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Pilot Gold Inc. (TSX: PLG) ("Pilot Gold" or the "Company") announced today that it has entered into an agreement (the "Agreement") with Rae-Wallace Mining Company (OTC: RAEW) ("Rae-Wallace") whereby the Company will not exercise its option (the "Option") to acquire up to a 51% interest in certain mineral properties held by Rae-Wallace in Peru (the "Projects") in exchange for, among other things, an increased shareholding in the capital of Rae-Wallace. The Option was initially transferred to Pilot Gold from Fronteer Gold Inc. ("Fronteer Gold") pursuant to the acquisition of Fronteer Gold by Newmont Mining Corporation.

Pursuant to the Agreement, in consideration for the termination of the Option by the Company, Rae-Wallace has issued to Pilot Gold 1,985,100 ordinary shares in the capital of Rae-Wallace (the "Initial Shares") resulting in the Company owning 15.8% of the issued and outstanding capital of Rae-Wallace and has extended the expiration date of the 1,000,000 ordinary Rae-Wallace share purchase warrants (the "Warrants") currently held by Pilot Gold to the later of July 23, 2014 or the date that is 24 months following the closing of a going public transaction (the "Transaction") which would result in the listing of Rae-Wallace shares on a recognized stock exchange. Additionally, subject to Rae-Wallace completing the Transaction, the Company will receive the following additional consideration from Rae-Wallace:

- (i) a 2% net smelter royalty on all the Projects except Rae-Wallace's Liscay Project;
- (ii) additional shares in the capital of Rae-Wallace to maintain Company's 15.8% ownership of Rae-Wallace after giving effect to the Transaction;
- (iii) additional Rae-Wallace share purchase warrants exercisable for an additional 9.99% of the shares of Rae-Wallace after giving effect to the Transaction (the "Additional Warrants"); and
- (iv) a right of first offer in the event that Rae-Wallace wishes to explore or develop any of the Projects with a third party.

Prior to the issuance of the Initial Shares, the Company held 2,000,000 Rae-Wallace shares and the Warrants, which collectively represented 8.6% of the issued and outstanding capital of Rae-Wallace on a non-diluted basis or 12.9% of Rae-Wallace's issued and outstanding capital calculated on a partially-diluted basis assuming

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the exercise of any Warrants that have vested as of the date hereof.

Pilot Gold now holds 3,985,100 Rae-Wallace shares, representing 15.8% of Rae-Wallace's current issued and outstanding capital, or 19.0% calculated on a partially-diluted basis. Assuming that the Company does not acquire any additional securities of Rae-Wallace other than those provided for in the Agreement or dispose of any of its securities of Rae-Wallace, upon completion of the Transaction, the Company will own 15.8% of Rae-Wallace on a non-diluted basis or 26.1% on a partially diluted basis, excluding the exercise of the Warrants, assuming the full exercise of the Additional Warrants and assuming the consent of Rae-Wallace with respect to the exercise of that number of Additional Warrants which, if exercised, would result in the Company holding in excess of 19.99% of the issued and outstanding shares of Rae-Wallace.

All of the securities held by the Company in Rae-Wallace, including the shares and warrants described in this news release, are held directly by Pilot Gold and are being held for investment purposes. The Company may in the future take such actions in respect of its Rae-Wallace securityholdings as it deems appropriate in light of the market circumstances then existing, including the potential purchase of additional shares of Rae-Wallace through open market purchases or privately negotiated transactions, or the sale of all or a portion of such holdings in the open market or in privately negotiated transactions to one or more purchasers.

An early warning report regarding Pilot Gold's shareholdings in Rae-Wallace pursuant to the termination of the Option will be filed on SEDAR and will be available under Rae-Wallace's profile at www.sedar.com.

ABOUT RAE-WALLACE MINING COMPANY

Rae-Wallace is a mineral exploration company, existing under the law of the Cayman Islands, that plans to explore and develop properties to the mineral production stage. Rae-Wallace is currently considered to be in the exploration stage and its principal assets and sole material properties are the 100% owned Liscay gold-silver project and the Toro Blanco gold project each located in southwest Peru.

ABOUT PILOT GOLD

Pilot Gold is a gold exploration company led by a proven technical team that continues to discover and define high-quality projects featuring strong grades, meaningful size and mining-friendly addresses. Our three key assets include interests in the Halilaga and TV Tower projects in Turkey, and the Kinsley Mountain Project in

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Nevada, each of which alone has the ability to drive the Company forward. For more information, visit www.pilotgold.com or contact:

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Except for the statements of historical fact contained herein, certain information presented constitutes "forward-looking information" concerning the business, operations and financial performance and condition of Pilot Gold Inc. ("Pilot Gold"). Within the meaning of applicable Canadian securities laws, forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "planned", "expect", "project", "predict", "potential", "targeting", "intends", "believe", "potential", and similar expressions, or describes a "goal", or variation of such words and phrases or states that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of Pilot Gold to differ materially from those anticipated in such forward-looking information. Such forward-looking information, including, but not limited to statements that address the ability of Rae-Wallace to close the Transaction, the ultimate receipt of additional shares and warrants of Rae-Wallace, the ultimate ability to exercise any Rae-Wallace share purchase warrants held by Pilot Gold, and Pilot Gold's intentions with respect to the Rae-Wallace ordinary shares and warrants involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of Pilot Gold to be materially different from any future results, performance or achievements expressed or implied by such forward looking information. Such factors include, among others, risks related to current economic conditions; the future prices of gold, silver and copper, fluctuations in currency exchange rates; failure of equipment or processes to operate as anticipated; the failure of contracted parties to perform; labour disputes and other risks of the mining industry; delays in obtaining governmental approvals, financing or in the completion of exploration as well as those factors discussed in the section entitled "Risk Factors" in Pilot Gold's Amended Annual Information Form for the year ended December 31, 2011 dated March 28, 2012, which is available under Pilot Gold's SEDAR profile at www.sedar.com. Although Pilot Gold has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or

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intended. There can be no assurance that such information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements.