

# Pilotgold

An exploration stage company

Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars - unaudited)  
Six months ended June 30, 2015

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

	As at June 30, 2015	As at December 31, 2014
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	8,724,758	13,842,109
Short term investments	3,750,377	4,028,676
Receivables and prepayments (Note 5)	1,258,959	1,518,565
Total current assets	<u>13,734,094</u>	<u>19,389,350</u>
<i>Non-current assets</i>		
Other financial assets (Note 6)	332,299	514,089
Deposits	1,416,124	1,283,024
Sales taxes receivable (Note 5)	945,001	-
Plant and equipment	338,878	409,358
Exploration properties and deferred exploration expenditures (Note 7)	75,299,384	30,381,676
Earn-in option (Note 7c)	-	19,786,018
Investment in associates (Notes 7c and 8)	5,714,642	15,083,066
Total non-current assets	<u>84,046,328</u>	<u>67,457,231</u>
<b>Total assets</b>	<u>97,780,422</u>	<u>86,846,581</u>
<b>Liabilities and Shareholders' Equity</b>		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities (Note 9)	1,050,620	1,620,799
Total current liabilities	<u>1,050,620</u>	<u>1,620,799</u>
<i>Non-current liabilities</i>		
Deferred tax liabilities	126,886	-
Other liabilities	119,206	115,640
Total non-current liabilities	<u>246,092</u>	<u>115,640</u>
<i>Shareholders' equity</i>		
Share capital (Note 11)	155,134,692	155,081,135
Contributed surplus (Note 11)	19,842,019	19,088,696
Accumulated other comprehensive loss	(11,910,406)	(7,923,327)
Accumulated deficit	(88,646,412)	(84,874,213)
Total shareholders' equity	<u>74,419,893</u>	<u>81,372,291</u>
Non-controlling interests (Note 12)	<u>22,063,817</u>	<u>3,737,851</u>
<b>Total liabilities and shareholders' equity</b>	<u>97,780,422</u>	<u>86,846,581</u>

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

These financial statements are approved by the board and authorised for issue on August 11, 2015:

"Donald McInnes", Director

"Sean Tetzlaff", Director

**PILOT GOLD INC.**

**Condensed interim consolidated statements of loss and comprehensive loss**  
(Expressed in United States Dollars - unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	\$	\$		
<b>Operating expenses</b>				
Wages and benefits	399,318	385,753	775,938	875,734
Stock based compensation (Note 11)	197,473	221,754	684,479	670,012
Office and general	304,939	296,562	573,679	657,068
Professional fees	139,649	29,920	250,430	211,489
Investor relations, promotion and advertising	93,581	138,442	194,429	302,234
Property investigation and technical studies	31,006	108,884	125,934	196,809
Depreciation	33,146	43,502	70,603	86,679
Listing and filing fees	2,424	360	44,943	45,746
Write down of deferred exploration expenditures (Note 7b)	740,146	-	740,146	143,038
<b>Loss from operations</b>	<b>1,941,682</b>	<b>1,225,177</b>	<b>3,460,581</b>	<b>3,188,809</b>
<b>Other income (expenses)</b>				
Foreign exchange losses	(125,536)	(70,558)	(190,166)	(326)
Change in fair value and impairment of financial instruments (Note 6)	(67,675)	(5,699)	(127,386)	(284,513)
Gain (loss) from associates (Note 8)	(5,587)	7,111	(14,139)	(34,649)
Other net income (expense)	4,255	(65,966)	7,356	(52,827)
Finance income	38,708	96,897	63,824	145,456
	(155,835)	(38,215)	(260,511)	(226,859)
<b>Loss before tax</b>	<b>2,097,517</b>	<b>1,263,392</b>	<b>3,721,092</b>	<b>3,415,668</b>
Income tax expense (Note 10)	126,886	-	126,886	-
<b>Loss for the period</b>	<b>2,224,403</b>	<b>1,263,392</b>	<b>3,847,978</b>	<b>3,415,668</b>
<b>Loss attributable to:</b>				
Shareholders	2,152,177	1,263,392	3,772,199	3,415,668
Non-controlling interests	72,226	-	75,779	-
	2,224,403	1,263,392	3,847,978	3,415,668
<b>Other comprehensive loss</b>				
Items that may be reclassified subsequently to net income				
Exchange differences on translations	434,195	2,108,619	(3,969,311)	227,862
Net fair value gain (loss) on financial assets (Note 6)	(22,806)	124,266	(17,768)	541,936
Amounts reclassified into net loss on impairment of financial assets	-	-	-	22,655
<b>Other comprehensive gain (loss) for the period, net of tax</b>	<b>411,389</b>	<b>2,232,885</b>	<b>(3,987,079)</b>	<b>792,453</b>
<b>Total loss (gain) and comprehensive loss (gain) for the period</b>	<b>1,813,014</b>	<b>(969,493)</b>	<b>7,835,057</b>	<b>2,623,215</b>
<b>Attributable to:</b>				
Shareholders	1,733,270	(969,493)	7,687,555	2,623,215
Non-controlling interests	79,744	-	147,502	-
<b>Total loss (gain) and comprehensive loss (gain) for the period</b>	<b>1,813,014</b>	<b>(969,493)</b>	<b>7,835,057</b>	<b>2,623,215</b>
<b>Loss per share</b>				
Basic and diluted loss per share	\$ 0.02	\$ 0.01	\$ 0.04	\$ 0.04
<b>Weighted average number of Common Shares</b>				
Basic and diluted	107,284,277	102,730,036	107,280,234	96,371,234

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

**PILOT GOLD INC.**

**Condensed interim consolidated statements of changes in equity  
(Expressed in United States Dollars - unaudited)**

	Number of Common Shares #	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Accumulated deficit \$	Total shareholders' equity \$	Non-controlling interest \$	Total equity \$
Balance as at December 31, 2013	89,940,333	133,117,092	16,319,202	(4,096,784)	(78,165,115)	67,174,395	2,423,077	69,597,472
Issuances on private placement	13,072,000	18,130,145	-	-	-	18,130,145	-	18,130,145
Share issue costs	-	(1,228,420)	-	-	-	(1,228,420)	-	(1,228,420)
Option exercise	5,000	7,826	(2,946)	-	-	4,880	-	4,880
Stock based compensation	-	-	814,698	-	-	814,698	-	814,698
Net impairment of long-term investments recognised in the statement of loss	-	-	-	22,655	-	22,655	-	22,655
Unrealized gain on long-term investments	-	-	-	541,936	-	541,936	-	541,936
Contributions by non-controlling interest	-	-	-	-	-	-	1,179,883	1,179,883
Cumulative translation adjustment	-	-	-	227,862	-	227,862	-	227,862
Net loss for the period	-	-	-	-	(3,415,668)	(3,415,668)	-	(3,415,668)
Balance as at June 30, 2014	103,017,333	150,026,643	17,130,954	(3,304,331)	(81,580,783)	82,272,483	3,602,960	85,875,443
Balance as at December 31, 2014	107,235,497	155,081,135	19,088,697	(7,923,327)	(84,874,213)	81,372,292	3,737,851	85,110,143
Option exercise	48,780	53,557	(35,390)	-	-	18,167	-	18,167
Stock based compensation (Note 11)	-	-	788,712	-	-	788,712	-	788,712
Unrealized gain on long-term investments	-	-	-	(17,768)	-	(17,768)	-	(17,768)
Recognition of non-controlling interest on acquisition of control in Orta Truva (Note 7c)	-	-	-	-	-	-	17,494,126	17,494,126
Contributions by non-controlling interests (Notes 7c)	-	-	-	-	-	-	1,055,121	1,055,121
Cumulative translation adjustment	-	-	-	(3,969,311)	-	(3,969,311)	(147,502)	(4,116,813)
Net loss for the period	-	-	-	-	(3,772,199)	(3,772,199)	(75,779)	(3,847,978)
Balance as at June 30, 2015	107,284,277	155,134,692	19,842,019	(11,910,406)	(88,646,412)	74,419,893	22,063,817	96,483,710

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

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

	Six months ended June 30	
	2015	2014
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(3,847,978)	(3,415,668)
Adjusted for:		
Stock based compensation	694,094	721,609
Write-down of deferred exploration expenditures (Note 7b)	740,146	143,038
Change in fair value and impairment of financial instruments	127,386	284,513
Deferred tax expense	126,886	-
Other non-cash expenditures on the statement of loss	109,219	238,930
Foreign exchange not related to cash	95,122	(39,808)
Interest income on short term investments	-	(31,647)
Movements in working capital:		
Accounts receivable and prepayments	(961)	(204,147)
Accounts payable and other liabilities	25,701	(114,474)
Net cash outflow due to operating activities	<u>(1,930,385)</u>	<u>(2,417,654)</u>
<b>Cash flows from financing activities</b>		
Cash received from financing	-	18,130,145
Share issue costs	-	(1,228,420)
Cash received from option exercise	18,167	-
Contributions from non-controlling interests	903,785	1,179,883
Net cash inflow from financing activities	<u>921,952</u>	<u>18,081,608</u>
<b>Cash flows from investing activities</b>		
Change in working capital attributable to deferred exploration expenditures	(485,921)	870,555
Cash received from Orta Truva for Eligible Expenditures	162,426	1,531,810
Eligible Expenditures on TV Tower (Note 7c)	-	(1,533,149)
Funding to Associates	(140,194)	(891,849)
Purchase of short term investments	-	(3,760,110)
Maturity of short term investments	-	6,617,523
Net sales tax recovery	377,662	-
Purchase and proceeds of sale of property and equipment	(9,817)	(8,952)
Cash acquired with acquisition of controlling interest in Orta Truva	196,079	-
Expenditures towards option to earn-in	(33,765)	(1,266,302)
Interest in exploration properties and deferred exploration expenditures	(3,038,393)	(3,782,992)
Purchase of reclamation deposits	-	(45,700)
Net cash outflow due to investing activities	<u>(2,971,923)</u>	<u>(2,269,166)</u>
Effect of foreign exchange rates	<u>(1,136,995)</u>	<u>572,021</u>
Net (decrease) increase in cash and cash equivalents	(5,117,351)	13,966,809
Cash and cash equivalents at beginning of period	13,842,109	9,806,384
Cash and cash equivalents at end of the period	<u>8,724,758</u>	<u>23,773,193</u>

See Note 14 for supplemental cash flow information

**PILOT GOLD INC.**

**(An exploration stage company)**

**Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

---

**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 unaudited condensed interim consolidated financial statements for the six months ended June 30, 2015 (the “Interim Financial Statements”) have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014 (“Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Annual Financial Statements, except as described below.

*Changes in accounting policies*

The Company has adopted the following revised standards, effective January 1, 2015: IFRS 8, ‘Operating segments’ and IAS 24, ‘Related party transactions’. There was no consequential impact upon adoption. Refer to the Company’s condensed interim consolidated financial statements for the three months ended March 31, 2015 for further details.

*Basis of consolidation*

On March 12, 2015 the Company acquired an additional 20% interest in the Turkish entity, Orta Truva Madencilik Şanayi ve Ticaret A.Ş (“Orta Truva”), increasing its total ownership interest to 60% (Note 7c). As a consequence of the acquisition Orta Truva is now consolidated as a principal subsidiary of Pilot Gold.

*Functional currency of Orta Truva*

The functional currency of Orta Truva was changed from Turkish Lira to US Dollar due to a change in the primary operating environment of the entity at the time controlling interest was acquired by the Company (Note 7c).

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements.

**PILOT GOLD INC.**

**(An exploration stage company)**

**Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

**5. RECEIVABLES**

	<b>June 30, 2015</b>	December 31, 2014
Sales taxes receivable	\$ 750,750	\$ 98,738
Receivable from Orta Truva for expenditures on TV Tower	-	1,102,104
Other receivables	116,003	64,324
Receivables from non-controlling interest	151,338	-
Prepayments	240,868	253,399
	<b>\$ 1,258,959</b>	<b>\$ 1,518,565</b>

Sales taxes receivable at June 30, 2015 include \$669,919 in refundable VAT due to Orta Truva, an additional \$945,001 is classified as non-current. Receivables from Orta Truva as at June 30, 2015 are eliminated on consolidation pursuant to the acquisition of a controlling interest in Orta Truva (Note 7c).

**6. OTHER FINANCIAL ASSETS**

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments are treated as long-term investments and may take the form of common shares and share purchase warrants.

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

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

As at June 30, 2015, Pilot Gold holds Level 1 equity securities with a total fair value of \$332,299. As at December 31, 2014 the Company held Level 1 equity securities with a total fair value of \$514,089. The total amount accumulated in other comprehensive loss relating to available for sale financial instruments as at June 30, 2015, is \$560,812 (December 31, 2014: \$578,558).

**7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

None of the Company's properties have any known body of commercial ore or any established economic deposit; all are currently in the exploration stage. Expenditures at Halilağa are recorded in the Company's investment in Truva Bakır, an equity-accounted associate (Note 8).

The deferred exploration expenditures relating to the Company's interest in several exploration properties in Nevada and Utah have been aggregated and are described as 'Portfolio Projects' in the table below:

**PILOT GOLD INC.****(An exploration stage company)****Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

**7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)**

	Total January 1, 2014	Additions/ Allocations	Total June 30, 2014	Total January 1, 2015	TV Tower Acquisition (Note 7c)	Additions/ Allocations	Write-down of asset	Total June 30, 2015
	\$	\$	\$	\$	\$	\$	\$	\$
<b>USA</b>								
Kinsley Mountain (Note 7a)	11,078,278	3,562,644	14,640,922	<b>17,401,260</b>	-	1,389,707	-	<b>18,790,967</b>
Goldstrike	-	219,471	219,471	<b>8,651,362</b>	-	208,098	-	<b>8,859,460</b>
Portfolio Projects (Note 7b)	3,805,491	98,154	3,903,645	<b>4,329,054</b>	-	64,591	(740,146)	<b>3,653,499</b>
Total USA	14,883,769	3,880,269	18,764,038	<b>30,381,676</b>	-	1,662,396	(740,146)	<b>31,303,926</b>
<b>Turkey</b>								
TV Tower (Note 7c)	-	-	-	-	43,014,485	980,973	-	<b>43,995,458</b>
Total Turkey	-	-	-	-	43,014,485	980,973	-	<b>43,995,458</b>
Total	14,883,769	3,880,269	18,764,038	<b>30,381,676</b>	<b>43,014,485</b>	<b>2,643,369</b>	<b>(740,146)</b>	<b>75,299,384</b>

*a) Kinsley Mountain*

The Company holds a 79.1% interest in Kinsley Gold LLC (“KG LLC”) (Note 12), 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 in KG LLC increased by \$301,277 during the six months ended June 30, 2015 upon receipt of funding from the non-controlling interest holder, Intor Resources Corporation.

*b) Gold Bug*

On August 31, 2012, the Company signed an amended lease agreement with Nevada Eagle Resources LLC (“Nevada Eagle”) whereby Pilot Gold was to meet annual expenditure minimums of between \$150,000 and \$900,000 in order to maintain the amended lease agreement in good standing. During the period ended June 30, 2015, the Company elected not to satisfy this commitment and on July 13, 2015 sent a lease termination notice to Nevada Eagle.

The carrying value of the Gold Bug exploration property was consequently written down to \$nil as at June 30, 2015.

*c) TV Tower*

On March 12, 2015, pursuant to having satisfied the following requirements (the “Earn-in Obligations”), the Company acquired an additional 20% interest in Orta Truva, such that the Company now holds a 60% interest in that entity:

- Incur \$21 million in eligible exploration expenditures (“Eligible Expenditures”); and
- Issue 6,555,000 Common Shares and 3,000,000 Common Share purchase warrants (“Teck Warrants”) to Teck Madencilik Sanayi Ticaret A.Ş (“TMST”) (Note 11d).

TMST, a subsidiary of Teck Resources Limited holds the remaining 40% interest. Orta Truva holds the licenses that comprise TV Tower.

The transaction did not meet the definition of a business combination, and was therefore accounted for as an acquisition of an asset in exchange for assets surrendered. Accordingly, the acquisition has been recorded at cost, including transaction costs comprising primarily legal fees of \$272,119.

Pursuant to the funding mechanism outlined in the TV Tower share-purchase and joint venture agreement, and in order to maintain the relative interests of TMST and the Company in Orta Truva until the Earn-in Obligations were satisfied, 60% of the Eligible Expenditures prior to satisfaction of the earn-in were advanced by the Company to TMST and accounted for as a component of the Earn-in Option, a non-current asset, the remaining 40% was recorded to the Company’s interest in Orta Truva (Note 8). The total carrying value of the Earn-in Option and the Company’s 40% interest in Orta Truva (the “Consideration”) as at March 12, 2015 were the total consideration exchanged for a 60% interest in Orta Truva.



**PILOT GOLD INC.****(An exploration stage company)****Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

**7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)**

The Consideration was allocated to the assets acquired based on relative fair values on a 60% basis, the remaining 40% was allocated to non-controlling interest. Net current payable at the time of acquisition includes \$1,609,422 of amounts payable to a subsidiary of the Company that is eliminated on consolidation.

<b>Assets acquired and liabilities assumed:</b>	
Cash	\$ 196,027
Reclamation deposit	157,360
Current sales tax receivable	884,482
Long term VAT receivable	976,898
Net current payables	(1,546,843)
TV Tower mineral property	43,014,485
	<u>43,682,409</u>
<b>Consideration paid:</b>	
Earn-in Option	17,628,283
Investment in Orta Truva	8,287,882
Transaction costs	272,119
Total value of 60% interest acquired	26,188,284
Non-controlling 40% interest	17,494,125
	<u>\$ 43,682,409</u>

**8. INVESTMENT IN ASSOCIATES***Turkey*

Pilot Gold owns 40% of Halilağa through a 40% ownership stake in Truva Bakır Maden İşletmeleri A.Ş. ("Truva Bakır"), a Turkish company that is controlled (60%) by TMST.

	<b>Truva Bakır</b>	<b>Orta Truva</b>	<b>Total</b>
At December 31, 2014	\$ 5,937,563	\$ 9,145,503	<b>\$ 15,083,066</b>
Share of gain (loss)	(3,469)	(10,670)	<b>(14,139)</b>
Funding	188,923	4,175	<b>193,098</b>
Exchange differences	(408,375)	(851,126)	<b>(1,259,501)</b>
Acquisition of controlling interest (Note 7c)	-	(8,287,882)	<b>(8,287,882)</b>
At June 30, 2015	<b>\$ 5,714,642</b>	<b>-</b>	<b>\$ 5,714,642</b>

Pilot Gold now holds a 60% interest in Orta Truva after acquiring a further 20% interest on March 12, 2015 (Note 7c).

**PILOT GOLD INC.****(An exploration stage company)****Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

**8. INVESTMENT IN ASSOCIATES (continued)**

The summarised financial information as at June 30, 2015 for Truva Bakır on a 100% basis and reflecting adjustments made by the Company, including adjustments for differences in accounting policies is as follows:

	<b>Truva Bakır</b>
Current assets	\$ 2,128,116
Non-current assets	12,270,078
Current liabilities	(111,588)
Total net assets	\$ 14,286,606
Gain/(loss)	(8,673)
% interest held	40%
Company's share of net assets	<b>\$ 5,714,642</b>

As at June 30, 2015, the Company has outstanding receivables from Truva Bakır of \$62,290.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>June 30, 2015</b>	December 31, 2014
Trade payables	\$ 682,956	\$ 650,851
Sales tax payable	35,459	119,306
Accrued and other liabilities	232,571	765,971
Amounts due to Truva Bakır	99,634	28,395
Amounts due to Orta Truva	-	22,511
Amounts due to TMST	-	33,765
	<b>\$1,050,620</b>	<b>\$ 1,620,799</b>

Accounts payable and accrued liabilities are non-interest bearing and are normally settled on 30-day terms. Amounts due to Truva Bakır, relate to cash calls due in connection with the Company's pro-rata share of costs incurred at Halılağa. In the comparative period, amounts due to Orta Truva and TMST related to cash calls due in connection with the Company's pro-rata share of costs incurred prior to having completed the Earn-in Obligations at TV Tower. Cash calls are non-interest bearing and are normally settled on 10-day terms. Accrued liabilities at December 31, 2014 included amounts payable to employees and service providers of the Company in respect of that year's bonus amount paid in the following year.

**10. DEFERRED TAX LIABILITY**

A deferred tax liability of \$126,886 has been recognised in the period ended June 30, 2015 (December 31, 2014: \$nil) arising from foreign exchange differences in the tax basis of the TV Tower mineral property held by Orta Truva.

**PILOT GOLD INC.****(An exploration stage company)****Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

**11. SHARE CAPITAL AND CONTRIBUTED SURPLUS***a) Authorized*

Unlimited Common Shares with no par value.

*b) Stock-based compensation**Pilot Gold Stock Option Plan*

Options granted to date under the Pilot Gold Stock Option Plan, as amended (the "Option Plan") are exercisable over periods of five or ten years. Options granted to Directors vest immediately, the remaining Options vest in thirds at the end of each year from the date of grant. Any consideration paid by the optionee on the exercise of Options is credited to share capital. Option transactions and the number of Options outstanding are summarized as follows:

	Shares	Weighted Average Exercise Price
	#	C\$
Balance, December 31, 2014	8,885,000	2.18
Options granted	957,000	1.14
Options forfeited	(400,000)	3.45
Options exercised	-	-
<b>Balance, June 30, 2015</b>	<b>9,442,000</b>	<b>2.03</b>

At June 30, 2015, 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	3.57	0.88	83,333	0.88
C\$1.00 to C\$1.99	4,662,000	3.48	1.15	2,431,667	1.13
C\$2.00 to C\$2.99	1,585,000	2.60	2.15	1,211,667	2.15
C\$3.00 to C\$3.99	2,945,000	5.79	3.45	2,945,000	3.45
	<b>9,442,000</b>	<b>4.06</b>	<b>2.03</b>	<b>6,671,667</b>	<b>2.34</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 fair value of Options granted during the period determined using Black-Scholes was C\$0.65 per Option. The significant inputs into the model were share price of C\$1.14 at the grant date, exercise price of C\$1.14, volatility of 70%, dividend yield of 0%, an expected Option life of 5 years, and an annual risk-free interest rate of 0.64%. A 3.7% forfeiture rate is applied to the Option expense.

**PILOT GOLD INC.**

**(An exploration stage company)**

**Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

**11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

*Cadillac Acquisition Stock Option Plan*

Pursuant to the acquisition of Cadillac Mining Corporation during the year ended December 31, 2014, and as adjusted for the transaction exchange ratio of 0.12195, the Company assumed 67,072 Cadillac Options each of which is exercisable for a Common Share. Of these 12,195 Cadillac Options expired during the year ended December 31, 2014. Option transactions during the six months ended June 30, 2015 are summarised below:

	Shares	Weighted Average Exercise Price
	#	C\$
Balance, December 31, 2014	54,877	0.59
Options exercised	(48,780)	0.41
Options forfeited or granted	-	-
<b>Balance, June 30, 2015</b>	<b>6,097</b>	<b>2.05</b>

Outstanding Cadillac Options have an exercise price of C\$2.05 and remaining contractual life of 0.16 years.

*c) Restricted Share Units and Deferred Share Units*

On February 3, 2015, the Company granted under the terms of the Pilot Gold Deferred Share Unit Plan (2014), 315,000 Deferred Share Units ("DSU"s) to directors of the Company, each with a fair value of \$1.14. 60,000 DSUs will expire on December 15, 2015. 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.

On February 3, 2015, the Company granted 406,910 Restricted Share Units ("RSU"s) under the Pilot Gold RSU plan (2014) to employees and service providers of the Company each with a fair value of \$1.14 and an expiry date of December 31, 2018.

For the six months ended June 30, 2015, the Company has capitalized a total of \$94,619 of stock-based compensation to exploration properties and deferred exploration expenditures. For the six months ended June 30, 2015, the Company charged a total of \$694,094 of stock-based compensation expense to the statement of loss relating to Options, DSUs and RSUs, of which \$9,615 is attributed to property investigation.

*d) Warrants:*

As at June 30, 2015, the Company had 4,218,164 Warrants outstanding with an exercise price of \$2.00 and a remaining contractual life of 1.17 years. During the period, 3,000,000 Warrants expired with an exercise price of \$3.00. There were no exercises or forfeitures in the six months ended June 30, 2015.

**PILOT GOLD INC.****(An exploration stage company)****Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

**12. NON-CONTROLLING INTEREST**

Summary financial information for KG LLC and Orta Truva is as set out below. The information below is before inter-company eliminations. The loss in Orta Truva relates to the write down of capitalised costs associated with certain licences not relating to TV Tower that have not been renewed.

## a) Summarised Balance Sheet

	KG LLC		Orta Truva
	As at June 30, 2015	As at December 31, 2014	As at June 30, 2015
Current			
Assets	\$ 627,865	\$ 136,611	\$ 980,999
Liabilities	(268,928)	(476,146)	(1,195,607)
Total Current net assets	358,937	(339,535)	(214,608)
Non-Current			
Assets	19,965,279	18,482,243	21,407,185
Liabilities	(52,800)	(51,600)	-
Total Non-current net assets	19,912,479	18,430,643	21,407,185
Net Assets	<b>20,271,416</b>	\$ 18,091,108	<b>\$ 21,192,577</b>

## b) Summarised Statement of Loss

KG LLC	Three and six months ended	
	June 30, 2015	June 30, 2014
Statement of Loss	\$ 5,087	\$ -
Other comprehensive Loss	\$ -	\$ -
Loss and other comprehensive Loss	<b>\$ 5,087</b>	<b>\$ -</b>

  

Orta Truva	Three months	Period from
	ended June 30, 2015	March 12 to June 30, 2015
Statement of Loss	\$ 51,024	\$ 59,907
Other comprehensive Loss	\$ 199,357	\$ 368,752
Loss and other comprehensive Loss	<b>\$ 250,381</b>	<b>\$ 428,659</b>

**PILOT GOLD INC.****(An exploration stage company)****Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

**12. NON-CONTROLLING INTEREST (continued)**

## c) Summarised cash flows

	Kinsley		Orta Truva
	Six months ended		Period
	June 30, 2015	June 30, 2014	March 12 to June 30, 2015
Net cash flow from:			
operating activities	\$ (5,087)	\$ -	\$ (46,462)
financing activities	2,147,557	4,431,492	1,537,644
investing activities	(1,650,679)	(1,459,270)	(1,371,434)
Net cash (decrease) increase in cash	491,791	2,972,222	119,748
Cash at the beginning of the period	118,543	27,675	-
Cash at the end of the period	<b>\$ 610,334</b>	<b>\$ 2,999,987</b>	<b>\$ 119,748</b>

During and subsequent to the period of Earn-in the Company has been the operator at the TV Tower property through a separate 100% owned Turkish subsidiary that provides services to Orta Truva; cash flows relating to exploration costs at the TV Tower property have been recorded within that subsidiary in the six months ended June 30, 2015.

**13. COMMITMENTS***Leases*

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years; each lease is renewable at the end of the lease period at market rate. Office premises and other operating leases in Canada are paid to Oxygen Capital Corp ("Oxygen"), pursuant to 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 minimum lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the six months ended June 30, 2015 is \$99,924 with an additional \$26,513 in contingent rental expenditures which consist of operating costs.

Total future minimum lease payments, under non-cancellable operating leases as at June 30, 2015 are as follows:

Year	
2015	\$ 140,410
2016	235,011
2017	229,738
2018	114,735
2019+	709,690
	<b>\$ 1,429,584</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 INC.****(An exploration stage company)****Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

**14. SEGMENT INFORMATION**

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At June 30, 2015 and at December 31, 2014, 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 have been disclosed in Note 7. The net loss is distributed by geographic segment per the table below:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Canada	\$ 840,594	\$ 949,305	\$ 1,880,044	\$ 2,754,392
USA	994,820	289,429	1,275,232	541,076
Turkey	388,989	24,658	692,702	120,200
	<b>\$ 2,224,403</b>	\$ 1,263,392	<b>\$ 3,847,978</b>	\$ 3,415,668

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

	June 30, 2015	December 31, 2014
Canada	\$ 69,154	\$ 85,027
USA	217,788	268,562
Turkey	51,936	55,769
	<b>\$ 338,878</b>	\$ 409,358

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

**15. SUPPLEMENTAL CASH FLOW INFORMATION**

Non-cash financing and investing transactions:

	June 30, 2015	June 30, 2014
Non-cash financing and investing transactions		
Change in fair value of financial instruments recognised in OCI	\$ (17,768)	\$ 541,936
Reclassification of losses from OCI into statement of loss	-	22,655
Stock based compensation within Exploration properties and deferred exploration expenditures (Note 11)	94,619	96,264
	<b>\$ 76,851</b>	\$ 660,855

**PILOT GOLD INC.**

(An exploration stage company)

**Notes to the Condensed Interim Consolidated Financial Statements**

Six months ended June 30, 2015

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

---

**16. 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 8.

*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 \$339,579 in expenditures, reflected in the Company's consolidated statement of loss and comprehensive loss and statement of financial position. As at June 30, 2015, Oxygen holds a refundable deposit of \$254,912 on behalf of the Company. Additionally, as at June 30, 2015 the Company held a payable to Oxygen of \$122,067. Amounts payable were settled subsequent to June 30, 2015. See also Note 13 for details on commitments related to lease arrangements.

*Compensation of key management personnel*

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

	<b>June 30, 2015</b>	June 30, 2014
Salaries and other short-term employee benefits	\$ 785,533	\$ 569,388
Share-based payments	479,129	601,758
<b>Total</b>	<b>\$ 1,264,662</b>	<b>\$ 1,171,146</b>