to the Kinsley property, there are no expenses recorded in the statement of income. The following information is before inter-company eliminations.

### a) Summarised Balance Sheet

	As at December 31, 2014	As at December 31, 2013
Current		
Assets	\$ 136,611	\$ 27,675
Liabilities	(476,146)	(47,676)
Total Current net assets	(339,535)	(20,001)
Non-Current		
Assets	18,482,243	11,723,674
Liabilities	(51,600)	(23,000)
Total Non-current net assets	18,430,643	11,700,674
Net Assets	\$ 18,091,108	\$ 11,680,673

### b) Summarised cash flows

	Year ended December 31, 2014	Year ended December 31, 2013
Net cash flow from operating activities	\$ (652)	\$ -
Net cash inflow from financing activities	4,775,052	3,711,828
Net cash outflow from investing activities	(4,683,533)	(3,684,153)
Net cash increase in cash	90,867	27,675
Cash at the beginning of the period	27,675	-
Cash at the end of the period	\$ 118,543	\$ 27,675

See Note 10a for transactions with non-controlling interests.

## 17. CAPITAL DISCLOSURES

Pilot Gold considers the items included in the consolidated statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Pilot Gold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

## 18. FINANCIAL RISK MANAGEMENT

### Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, and controlling and reporting structures.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Pilot Gold's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short term investments, with Canadian Chartered Banks and its certain deposits with AA or higher rated United States financial institutions.

### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and the Company's holdings of cash and cash equivalents. The Company may from

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time to time have to issue additional Common Shares to ensure there is sufficient capital to meet long term objectives. The Company's financial liabilities of accounts payable and accrued liabilities are payable within a 90 day period and are expected to be funded from the cash held.

### **Interest Rate Risk**

We are subject to interest rate risk with respect to our investments in cash and short term investments. 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.

### **Market Risk**

The significant market risk to which the Company is exposed is foreign exchange risk.

### **Foreign Exchange Risk**

The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's mineral property expenditures, including the cash calls from the Company's 60% partner at Orta Truva and Truva Bakir, are incurred in United States dollars. The fluctuation of the CAD and the TRL in relation to the United States dollar will consequently have an impact upon the financial results of the Company.

Further, although only a portion of the Company's expenditures, primarily general and administrative costs are incurred in Canadian dollars, the Company records its assets located in Vancouver in Canadian dollars. As the operating results and financial position of the Company are reported in United States dollars in Pilot Gold's consolidated financial statements, there may also be an impact to the reported value of the Company's assets, liabilities and shareholders' equity as a result of the fluctuation of the CAD in relation to the United States dollar. A 1% increase or decrease in the exchange rate of the US dollar against the Canadian dollar would result in a \$156,301 increase or decrease respectively, in the Company's cash and short term investment balance. The Company has not entered into any derivative contracts to manage foreign exchange risk at this time.

### **Fair Value Estimation**

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value.

## **19. COMMITMENTS**

### **TV Tower**

Pursuant to the TV Tower Agreement, upon completion of all other conditions precedent (Note 11 and Note 23), the Company must remit the Additional Consideration to TMST. It is not possible at this time to estimate the amount or timing of Additional Consideration payable. See details in Note 11 for Eligible Expenditure requirements to be met in order to maintain the Earn-in Option in good standing.

### **Leases**

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years; each lease is renewable at the end of the lease period at market rate. Office premises and other operating leases in Canada are paid to Oxygen, pursuant to the "**Oxygen Agreement**". Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations that had been executed or incurred by Oxygen in connection with, or related to the services provided to the Company by Oxygen. These amounts, as pertaining to non-cancellable leases, are included in the table below. The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the year ended December 31, 2014 is \$282,436.

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

Year	
2015	\$ 164,981
2016	140,239
2017	140,239
2018	105,371
2019+	763,070
	<b>\$ 1,313,900</b>

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



## 20. SEGMENT INFORMATION

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At December 31, 2014 and at December 31, 2013, Pilot Gold has three geographic locations: Canada, the USA, and Turkey. The total assets attributable to the geographic locations relate primarily to the exploration properties and deferred exploration expenditures held by the Company and its associates, and have been disclosed in Notes 10, 11 and 12. The net loss (gain) is distributed by geographic segment per the table below:

	Year ended December 31,	
	2014	2013
Canada	\$ 5,591,447	\$ 5,664,654
USA	1,102,761	3,340,350
Turkey	14,890	137,310
	<b>\$ 6,709,098</b>	<b>\$ 9,142,314</b>

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

	Year ended December 31,	
	2014	2013
Canada	\$ 85,027	\$ 119,897
USA	268,562	364,119
Turkey	55,769	70,089
	<b>\$ 409,358</b>	<b>\$ 554,105</b>

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

	December 31, 2014	December 31, 2013
Non-cash financing and investing transactions		
Issuances of Common Shares and warrants to Teck pursuant to the Earn-in Option (Note 11)	\$ -	\$ (4,667,971)
Issuance of Common Shares in partial consideration in mineral property acquisition (Note 10b)	(6,178,884)	(1,329,659)
Issuances of Common Shares in consideration for mineral property rights	-	(211,861)
Non-cash recovery on mineral properties (Note 10)	79,570	33,024
Change in fair value of financial instruments recognised in OCI	575,538	(19,634)
Reclassification of losses from OCI into statement of loss	22,655	131,620
Stock based compensation within Exploration properties and deferred exploration expenditures (Note 15)	(217,825)	(106,835)
Common Shares issuable upon exercise of Cadillac Options and Cadillac Warrants (Note 10b)	48,747	-
	<b>\$ (5,670,199)</b>	<b>\$ (6,171,316)</b>

## 22. RELATED PARTY TRANSACTIONS

In addition to the following, the Company's related parties include its subsidiaries, and associates over which it exercises significant influence. Transactions with the Company's associates are described at Note 12.

### **Oxygen Capital Corp**

Oxygen is a private company owned by three directors and one officer of the Company. Oxygen provides services to the Company and provides access to technical personnel, office rental, the use of the assets including Information Technology infrastructure and other administrative functions on an as-needed basis that would not necessarily otherwise be available to Pilot Gold at this stage of the Company's development. Oxygen does not charge a fee to the Company, allocating all expenses at cost. Related party transactions during the period total \$811,047 in expenditures, reflected in the Company's consolidated statement of loss and comprehensive loss and statement of financial position. As at December 31, 2014, Oxygen holds a refundable deposit of \$274,085 on behalf of the Company. Additionally, as at December 31, 2014 the Company held a payable to Oxygen of \$62,395. Amounts payable were settled subsequent to December 31, 2014. See also Note 19 for details on commitments related to lease arrangements.

### **Compensation of key management personnel**

Key management includes members of the Board, the President and Chief Executive Officer, the VP Exploration, the Chief Financial Officer & Corporate Secretary, and the Country Managers. The aggregate total compensation paid, or payable to key management for employee services directly or via Oxygen is shown below:

	December 31, 2014	December 31, 2013
Salaries and other short-term employee benefits	\$ 1,049,396	\$ 1,192,717
Share-based payments	850,810	1,338,954
<b>Total</b>	<b>\$ 1,900,206</b>	<b>\$ 2,531,671</b>

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## 23. SUBSEQUENT EVENTS

### **TV Tower**

On March 12, 2015 the Company received acknowledgement from Teck and TMST that the Earn-In Option, including the TV Tower Expenditure Requirement, had been completed and procedures have begun to legally transfer the additional 20% interest in Orta Truva to Pilot Gold. No Additional Consideration is payable.

Pursuant to the completion of the Earn-In Option, Pilot Gold will hold a 60% interest and has control of Orta Truva, and will recognize a non-controlling interest for the 40% interest held by TMST.

The transaction does not meet the definition of a business combination and will therefore be accounted for as an acquisition of an asset, principally TV Tower. The acquisition will be concurrent with the de-recognition of the Earn-in Option and the investment in associate corresponding to the Company's former 40% holding in Orta Truva.

The allocation of consideration to the total assets acquired and liabilities assumed has not yet been determined.

### **Stock based compensation**

On February 3, 2015, the Company granted 957,000 Options with an exercise price of C\$1.14 to employees and service providers of the Company. Employee options vest in thirds over three years, and expire after 5 years.

The Pilot Restricted Share Unit Plan (2014) (the "**RSU Plan**") was approved on May 12, 2014. Under the terms of the RSU Plan, the Board may, from time to time, grant to employees, officers and consultants to the Company, an irrevocable right to receive RSUs in such numbers and for such terms as may be determined by the Board.

The Pilot Deferred Share Unit Plan (2014) (the "**DSU Plan**") was approved on May 12, 2014. Under the terms of the DSU Plan, the Board may, from time to time grant directors of the Company, an irrevocable right to receive DSUs in such numbers and for such terms as may be determined by the Board. Upon redemption of a vested unit, at the time of the director's retirement from all positions with the Company (the

"**Separation Date**"), the Company has the option to settle with (i) one Common Share of the Company or (ii) an amount in cash equal to fair value of the shares on the Separation Date determined as the weighted average of the trading price per Share on the TSX for the last five trading days ending on that date. The expense is recorded in the consolidated statement of comprehensive loss in share-based compensation and credited to equity under Contributed Surplus since the payment in cash or Common Shares is at the option of the Company.

RSU granted under the Option Plan to date are exercisable over three years. RSUs granted vest in thirds at the end of each year from the date of grant.

On February 3, 2015, the Company granted under the terms of the DSU Plan and RSU Plan respectively, 315,000 DSUs to directors of the Company and 721,910 RSUs to employees and service providers of the Company each with a fair value of \$1.14. Of the RSUs granted, 121,910 were part of the 2014 bonus issued to employees and service providers of the Company.

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Moiria Smith, Chief Geologist  
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