Pilotgold

Here's to finding the sweet spot

ANNUAL REPORT 2011

The Pacific Ocean covers one-third of the earth's surface. Rolling across 64 million square miles, it touches 85,000 miles of coastline. And generates an infinite number of waves. To a surfer, finding the sweet spot means carefully considering and precisely calculating hundreds of variables. The wind. The tide. The swell. Successfully navigating them all in pursuit of the perfect wave is nothing short of a science.

At Pilot Gold, that's something we understand. And admire. For us, finding the sweet spot isn't a game of guesswork or chance. To make the big discoveries, with the lowest investment of time and capital, and successfully unlock the greatest value for our shareholders, we believe it's a matter of science – **the Science of Discovery©.**

Chairman's Message

Surfing is an excellent metaphor for what we do at Pilot Gold. Not only does it reflect our passion for the natural environment, it captures our energy, our focus and our enduring pursuit for the right opportunities. The right waves.

Like surfers, our team has the experience to recognize that catching the right wave is as important as letting the wrong ones go. The same applies to projects; we are happy to let opportunities pass that we feel won't take us far enough.

That's why we have deliberately chosen to focus our attention on three key projects – Halilağa, TV Tower, and Kinsley. And while we are constantly evaluating external opportunities, we have found very few that compare to what we currently have. These three projects tick all the boxes for us: big size, strong grades, excellent geology and great locations. For the past year, we have been scouring the world for additional quality assets and I can confidently say that the projects in Pilot Gold's portfolio are among the best we've seen.

Just as important as the projects are the places they are located. At the end of the day, it doesn't matter how much gold is in the ground—without community and government support, a project may never advance. That's why we only work in jurisdictions that we understand, feel safe in, and trust.

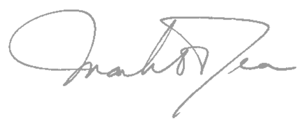
In the US, there is no better jurisdiction for gold mining than Nevada. In fact, it's consistently ranked as one of the top jurisdictions worldwide. It has a long history of mining and a reputation for getting mines into production. We choose to do business in Nevada not only because it has produced close to 200 million ounces of gold in its history, but because we know our projects are secure.

We think the geology in Turkey is excellent. The country's favourable mining laws and economic stability drew us here for the first time back in 2004. Now, eight years later after much success, competition in the country is picking up. I truly believe that we've tapped in to what will be the next go-to region for gold exploration. Fortunately for us, we beat the crowds.

Having good projects in good places is only half the equation. The other half is execution. And that comes down to people. Pilot's team is one of the best in the business with experience and a proven record in resource discovery and development, capital markets, M&A, and compliance. Our team's DNA is already on multiple projects around the world ranging from grass-roots discovery to producing operations.

This is Pilot Gold's first anniversary. The past year our industry has been rocked by economic volatility and uncertainty. We have navigated the choppy waters well and are focused more than ever on the projects that will take us farthest and best suit our strengths. With three excellent projects, a strong treasury and a talented and driven team, I am excited about 2012.

On behalf of the Board I want to thank you, our shareholders, for your continued support.



Mark O'Dea
Chairman

President's Message

Pilot Gold was created with a portfolio of exploration assets in Nevada and two joint-ventures in Turkey, following the successful takeover of Fronteer Gold by Newmont Mining in April of 2011. Over the course of the year we added Kinsley Mountain to our Nevada portfolio, and achieved significant success at our TV Tower and Halilağa projects in Turkey. These three projects form an exceptionally strong foundation for our company and provide shareholders with near term growth from high quality projects in two excellent jurisdictions. Our exploration programs are well underway in 2012 as we write the next chapter in Pilot Gold's evolution.

Nevada is one of the world's best jurisdictions for gold exploration and development and our team is no stranger to this mining-friendly state, having achieved many successes here over the years. Kinsley Mountain, a past-producing gold system with significant untapped potential, is at the core of our Nevada portfolio.

After securing the option to earn a 65% interest in the project in September of 2011, we immediately began our drill program, intersecting strong gold grades and reinforcing our belief that we can build out a large, high-quality gold deposit at Kinsley Mountain in the near term. Our 2012 program commenced in March with two rigs drilling a planned 12,000 metres by year end, designed to test key stratigraphic levels and build out from the historical open pits. It is our goal to redefine Kinsley as the next great gold district in northeastern Nevada.

In Turkey, our TV Tower and Halilağa projects provide us with excellent growth opportunities. Through our joint ventures with Teck Resources we have secured a cornerstone position in northwestern Turkey, a rapidly advancing region for gold exploration and development where our team has had a long and successful work history.

TV Tower is one of the largest and highest-grade gold systems in western Turkey. Early in 2011, we announced two new gold discoveries on the project that returned exceptional grades and widths, and we continued to intersect high-grade gold and silver mineralization throughout the remainder of the year. Our multi-disciplinary program for 2012 includes 10,000 metres of drilling at the new discoveries, as well as testing multiple other high-priority targets. Strong discovery potential exists on the remainder of the property which has been lightly explored to date. We expect to define and grow a resource at this project in the near term.

The Halilağa project is located 20 kilometres southeast of TV Tower and is a development track copper-gold porphyry. In February of 2012, a resource estimate at Halilağa put the first ounces of gold and pounds of copper on our books. The combination of strong grades, excellent local infrastructure and deposit geology puts Halilağa in excellent company in the universe of copper-gold development projects. Over the course of the year we expect to advance Halilağa through 15,000 metres of drilling and concurrent economic studies. Drilling is well underway for 2012 with two drills infilling high grade zones within the resource.

In a year of economic and market volatility, I am grateful for the support and confidence of our shareholders. I am also proud of the dedication of the Pilot Gold team, who have driven our success to date and continue to position our company for multiple achievements in the coming years.

The strength of our board of directors, our team and our stable of projects is unique for a company of Pilot Gold's size and stage of evolution. Kinsley Mountain, TV Tower and Halilağa each have strong mineralized systems to support ongoing discoveries and exploration success in the near and medium term.

With the achievements and foundation for success laid in 2011, I believe that Pilot Gold will continue to reach significant milestones in 2012 and beyond.

Matthew Lennox-King
President & CEO

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Management's Discussion and Analysis

For the three and twelve months ended December 31, 2011

This Management's Discussion and Analysis ("MD&A"), dated as of March 28, 2012, is in respect of our first annual reporting period since becoming a reporting issuer, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011 of Pilot Gold Inc. (in this MD&A, also referred to as "Pilot Gold" or, the"Company", or "we" or, "our" or, "us"), and the related notes thereto (collectively the "Financial Statements"), the audited consolidated financial statements of Pilot Gold Inc. for the period April 23, 2010 to December 31, 2010 and the related notes thereto (collectively the "Pilot Gold Financial Statements"), and the audited consolidated financial statements of the Exploration Properties Business of Fronteer Gold Inc. (the "EPB") for the years ended December 31, 2010 and 2009 and the related notes thereto (collectively the "Exploration Business Financial Statements") as filed under Pilot Gold's company profile on SEDAR at www.sedar.com.

As of January 1, 2011, Pilot Gold adopted International Financial Reporting Standards ("IFRS"). The Financial Statements have been prepared in accordance with and use accounting policies consistent with, IFRS as issued by the International Accounting Standards Board. Readers of this MD&A should also refer to Change in Accounting Policies— First-time Adoption of International Financial Reporting Standards below, for a discussion of IFRS and its effect on our financial presentation.

Our reporting currency is the United States dollar ("$"). All dollar figures in this MD&A are expressed in United States dollars unless otherwise stated. As at December 31, 2011, the value of C$1.00 was $0.983[1].

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

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

HIGHLIGHTS AND SIGNIFICANT EVENTS

Continued advancing our three key projects, with the following highlights:

- Halilağa Project
  - On February 8, 2012, reported a project-first independent resource estimate[2] for the Halilağa [pronounced: (hā)-lē-lā] copper-gold porphyry in northwestern Turkey (the "Halilağa Project"), comprising:
    - an indicated sulphide resource of 1.665 million ounces of gold at an average grade of 0.31 g/t gold, and 1.112 billion pounds of copper at an average grade of 0.30% copper (168,167,000 tonnes);
    - an inferred sulphide resource of 1.661 million ounces of gold at an average grade of 0.26 g/t gold, and 1.007 billion pounds of copper at an average grade of 0.23% copper (198,668,000 tonnes); and
    - an inferred oxide resource of 95,000 ounces gold at an average grade of 0.60 g/t gold (4,914,000 tonnes).
  - The 2012 infill drill campaign is expected to begin in April 2012.
- Kinsley Mountain Project
  - Acquired an option agreement (the "Kinsley Option Agreement") on the Kinsley Mountain sediment-hosted gold property (the "Kinsley Mountain Project"). Located 90 kilometres southeast of Newmont Mining Corporation's Long Canyon deposit, this gives us the right to earn-in to 65% interest in the property; we have also staked a further 2,596 acres around the Kinsley Mountain Project.
  - On March 23, 2012, subscribed for 6,250,000 common shares and 3,125,000 share purchase warrants of Nevada Sunrise Gold Corporation ("NSGC"). A subsidiary of NSGC will be our partner at the Kinsley Mountain Project following the initial earn-in. We anticipate vesting an initial 51% interest in the second quarter of 2012. At the effective date of this MD&A, the market value of our equity holdings of NSGC is approximately $1.47 million.
  - Completed a Phase One 1,267 metre six-hole core drill program in December 2011 at the Kinsley Mountain Project. Subsequent to year end, we released drill results highlighting the potential of this gold property. A Phase Two, 12,000 metre core and RC drill program began on March 20, 2012.

2 The mineral resource estimate, calculated as of October 17, 2011, is derived from the result of 30,004 metres of drilling in 72 drill holes. Refer to pages 8 and 9 in this Annual Report, and the related technical report under the Company's profile on SEDAR at www.sedar.com for details and disclosures relating to the independent resource estimate for the Halilağa Project.

- TV Tower Project
  - On May 10, 2011, announced final results from the 2010 Phase I drill program at the TV Tower gold-silver property (the "TV Tower Project") in northwest Turkey, highlighting new gold discoveries at the Küçükdağ (Northern) target, and Kayali (Southern) target. Both new discoveries are marked by long intervals of continuous gold mineralization starting at surface in both target areas.
  - On August 10, 2011, reported that ongoing drilling intersected additional gold-silver mineralization at the Küçükdağ target, expanding the mineralized footprint of this gold-silver target by 100 metres to the north, and successfully testing targets outside the main target area.
  - On October 4, 2011, reported intersections of thick intervals of high-grade near-surface silver mineralization at Küçükdağ, expanding the footprint of the system by an additional 100 metres to the north, demonstrating the multi-element nature of the Küçükdağ target, and enhancing the overall grade potential.

OVERVIEW AND DESCRIPTION OF THE BUSINESS

Pilot Gold is an exploration-stage gold company principally engaged in the acquisition, exploration and development of mineral properties with both low technical risk and the potential to host robust, economically-significant deposits in the future.

The April 6, 2011, closing of the Fronteer Arrangement (as defined and discussed in our AIF for the year ended December 31, 2011, dated March 28, 2012) and subsequent listing on the Toronto Stock Exchange (the "TSX") of the Company's common shares ("Common Shares") marked the start of independent operations for Pilot Gold. The closing of a $C25-million financing (the "2011 Bought-Deal") on June 14, 2011, provides the Company the capital required to advance our portfolio of projects in Turkey and Nevada, and the flexibility to seek out additional opportunities to increase shareholder value.

In Turkey, our portfolio is underpinned by the Halilağa Project and the TV Tower Project, two very large and near-contiguous properties located in Çanakkale Province on the Biga Peninsula of northwest Turkey. The Halilağa Project and the TV Tower Project are located at the epicentre of a mineralized district, and close to established infrastructure. We have a strong strategic relationship with Teck, our partner on these projects, and believe each has the ability to generate significant shareholder value.

Our key project in Nevada is Kinsley Mountain, a sediment-hosted gold system marked by the stratigraphy, structure and mineralization style common to other sediment hosted gold systems in northeast Nevada. The Kinsley Mountain property consists of 287 claims and 5,158 acres, and hosts a past producing mine, historic resources (see footnote under "Mineral Properties – Kinsley Mountain") and numerous untested targets. We have the ability to earn-in to a 65% interest at the Kinsley Mountain Project, and anticipate satisfying the minimum required expenditure to an initial 51% interest in the second quarter of 2012. Through 2012, we plan to advance the Kinsley Mountain Project with a focus on detailed geologic modelling and analysis, and exploration-drilling.

Pilot Gold's exploration platform is supported by a strong pipeline of exploration projects in Nevada and Turkey. Pipeline projects include the Brik, Griffon, Regent and Viper properties, and several additional properties in Nevada and Turkey. The Halilağa Project, TV Tower Project and Kinsley Mountain Project and our strong capital position provides us the foundation to advance multiple projects toward resource delineation.

As at the date of this MD&A, the Company has $15.5 million in cash and cash equivalents available, equity investments of $1.87 million, and no debt, which provides us with the resources to execute on our current exploration plans, and gives us the financial flexibility to react to additional opportunities if, and when, they present themselves.

OUTLOOK

The Company has three key projects to drive value, each with the potential to be a foundational asset in its own right. Throughout 2012, we plan to advance exploration and drill programs on each of the Kinsley Mountain Project, the TV Tower Project and the Halilağa Project, while cultivating the rest of our portfolio of exploration properties in Nevada, to provide a pipeline for future growth.

Our +35,000 metre drill program for 2012 is already underway, and the Company is well capitalized to execute on the plan. Pilot Gold was founded by a board of directors, and is led by a technical team with a long-history of success and expertise at creating value in jurisdictions around the world, including most recently in Nevada and Turkey. We have the necessary resources to unlock near-term value in our portfolio of exploration and development assets, and to look for new projects globally.

The fiscal 2011 actual and 2012 budgeted cash exploration and development expenditures for our material properties are summarized in the following table:

Project	Minerals	Actual expenditures for 2011 ($ '000)	Our share of budgeted expenditures for 2012 ($ '000)	Pilot Gold ownership %
TV Tower	gold, silver, copper	2,057	1,200	40
Halilağa	copper, gold, molybdenum	2,350	1,356	40
Kinsley Mountain	gold	1,134	2,713	100
Total		**5,541**	**5,269**	

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

MINERAL PROPERTIES[3]

Kinsley Mountain

The Kinsley Mountain Project lies roughly 90 kilometres southeast of Newmont's Long Canyon property.

Between 1994 and 1999, Alta Gold Co. ("Alta Gold") produced approximately 138,000 ounces of gold at 1.4 g/t gold from oxide ore in a heap leach operation at Kinsley Mountain. Alta Gold abandoned the mine in the 1990s due to financial difficulties and low gold prices and left an undetermined amount of gold in the ground at Kinsley Mountain. At that time, gold discoveries were still being made and the existing historic deposit had not been exhausted. Virtually no drilling has been carried out at Kinsley in over 13 years.

Our first work-program included 1,267 metres (six holes) of diamond core drilling designed to confirm mineralization in historic reverse circulation holes near the margins of open pits at the past-producing Kinsley Mountain Mine. Many of the historic drill holes, averaging 65 metres in depth, stopped short of potentially mineralized zones.

Expenditures on the property in the year ended December 31, 2011, not including initial acquisition costs, total $0.68 million.

The Kinsley Mountain Project is a priority target in 2012, with budgeted expenditures for the year of $2.7 million, including a planned 12,000 metre core and RC drill program, already underway. We anticipate earning into an initial 51% interest in April 2012 and have recently submitted an amendment to the existing Notice of Intent on the property to the United States Bureau of Land Management ("BLM") to increase our allowable area of disturbance on the property. We plan to submit a Plan of Operations with the BLM early in 2012 to further increase the area on which we can actively explore.

Subsequent to year end, we released drill results from our first six holes that are near-twins of historic holes in two locations, one to the north of the main pit and one located between two satellite pits to the southeast.

3 Consistent with the application of the continuity of interest basis of accounting to our financial statements, the descriptions of activity on the respective properties below, make reference to "Pilot Gold" or the "Company", where exploration and related activities prior to April 6, 2011 were undertaken by Fronteer Gold Inc. ("Fronteer").

Drill highlights from the 2011 program include:

- 5.91 g/t gold over 18.4 metres, including 11.93 g/t gold over 7.8 metres
- 6.75 g/t gold over 7.5 metres, including 13.52 g/t gold over 3.2 metres
- 6.23 g/t gold over 8.7 metres, including 12.05 g/t gold over 3.0 metres

While the existing pit areas are well explored, significant exploration potential remains and most of the property has not been drill tested or explored in any detail. We are currently compiling historic data into a 3-D model to aid in program design and the selection of new drill targets. We have also begun new exploration on the property, including detailed pit mapping, prospecting and claim staking.

To secure an additional interest in the Kinsley Mountain Project, we participated in a private placement by NSGC, the company that holds the underlying lease on the Kinsley Mountain Project. Through the offering, which closed on March 23, 2012, we hold 6,250,000 shares and 3,125,000 share purchase warrants of NSGC, and retain a right to participate in future financings to maintain this position. Further details relating to our participation in the placement by NSGC are included in our AIF for the year ended December 31, 2011. The value of the NEV Shares and NEV Warrants at the date of this MD&A is $1.47 million.

Additional information about the Kinsley Mountain Project is summarized in our AIF for the year ended December 31, 2011, dated March 28, 2012, as well as in the related technical report filed on SEDAR at www.sedar.com.

TV Tower

Located in the Biga Peninsula of northwest Turkey, the TV Tower Project, is a high-sulphidation epithermal gold system, on a large road-accessible property close to numerous open pit coal mines, ceramics factories, and a major coal power plant. The TV Tower Project consists of approximately 7,109 hectares of mineral tenure in eight licenses, is near-contiguous to the Halilağa Project, and is interpreted to host multiple, high-sulphidation epithermal gold and porphyry systems, similar to the neighbouring Aği Daği and Kirazlı gold properties of Alamos Gold Inc. ("Alamos"). Our 40% interest is held through a shareholding in Orta Truva Madencilik Şanayi ve Ticaret A.Ş. ("Orta Truva"), a Turkish Joint Stock Company. Our joint venture partner at Orta Truva is Teck Madencilik Şanayi Ticaret A.Ş. ("TMST"), an indirect subsidiary of Teck Resources Limited ("Teck").

A Phase One and a Phase Two drill program were completed during 2011. The Phase One program, which began in 2010, and was completed in January 2011, focused on zones of outcropping epithermal gold mineralization at several targets in the northern, central, and southern reaches of the property. A total of 19 core holes were drilled (4,184 metres) as part of the Phase One campaign. Final assay results returned significant gold grades, with associated copper and silver, resulting in new discoveries at the Küçükdağ [pronounced: k-chŭk-dă] high grade gold-copper-silver target, and the Kayali gold target. The Phase Two drill program began in March 2011 and was completed in early December 2011. 72 core holes (14,876 metres) were drilled and continued to demonstrate the exploration potential of the property. Highlights to date include:

- New gold discoveries at each of the Küçükdağ and the Kayali targets, with the discovery holes returning 4.28 grams per tonne gold, 0.68% copper, and 15.82 grams per tonne silver over 136.2 metres in drill hole KCD-02 at Küçükdağ, and 0.87 g/t gold over 114.5 metres in hole KYD-01 at the Kayali target,
- hole KCD-19 at the Küçükdağ target, a PQ-core twin of the KCD-02 discovery hole (drilled to improve recoveries and supply material for future metallurgical work) which returned 3.80 g/t gold, 0.82% copper, and 20.06 g/t silver over 131.80 metres, including: 9.54 g/t gold, 2.16% copper, and 43.51 g/t silver over 45 metres; and
- the Kayali drill hole KYD-02 which returned 0.78 g/t gold over 88.6 metres.

Recent drilling at Küçükdağ also intersected new silver-rich zones, with highlights of 1.87 g/t gold, 0.19% copper, and 7.26 g/t silver over 48 metres in KCD-15, and 171 g/t silver over 47.5 metres in KCD-18. Exploration activity continues with a focus to continue to expand the results from the Küçükdağ and Kayali targets, explore additional identified targets and define new targets on the property.

In addition to drilling, Orta Truva has also completed additional rock/soil sampling, infill IP surveying over the identified targets, initiated detailed geological mapping of the Küçükdağ, Kayali and Sarp targets, and had received forestry permits for further drill sites.

Our share of actual expenditures at the TV Tower Project in 2011 was $2.1 million (twelve-months ended December 31, 2010: $0.61 million), compared to our $1.4 million share of the 2011 budget. The joint venture incurred a budget variance reflecting higher than expected drilling costs, increased costs to assay results, and additional time required to complete QA/QC analyses.

To date, numerous targets have been identified at the TV Tower Project, with similar characteristics as other deposits in the district. Our exploration budget for 2012 includes 10,000 – 12,000 metres of core drilling, with a focus on Küçükdağ and Kayali. In 2012, we also plan to continue detailed geological mapping and undertake geochemical sampling, ground geophysics, and reconnaissance in the western areas of the property. Budgeted expenditures for 2012 are $1.2 million.

Additional information about the TV Tower Project is summarized in our AIF for the year ended December 31, 2011, dated March 28, 2012, as well as in the related technical report dated February 15, 2011, and amended on June 7, 2011, filed on SEDAR at www.sedar.com.

Halilağa

The 40%-owned Halilağa Project [4] hosts a significant copper-gold porphyry deposit. During the year ended 2011, a total of 44 holes (including four abandoned holes) totaling 19,599 metres of drilling were completed on the property.

Subsequent to year end, on March 26, 2012, the Company released a National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") technical report, for the Halilağa Project, including a project-first resource estimate on the Kestane [pronounced: kĕs-tā-nē] copper-gold porphyry, co-authored by Garth Kirkham, P.Geo., and James Gray P.Geo., entitled "Resource Estimate for the Halilağa Copper-Gold Property NI 43-101 Technical Report", dated March 23, 2012[5].

4 TMST, an indirect subsidiary of Teck, is Pilot Gold's 60% partner and the operator at the Halilağa Project.

5 The mineral resource estimate was prepared by Mr. James Gray, P.Geo., of Advantage Geoservices Ltd., in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves, adopted by CIM Council, as amended. Mr. Gray is an independent qualified person as defined by NI 43-101 ("QP"). The Company filed the related NI 43-101 technical report under the Company's profile on SEDAR at www.sedar.com on March 26, 2012.

Copper, gold and molybdenum grades were estimated by inverse distance squared weighting of two metre composited sample data. The interpolation used structural and rock type controls on sample selection and search orientation. Blocks were estimated based on a minimum of five samples, a maximum of 24 and a maximum of seven samples per hole. Composites were capped by rock type. In total, metal removed through the capping process was low as is typical in porphyry style mineralization: 0.8% copper, 1.2% gold and 1.0% molybdenum. Average rock type densities were assigned to blocks based on the results of 2,466 measurements.

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

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

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

Mineral Resources and Mineral Reserves are subject to risks related to metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political, and other relevant issues, that are beyond the control of the company. Mineral Resources are not Mineral Reserves and there is no guarantee that a Mineral Resource will ever become a Mineral Reserve. However, based on recent work, we currently anticipate that a good portion of the current Mineral Resource should be converted to Mineral Reserves with future drilling.

The mineral resource estimate was based on results from 30,004 metres of drilling in 72 drill holes through October 17, 2011, and consists of:

	Tonnes (000's)	Average Cu grade (%)	Average Au grade (g/t)	Average Mo grade (%)	Contained Cu (000's lb)	Contained Au (000's oz)
Sulphide resource (1)						
Indicated	168,167	0.30	0.31	0.006	1,112,223	1,665
Inferred	198,668	0.23	0.26	0.007	1,007,361	1,661
Oxide resource (2)						
Inferred	4,914		0.60		–	95

Strip Ratio: 2.5 : 1

(1) At a 0.2% copper equivalent cut-off grade

(2) At a 0.2 g/t gold cut-off grade

The release of this resource is the milestone we had committed to achieving in Turkey. The resource remains open down-plunge to the east and along portions of its southern margin. Assays from 10 additional holes completed in 2011, but not included in the resource, are pending.

Our share of actual expenditures at the Halilağa Project in 2011 was $2.35 million (twelve-months ended December 31, 2010: $1.38 million), compared to our $1.4 million share of the 2011 budget. The joint venture incurred $1.125 million (our share: $0.45 million) in costs in excess of budget due to overruns relating to drilling, assaying and completion of QA/QC analyses.

As a follow-up to this initial resource estimate, and contingent on the result of the Environmental Impact Assessment ("EIA") process currently underway, the Company and project operator, TMST, plan to move forward with a work-program comprised of:

(i) Up to 15,000 metres of infill and exploration drilling, beginning Q2 2012;

(ii) Metallurgical, and hydrological studies; and

(iii) Permitting and ongoing Community Relations.

The Halilağa Project and the neighbouring TV Tower Project, comprise the nucleus of an extensive gold-copper-silver mineralized system in the Biga District, around which several smaller deposits are located. The Halilağa Project and the TV Tower Project are located in an area of current mining development with well-developed infrastructure including major power and transportation; an established permitting and legal framework for mining development, and local technical/mining expertise. Access is afforded by a series of forestry roads from the neighbouring villages of Halilağa and Muratlar on the Biga Peninsula. Neighbouring the properties is a large open-pit coal mine and a manufacturing base. Power-lines from a nearby coal-fired generating station, outside the Town of Çan, run through the centre of the property.

In accordance with requirements of the new Turkish Mining Law, on February 14, 2012, Truva Bakir Maden İşletmeleri A.Ş. ("Truva Bakir") submitted an EIA report, prepared by project operator, TMST, to the Ministry of Forest and Environment in Turkey. The principal licenses that comprise the Halilağa Project have May 21, 2012 renewal dates, and require the renewal of several permits and an approved EIA before that date in order to remain in good standing. Further detail relating to the EIA process is described in our AIF for the year ended December 31, 2011, dated March 28, 2012, as well as in related technical report filed on SEDAR at www.sedar.com.

The Halilağa Project area has further exploration potential in the way of identified targets that warrant further exploration. Budgeted expenditures for 2012 are $4.87 million, with Pilot Gold's share totalling $1.36 million.

Additional information about the Halilağa Project is summarized in our AIF for the year ended December 31, 2011, dated March 28, 2012, as well as in the related technical report dated March 23, 2012, filed on SEDAR at www.sedar.com on March 26, 2012.

Regent

The 100%-owned Regent property ("Regent") located in Mineral County, Nevada, approximately 60 kilometres southeast of Fallon, Nevada, is on the eastern margin of the prolific Walker Lane epithermal gold-silver belt. The Regent property comprises 283 unpatented and unencumbered mining claims covering approximately 2,280 hectares. Gold mineralization on the property is of the low-sulphidation epithermal type similar in style to mineralization observed at the neighbouring and producing, Rawhide/Denton Mine, located three kilometres to the southeast. Other notable Walker Lane deposits include Round Mountain and the Comstock Lode.

Because the Regent property was our primary focus in Nevada in early 2011, upon closing of the 2011 Bought Deal, the Company embarked on Phase Two of the exploration program detailed in the NI 43-101 technical report entitled, "Summary Technical Report Regent Gold Project Mineral County, Nevada" dated, January 4, 2011. The two phase program had recommended 2,000 metres of RC and 3,000 metres of core drilling in Phase One, and 6,000 metres of RC and 6,000 metres of core drilling in Phase Two. We completed 5,380 metres of RC and 1,317 metres of diamond core drilling in 20 holes at the Regent Property in 2011.

In 2011, we also completed geologic and alteration mapping, and ground geophysics, and in the fourth quarter, staked an additional 20 claims contiguous to the property. The recommended program budgeted $1.93 million and $3.33 million in Phases One and Two respectively.

Our dual focus exploration program was designed to explore for both near surface disseminated targets proximal to areas with historic exploration, and to test priority exploration targets elsewhere on the property. Through the twelve-months ended December 31, 2011, total expenditures at Regent were $3.0 million. Pilot Gold completed no work at Regent in 2010, although $ 0.1 million was attributed to the carrying value of the property based on activity incurred by Fronteer prior to the close of the Fronteer Arrangement.

The 2011 work program successfully intersected gold mineralization in drilling at the North East, Regent Hill and West Vein targets, and in surface work defined extensive new exploration targets in the southern portion of the property. Geological mapping and modelling have significantly advanced the understanding of the controls on gold mineralization, and in conjunction with the geophysical surveys provide a framework for future exploration success on the project.

While results from our initial program at Regent met our expectations, and we are encouraged by the prospectivity and exploration potential of the property, given the resources available to the Company and the encouraging results received to date on our three material properties, we have determined to focus on the Kinsley Mountain Project, the TV Tower Project and the Halilağa Project.

We are currently undertaking a detailed analysis and assessment of "next steps" for the property, and have initiated permitting for a Plan of Operations with the BLM in order to provide the flexibility for continued exploration at a future date. The preliminary budget for Regent for 2012 is $0.1 million, pending the completion of our analysis.

Other Properties

Pilot Gold has a total of 14 other properties in Nevada, including a joint venture on the Gold Springs 2 low-sulphidation epithermal gold-silver property (the "Gold Springs Project") with partner, and project operator High Desert Gold Corporation ("High Desert") following their earn-in to 60% at that property.

Those other properties on which we incurred relatively significant expenditures in 2011 included our Brik, New Boston and Viper projects. The aggregate expenditure at these properties through 2011 was $2.1 million, as compared to a budgeted $1.83 million. In 2011, we made new gold discoveries at the Brik and Viper properties during the year, and completed a Phase One, 1,950 metre first-pass core drill program at New Boston. Our expenditures were slightly more than forecast as we extended drilling at the Viper property; and incurred drilling costs greater than anticipated at the New Boston property due to challenging ground conditions. The aggregate budget for these three properties in 2012 is $0.1 million. Each of these three properties is under review in 2012 for next steps as we re-designated our focus in Nevada to the newly acquired Kinsley Mountain Project.

The Company has also been actively securing a project pipeline to provide longer term growth opportunities for our shareholders. Transactions during 2011, and in the three-month period through to the date of this MD&A, that we feel set the stage for the Company's next discovery include:

- completing the lease and option agreements to acquire an interest in a sediment-hosted gold system known as the Antelope property ("Antelope");
- entering into an option agreement (the "Griffon Option Agreement") whereby we can earn up to a 70% interest in the Griffon property ("Griffon"), another sediment-hosted gold system; and
- staking new claims known as the Sandy and Hannapah properties, as well as a large area to the north of the Kinsley Mountain Project ("Kinsley North").

The Company expects to complete mapping, geochemical and geophysical surveys, and target definition in 2012, in advance of potential 2013 programs on the Antelope, Griffon, Sandy and Hannapah properties, and looks forward to working with High Desert as that company moves the Gold Springs Project forward.

Our exploration budget for Antelope, Griffon and Kinsley North is $0.37 million for 2012. An analysis of activity and expenditures in 2011 on our projects is included in our AIF for the year ended December 31, 2011, dated March 28, 2012.

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

SELECTED ANNUAL INFORMATION

The Fronteer Arrangement has been determined to be a common control transaction, and has been accounted for using the continuity of interest method of accounting. There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. IAS 8 – Accounting policies, changes in accounting estimates and errors requires management, if there is no specifically applicable standard of interpretation, to develop a policy that is relevant to the decision making needs of user and that is reliable. We have determined to apply the concept of continuity of interest basis of accounting for transactions under common control as detailed under

United States generally accepted accounting principles ("US GAAP"). US GAAP requires an acquirer in a combination between entities or businesses under common control to recognize the assets acquired and liabilities assumed in the transaction at their carrying amounts in the accounts of the transferring entity at the date of the transfer.

The following financial data are derived from our financial statements for the fiscal years ended December 31, 2011, and 2010:

		2011		2010		2009
Total revenues	$	–	$	–	$	N/A
Net loss for the year		11,840,930		1,507,202		N/A
Basic and diluted loss per share	Basic	0.21	Basic	0.03		N/A
	Diluted	0.21	Diluted	0.03		N/A
Total assets		37,493,262		7,905,170		2,439,284
Long-term liabilities		73,673		2,550		3,753
Cash dividends declared		–		–		–

In accordance with the continuity of interest basis of accounting, our Financial Statements reflect the assets, liabilities, operations and cash flows of Pilot Gold and those of the EPB, as if Pilot Gold and the EPB had always been the combined entity through to March 30, 2011. Accordingly, the selected period information and summary of financial results in this MD&A and our Interim Financial Statements should be read in conjunction with the consolidated annual financial statements of Pilot Gold, and of the EPB, respectively.

RESULTS OF OPERATIONS – DISCUSSION

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

Results for the twelve-month period ended December 31, 2011 reflect direct operating results and cash flows of Pilot Gold and those allocated costs through the three month period to March 30, 2011 prior to the closing of the Fronteer Arrangement. Discussion in this MD&A related to the results of our operations reflects both the allocation of costs from Fronteer pursuant to the application of continuity of interest accounting, and actual operating results of Pilot Gold.

For the year ended December 31, 2011, we reported a net loss of $11.84 million compared to a net loss of $1.51 million for the year ended December 31, 2010. The loss per share for the year ended December 31, 2011 was $0.21 (December 31, 2010: $0.03). The most significant contributors to the losses for the year ended December 31, 2011 were stock based compensation ($5.9 million) and property investigation ($1.71 million). In the comparative period, the most significant contributors to the losses were depreciation and wages. Although we believe losses and cash flows in the three months ended December 31, 2011 have normalized, and provide an appropriate reflection of the current and ongoing operations of Pilot Gold, generally, as our exploration and administrative activities increase, our costs and net losses can be expected to continue to rise. Pilot Gold has generated no revenue to date, and does not expect to earn any revenues from continuing operations in the foreseeable future.

Stock-Based Compensation

The amounts expensed for stock-based compensation, not included as part of property investigation expense for the year ended December 31, 2011 of $5.90 million (December 31, 2010: $0.21 million) are higher than the comparative periods, reflecting primarily the initial grant to directors, management, employees and certain significant contractors of the Company in April 2011. Of those stock options granted in April 2011, we have recorded $4.41 million expense attributable to those options with immediate vesting.

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

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

Property Investigation

In the year ended December 31, 2011, the Company incurred property investigation costs of $1.71 million (December 31, 2010: $-nil). In the current year, $0.43 million of stock-based compensation expense was attributed to property investigation, the allocation of which was on the same basis as the deferral of such costs to mineral properties. Our efforts to review other opportunities in jurisdictions familiar to our team began in earnest in June 2011. Costs of property investigation are expensed until a new project is acquired or the rights to explore the property have been established. Project investigation is a core part of our business and growth strategy and we remain active in identifying projects that will enhance our growth pipeline, including identifying near term producing assets for acquisition.

Wages and Benefits

In the year ended December 31, 2011, Pilot Gold recorded $1.20 million (December 31, 2010: $0.35 million) to wages and benefits expense. Employment relationships with the majority of our personnel began on April 6, 2011. Prior to this date, Pilot Gold had no employees, and no related cash flows.

Professional fees

Professional fees in the year ended December 31, 2011 were $0.47 million (December 31, 2010: $0.13 million), and relate primarily to legal, accounting and audit costs as well as advisory services relating to the Company's information technology needs at each of our locations. In the approximately nine-months since the closing of the Fronteer Arrangement, particularly in the second quarter of 2011, specific professional fees include advisory services typical to the start-up of a new business, such as the drafting of key agreements, including those for employees, as well as advisory services related to compliance with regulatory requirements and costs associated with our initial listing.

Office and general

In the year ended December 31, 2011, office and general expenditures amounted to $1.24 million (December 31, 2010: $0.20 million). In the second quarter of 2011 we incurred a number of office start-up costs following the close of the Fronteer Arrangement not expected to recur through subsequent periods. Beginning in the third quarter, certain of our office-related costs were off-set by recoveries from Blue Gold Mining Inc. ("Blue Gold"), further to an administrative services agreement with that company (see also in this MD&A, "Related Party Transactions").

Write-down of assets held for sale

In connection with the 2011 disposal of the Aktarma and Ispir exploration properties to Global Resources Corporation Limited ("GRCL"), we wrote these properties down to their aggregate carrying value. Adjusted for the impact of foreign exchange, the write-down for the year ended December 31, 2011 was $0.14 million (December 31, 2010: $-nil). This write-down, and the subsequent disposal has no effect on current operations.

Change in Fair Value of Financial Instruments

Changes to the fair value of our derivative financial instruments, which comprise 1,000,000 share purchase warrants of Rae Wallace Mining Company ("Rae Wallace"), acquired pursuant to the closing of the Fronteer Arrangement [6], are recorded to income (loss) in each period.

The change in fair value reflects a decrease to the calculated fair value of these warrants at December 31, 2011 as compared to December 31, 2010. Values of the Rae Wallace share purchase warrants at each of the following dates were:

December 31, 2011	$ 5,621
September 30, 2011	$ 12,065
June 30, 2011	$ 31,227
March 31, 2011	$ 83,937
December 31, 2010	$ 39,133

The value of these warrants were determined using the Black-Scholes option-pricing model. In estimating the value of the warrants, we made assumptions about the volatility of underlying share prices of its investment in shares and warrants of Rae Wallace 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. Because, as at the date of this MD&A, Rae Wallace is not traded on a formal stock exchange, the estimate of the fair value of this investment has been determined by looking at comparable corporations who are listed on a recognized exchange.

Other Comprehensive Income (Loss)

The net balance of other comprehensive loss for the year ended December 31, 2011 was $1.61 million (December 31, 2010: income of $0.04 million). Other comprehensive income (loss) includes the impact of i) Exchange differences on translating foreign operations; ii) Net fair value gain (loss) on financial assets; and iii) Exchange on unrealized loss on long-term investments.

The year ended December 31, 2011 includes a $1.52 million loss (December 31, 2010: gain of $0.05 million) from the impact of exchange gains and losses arising from exchange differences further to the translation of our foreign operations with a non-United States dollar functional currency, and a net value loss on financial assets of $0.08 million during the year ended December 31, 2011 (year ended December 31, 2010, $-nil) relating to the revaluation of common shares we hold in other publicly listed companies. The translation impact will vary from period to period depending on the rate of exchange; in the period between January 1, 2011 and December 31, 2011, there was a 1.84% change in the exchange rate between the United States and Canadian dollars.

6 Pursuant to the closing of the Fronteer Arrangement, the Company acquired 2,000,000 common shares in the capital of Rae Wallace, 1,000,000 warrants to purchase shares of Rae Wallace, and an option to earn a 51% interest in up to two properties that Rae Wallace owns or acquires

SUMMARY OF QUARTERLY RESULTS

The following information is derived from and should be read in conjunction with our unaudited condensed interim consolidated financial statements for the past eight quarters, as well as the audited consolidated financial statements for December 31, 2011.

Condensed consolidated statements of loss and comprehensive income (loss)	Dec 31 2011	Sep 30 2011	Jun 30 2011	Mar 31 2011 *	Dec 31 2010 *	Sep 30 2010 *	Jun 30 2010 *	Mar 31 2010 *
Continuing operations								
Loss from continuing operations after tax	(2,099,420)	(2,057,620)	(7,269,816)	(414,074)	(442,407)	(294,133)	(350,007)	(420,555)
Other comprehensive income								
Exchange differences on translating foreign operations	556,001	(2,373,045)	273,206	20,082	(4,826)	54,662	(35,289)	38,164
Net value gain (loss) on financial assets	(1,550)	(48,568)	(213,583)	180,000	(20,000)	11,230	-nil	-nil
Loss per share from continuing operations								
Basic and diluted	(0.04)	(0.03)	(0.30)	(0.01)	(0.01)	0.00	(0.01)	(0.01)

- The balances presented for the three month period ended March 31, 2011, and all periods prior reflect entirely the allocation of costs from Fronteer consistent with the continuity of interest basis of accounting, as if Pilot Gold had been an independent operator through March 30, 2011. Management cautions readers of this MD&A, that the allocation of expenses in the statements of loss for the current and comparative periods do not necessarily reflect the nature and level of our future operating expenses.
- In the three month period ended June 30, 2011 our condensed consolidated statements of loss and comprehensive loss reflected a number of start-up, initial-public listing and post-Fronteer Arrangement costs as well as the impact of the inaugural stock-based compensation grant, resulting in a loss for that period of $7.27 million, and cash out flows from operating activities of $1.08 million. During the three month period ended June 30, 2011, we also closed the 2011 Bought-Deal (C$25 million), impacting our cash flows from financing activity in that period.
- In the three month period ended September 30, 2011 our condensed consolidated statements of loss and comprehensive loss reflected those costs incurred undertaking general exploration and property investigation on a number of potential targets ($0.78 million), office and general costs ($3.7 million), the non-cash impact of stock-based compensation ($0.5 million) and a non-cash charge of $0.02 million arising from a decline in the fair value of shares and warrants we hold in other public companies. The total loss for that three-month period was $2.06 million, with cash outflows from operating activities of $1.75 million.
- In the three month period ended December 31, 2011 our condensed consolidated statements of loss and comprehensive loss reflect a similar loss to the previous three month period of $2.10 million and cash outflows from operating activities of $1.34 million.
- The net losses through each period include several non-cash items, most particularly the impact of stock-based compensation and write downs. Net operating cash flows were $4.65 million through the twelve months ended December 31 2011, before adjustment for working capital, and $0.72 million, in allocated cash flows for the comparative period.

LIQUIDITY AND CAPITAL RESOURCES

Pilot Gold manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. We have no long-term debt at the date of this MD&A. During the second quarter of 2011, we successfully closed the 2011 Bought-Deal, resulting in net proceeds of $24.1 million, with share issue costs of approximately $1.7 million. The 2011 Bought-Deal provided the following planned use of proceeds, intended to be used in the 24 month period subsequent to closing of the 2011 Bought Deal:

	Net Proceeds
Satisfy funding commitment for exploration and development on the Halilağa Project, pursuant to proposed and anticipated program	$ 4.2 million
Satisfy funding commitment for exploration and development on the TV Tower Project, pursuant to proposed and anticipated program	3.2 million
Completion of the recommended Phase 1 work program on the Regent property, Nevada, USA	1.9 million
Completion of the recommended Phase 2 work program on the Regent property, Nevada, USA	3.3 million
Exploration and development on portfolio of other mineral properties in Nevada and Turkey	4.5 million
General corporate and working capital	6.4 million
Total	$ 23.5 million

Since the close of the 2011 Bought Deal, through to December 31, 2011, we incurred approximately $1.40 million in costs related to the Halilağa Project, $1.42 million in costs related to the TV Tower Project, $1.66 million in costs related to the Regent property, $4.30 million in costs related to the exploration and development on portfolio of other mineral properties property in Nevada and Turkey, and $3.09 million in cashflows relating to mineral property investigation, office-related costs, and general corporate activities. Expenditures relating to our material properties have to date been in line with anticipated use of proceeds from the 2011 Bought Deal. Refer to discussion in this MD&A under heading "Material Properties", and to our AIF for the year ended December 31, 2011, dated March 28, 2012, for detail relating to activities on each property noted above.

The Company does not, and has no immediate ability to generate any cash flows from operations. The Company earns only minimal income through its services agreement with Blue Gold, investment income on treasury, and amounts arising through various property option agreements.

On an ongoing basis, management evaluates and adjusts its planned level of activities, including planned exploration, development, permitting activities, and paying for administrative costs, to ensure that adequate levels of working capital are maintained, and believes that this approach, given the relative size of Pilot Gold, is reasonable. At the date of this MD&A, we have $15.5 million in cash and short term investments, and $1.87 million in marketable securities. Our exploration budget in 2012 is $6.51 million and our general and administrative budget is $3.3 million. Management believes that the available funds are sufficient for current operations and will enable Pilot Gold to execute its planned exploration and development program on its material properties for at least one year, assuming no other factors change.

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

Pilot Gold had no commitments for material capital expenditures as of December 31, 2011. We have certain contractual obligations related to office leases, which are disclosed in this MD&A under "Contractual Obligations". We also 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 owner, or ii) minimum expenditure requirements in order to maintain our rights to such mineral interests. Most of these are not firm commitments, with such obligations being eliminated should we choose to no longer invest funds exploring the property.

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

REVIEW OF CHANGES TO THE STATEMENT OF FINANCIAL POSITION — DISCUSSION

Total Assets

Current assets increased significantly to $18.90 million as at December 31, 2011 (December 31, 2010: $0.40 million, and January 1, 2010: $0.47 million), and comprises primarily cash and short term investments of $18.42 million (December 2010: $0.09 million). The increase reflects the receipt of $24.4 million cash pursuant to the closing on June 14, 2011, of the 2011 Bought-Deal, and the receipt of $9.8 million upon the close of the Fronteer Arrangement on April 4, 2011, off-set by those cash outflows for and liabilities recorded at period end related to exploration and corporate activities through the year ended December 31, 2011. The remaining balance of current assets comprises receivables and prepayments of $0.48 million (December 31, 2010: $0.29 million) which has increased reflecting prepayments made in connection with insurance and other start-up related costs following the Effective Date, as well as higher balances of British Columbia Harmonized Sales Tax, and Canadian Goods and Services Tax recoverable.

Pilot Gold's consolidated cash balance for comparative periods prior to March 31, 2011 reflect only the accounts of our wholly-owned Turkish and Cayman subsidiaries, acquired through the Fronteer Arrangement.

During the year ended December 31, 2011, we incurred $6.1 million (year ended December 31, 2010, $2.7 million) in net deferred exploration expenditures. Exploration activities during the year included drill programs on several properties, including Brik, Regent, New Boston and Viper, as well as the acquisition of an option to earn in to a lease on, and exploration at, the Kinsley Mountain Project and the staking of other various new claims.

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

The balance related to our investment in associates increased significantly from that at December 31, 2010, due largely to increased funding of our share of expenditures at our 40%-owned associates in Turkey. In aggregate, funding to our Turkish associates through the year ended December 31, 2011 was $4.41 million, of which $0.23 million relates to accrued cash calls payable at year end.

Current Liabilities

The balance of $1.05 million at December 31, 2011 related to accounts payable and accrued liabilities, has increased as compared to December 31, 2010 due largely to the timing of payments, and the level and volume of activity underway as we commenced drill programs on multiple properties, and worked through many of the typical start-up activities for, and incurred costs of, a new company.

Non-current Liabilities

At December 31, 2011 our non-current liabilities comprise deferred tax liabilities, as well as 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. At December 31, 2010 and January 1, 2010 our non-current liabilities comprised only deferred tax liabilities.

Shareholders' Equity

Refer to discussion in this MD&A under heading, "Outstanding Share Data".

CHANGES IN ACCOUNTING POLICIES

Change in Reporting Currency

Effective January 1, 2010, we changed our reporting currency to the United States dollar. The change in reporting currency was made to better reflect our business activities and to improve investors' ability to compare our financial results with other publicly traded businesses in the gold mining industry. Prior to January 1, 2010, Pilot Gold, and the EPB reported their respective consolidated statements of financial position and related consolidated statements of operations and cash flows in Canadian dollars.

FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Canadian GAAP to IFRS Reconciliations

Pilot Gold previously prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants (the "CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for periods beginning on or after January 1, 2011. Accordingly, the accounting policies adopted in the preparation of our first audited consolidated financial statements have been prepared on the basis of IFRS, which is mandatory for financial years beginning on or after January 1, 2011. The comparative balances at the year ended December 31, 2010 have been restated accordingly. The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by Pilot Gold. On transition to IFRS, we determined the following impacts:

First Time Adoption

Under IFRS 1, there are four mandatory exemptions from full retrospective application of IFRS. Of these, the only applicable election relates to estimates. An entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. Our IFRS estimates as at January 1, 2010 are consistent with our previous estimates under GAAP for the same date.

There are also fifteen elective exemptions. We have not applied any elective transition exceptions and exemptions to full retrospective application of IFRS.

Determination of Functional Currency

Under IFRS, functional currency is determined on an entity-by-entity basis as the primary economic environment in which each entity operates. The hierarchy of factors explicitly described by IAS 21 The Effects of Changes in Foreign Exchange Rates in this determination has led to a change in the functional currency of our United States-based subsidiary to United States dollars due to a number of factors. The result is a number of foreign currency translation differences not present under Canadian GAAP. Management notes that these differences are in addition to any arising from our determination to change our presentation currency from Canadian to United States dollars.

The tables on the following pages reconcile the unaudited condensed consolidated statements of financial position and statements of loss and comprehensive income prepared in accordance with Canadian GAAP for Pilot Gold and the EPB and as previously reported[7] to those prepared and reported in our unaudited condensed interim consolidated financial statements in accordance with IFRS.

7 As at January 1, 2010, there are no balances presented related to Pilot Gold Inc., as the assets and activities accounted for in accordance with the continuity of interest basis of accounting were not acquired by Fronteer, our former parent until April 23, 2010.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JANUARY 1, 2010

	January 1, 2010		
	Cdn GAAP EPB	Adj IAS 21	**IFRS**
ASSETS			
Current assets			
Cash and cash equivalents	218,526	–	**218,526**
Trade and other receivables	247,680	–	**247,680**
Total current assets	466,206	–	**466,206**
Non-current assets			
Exploration properties and deferred exploration expenditures	366,001	4,570	**370,571**
Property and equipment	740,678	(13,992)	**726,686**
Investment in associates	875,821	–	**875,821**
Total non-current assets	1,982,500	(9,422)	**1,973,078**
Total assets	2,448,706	(9,422)	**2,439,284**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Trade and other payables	35,015	–	**35,015**
Total current liabilities	35,015	–	**35,015**
Non-current liabilities			
Deferred tax liabilities	2,556	1,197	**3,753**
Total non-current liabilities	2,556	1,197	**3,753**
Shareholder's equity			
Share capital			
Contributed surplus	4,340,689	–	**4,340,689**
Cumulative translation account	119,379	67,001	**186,380**
Accumulated deficit	(2,048,933)	(77,620)	**(2,126,553)**
Total shareholder's equity attributable to owners of the Company	2,411,135	(10,619)	**2,400,516**
Total shareholder's equity and liabilities	2,448,706	(9,422)	**2,439,284**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

				December 31, 2010
	Cdn GAAP EPB	Cdn GAAP Pilot	Adj IAS 21	**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents	86,966	–	–	**86,966**
Trade and other receivables	286,502	–	–	**286,502**
Assets held for sale	27,724	–	–	**27,724**
Total current assets	401,192	–	–	**401,192**
Non-current assets				
Exploration properties and deferred exploration expenditures	1,945,234	1,146,735	(38,199)	**3,053,770**
Property and equipment	962,500	–	(31,612)	**930,888**
Reclamation deposits	12,858	–	–	**12,858**
Other financial assets	419,133	–	–	**419,133**
Investment in associates	3,087,329	–	–	**3,087,329**
Total non-current assets	6,427,054	1,146,735	(69,811)	**7,503,978**
Total assets	6,828,246	1,146,735	(69,811)	**7,905,170**
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Trade and other payables	52,579	22,228	–	**74,807**
Total current liabilities	52,579	22,228	–	**74,807**
Non-current liabilities				
Deferred tax liabilities	2,656	–	(106)	**2,550**
Total non-current liabilities	2,656	–	(106)	**2,550**
Shareholder's equity				
Share capital	–	1,215,000	–	**1,215,000**
Contributed surplus	9,938,722	77,525	–	**10,016,247**
Cumulative translation account	259,822	(2,041)	(18,690)	**239,091**
Accumulated other comprehensive income	(8,770)	–	–	**(8,770)**
Accumulated deficit	(3,416,763)	(165,977)	(51,015)	**(3,633,755)**
Total shareholder's equity attributable to owner of the Company	6,773,011	1,124,507	(69,705)	**7,827,813**
Total shareholder's equity and liabilities	6,828,246	1,146,735	(69,811)	**7,905,170**

CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE INCOME (LOSS):

The significant impacts of IFRS on the Company's consolidated statement of financial position at December 31, 2010 include those above, and as described in the reconciliations presented in our consolidated financial statements as at, and for the year ended December 31, 2011:

				December 31, 2010
	Cdn GAAP EPB	Cdn GAAP Pilot	Adj IAS 21	**IFRS**
CONTINUING OPERATIONS				
Operating expenses				
Professional fees	91,899	35,446	–	**127,345**
Wages and benefits	305,002	48,443	–	**353,445**
Stock based compensation	159,467	51,229	–	**210,696**
Office and general	181,685	20,178	–	**201,863**
Investor relations, promotion and advertising	32,601	10,681	–	**43,282**
Amortization	387,337	–	(3,714)	**383,623**
Loss from operations	1,157,991	165,977	(3,714)	**1,320,254**
Other income (expenses)				
Change in fair value of financial instruments	(72,097)	–	–	**(72,097)**
Foreign exchange gains and (losses)	(46,745)	–	22,890	**(23,855)**
Loss from associates	(92,199)	–	–	**(92,199)**
	(211,041)	–	22,890	**(188,151)**
Loss before tax	(1,369,032)	(165,977)	26,604	**(1,508,405)**
Income tax recovery	1,203	–	–	**1,203**
Loss for the year	(1,367,829)	(165,977)	26,604	**(1,507,202)**
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations	140,443	(2,041)	(85,691)	**52,711**
Net fair value loss on financial assets	(8,517)	–	(253)	**(8,770)**
Other comprehensive income (loss) for the period, net of tax	131,926	(2,041)	(85,944)	**43,941**
Total loss and comprehensive loss for the period	(1,235,903)	(168,018)	(59,340)	**(1,463,261)**

Explanatory notes:

a) IAS 21 Adjustment
Under IFRS, functional currency is determined on an entity-by-entity basis as the primary economic environment in which each entity operates. The hierarchy of factors explicitly described by IAS 21 The Effects of Changes in Foreign Exchange Rates in this determination has led to a change in the functional currency of the United States and Turkey-based subsidiaries to United States dollars due to a number of factors. The result is a number of foreign currency translation differences not present under Canadian GAAP.

INDUSTRY AND ECONOMIC FACTORS THAT MAY AFFECT OUR BUSINESS

Refer also to the factors discussed in our AIF for the year ended December 31, 2011 dated March 28, 2012, under the heading "Risk Factors".

Current Economic Conditions

There are significant uncertainties regarding the price of gold, copper, other precious and base metals and other minerals and the availability of equity financing for the purposes of mineral exploration and development. Currently, prices of certain commodities such as gold and copper have shown steady, though not necessarily linear, price increases which has had a positive impact on the Company and the mining industry in general as capital has been attracted to the industry making it somewhat easier for entities exploring for commodities to raise financing. Pilot Gold's future performance is largely tied to the development of our current portfolio of mineral properties and the commodity and financial markets. There can be no certainty that commodity prices will continue to show the same level of strength. Current financial markets are likely to continue to be volatile in Canada potentially through 2012 and beyond, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Unprecedented uncertainty in the credit markets has also led to increased difficulties in financing activities. As a result, the Company may have difficulty raising debt or equity financing for the purposes of mineral exploration and development, and, if obtained, on terms favourable to Pilot Gold and/or without excessively diluting our current shareholders. These economic trends 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.

Permitting and License Risks

A number of approvals, licenses and permits are required for various aspects of exploration and mine development. There can be no certainty that all necessary permits will be maintained or obtained on acceptable terms or in a timely manner, or that an EIA report will be accepted and approved. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities at any of the mineral exploration properties in which the Company has an interest. Any failure to comply with applicable laws and regulations, failure to obtain or maintain permits, or failure to convert mineral property licenses in accordance with local requirements, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties or other liabilities.

Government approvals, approval of aboriginal people and other members of surrounding communities and permits and licenses are currently and will in the future be required in connection with the operations of the Company. To the extent such approvals are required and not obtained, or delayed due to a community consultation process, exploration activity may be curtailed, or we may be prohibited from continuing with planned exploration or development of mineral properties.

Exploration, Development and Operating Risks

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

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 materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

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

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

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

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

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

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

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

RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

Foreign Exchange Risk

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

Further, although only a portion of our expenditures, primarily general and administrative costs are incurred in Canadian dollars, we record our assets located in Vancouver in Canadian dollars. As the operating results and financial position of Pilot Gold are reported in United States dollars in our consolidated financial statements, there may also be an impact to the value of Pilot Gold's assets, liabilities and shareholders' equity as a result of the fluctuation of the CAD in relation to the United States dollar. We have not entered into any derivative contracts to manage foreign exchange risk at this time.

Market Risk

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

Liquidity Risk

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

Credit Risk

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

Interest Rate Risk

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

Fair Value Estimation

The carrying value of Pilot Gold's financial assets and liabilities approximates their estimated fair value.

LEGAL MATTERS

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

CONTRACTUAL OBLIGATIONS

Operating Leases

The Company has entered into operating leases for office premises in Canada, the United States and Turkey. The lease terms are between two and four years; each location's lease is renewable at the end of the lease period at market rate. The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the year ended December 31, 2011 is $0.35 million, including a nominal amount allocated from Fronteer under continuity of interest basis of accounting. Beginning in October 2011, we began to recover some of these costs as part of a services agreement with Blue Gold.

Total minimum operating lease commitments and minimum rental commitments, under non-cancellable operating leases for future years are as follows:

Year	Amount
2012	$ 0.43 million
2013	0.31 million
2014	0.28 million
2015	0.28 million
2016	0.28 million
2017+	0.64 million
	$ 2.22 million

The Company is also responsible for its share of property taxes and operating costs on office premise leases and leases certain equipment and automobiles under cancellable operating lease agreements.

Indemnifications

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the design of Pilot Gold's ICFR as of December 31, 2011, pursuant to the requirements of NI 52-109. Management has designed appropriate ICFR for the nature and size of Pilot Gold's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework that management has adopted to design certain functions is the COSO Framework published by The Committee of Sponsoring Organizations of the Treadway Commission.

Management has determined that the Company's internal controls over financial reporting have been effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in Pilot Gold's internal controls over financial reporting that occurred during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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, 2011, that the disclosure controls and procedures are effective to provide reasonable assurance that material information related to Pilot Gold is made known to them by employees and third party consultants working for Pilot Gold and its subsidiaries. Other than any arising as a result of the transition to IFRS, there have been no significant changes in our disclosure controls and procedures during the period ended December 31, 2011.

It should be noted that 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.

RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

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

Year ended December 31, 2011	
Salaries and other short-term employee benefits	0.89 million
Share-based payments	5.37 million
Total	6.26 million

With the exception of certain members of the Board, prior to April 6, 2011, Pilot Gold did not have any personnel. There was thus no remuneration or other compensation paid or provided by Pilot Gold directly to any key management personnel for their services prior to April 6, 2011. Members of the Board receive remuneration on a quarterly basis; no remuneration had been paid to those members of the Board for their services as directors through March 31, 2011. Subsequent to March 31, 2011, the Company entered into employment relationships with its key management employees.

Management Fees

Beginning September 1, 2011, we entered into an administrative services agreement with Blue Gold, a company with whom we share office space in Vancouver, and with whom we share certain directors. Under the administrative services agreement, we recover a portion of the total cash compensation of certain employees of Pilot Gold, and a portion of administrative costs relating to our Vancouver offices. The recovery of employee and administrative costs is also subject to a markup agreed to by both parties.

At September 30, 2011 we had concluded that Blue Gold constituted a related party in accordance with IFRS, however, subsequent to a private placement by that company, we have determined that this is no longer the case.

SIGNIFICANT ACCOUNTING POLICIES

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

We have chosen to defer all exploration and evaluation cost relating to our mineral exploration properties. As noted elsewhere in this MD&A, in the absence of any specified accounting treatment under IFRS, we chose to apply the continuity of interest basis of accounting to account for the impact of the Fronteer Arrangement, and our comparative results.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to the discussion of New Accounting Pronouncements in our MD&A for the year ended December 31, 2011. Pilot Gold has not applied any of the new and revised IFRS detailed therein, all of which have been issued but are not yet effective, at the date of this MD&A.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets, liabilities and expenses.

(i) 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 fair value less costs to sell.

The most significant assets assessed include the value of our investment interests in associates, and the carrying value of our exploration properties and deferred exploration expenditures. There were no assumptions underlying our estimate of recoverability of these assets that relate to matters defined as highly uncertain at the time these estimates were made. Recoverability of the carrying amount of the exploration properties, and of our interest in associates is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets. Changes in any of the assumptions used to determine impairment testing could materially affect the result our analyses.

At December 31, 2011, we reviewed the carrying value of our asset and determined that there were no indicators of impairment.

(ii) Decommissioning and Restoration Provisions

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

As at December 31, 2011, the Company has recorded $0.05 million relating to restoration provisions.

(iii) Determination of the Fair Value of Share-Based Compensation

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

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

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

(iv) Deferred Tax Assets and Liabilities

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

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

(v) Functional Currency

The determination of a subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method required.

Management believes that the estimates are reasonable.

Factors that could affect these estimates are discussed in our AIF for the year ended December 31, 2011 dated March 28, 2012, under the heading "Risk Factors".

OFF BALANCE SHEET ARRANGEMENTS

Pilot Gold has no off balance sheet arrangements.

PROPOSED TRANSACTIONS

As is typical of the mineral exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. We have initiated discussions with TMST, our joint venture partner and operator of the TV Tower Project as we look to increase our exposure to the TV Tower Project. While discussions continue, there is no guarantee that a transaction will be concluded. There are otherwise no proposed asset or business acquisitions or dispositions, other than those discussed in this MD&A and those in the ordinary course, before the board of directors for consideration. While we remain focused on our plans to continue exploration and development on our three material properties, should we enter into agreements in the future on new properties, we may be required to make cash payments and complete work expenditure commitments under those agreements.

OUTSTANDING SHARE DATA

There are 59,085,286 Common Shares issued and outstanding at the date of this MD&A. No Common Shares were issued subsequent to year end to the date of this MD&A.

As at December 31, 2011, there were 1,750,000 stock options exercisable; and 1,750,000 stock option exercisable at the date of this MD&A. No stock options were granted subsequent to year end to the date of this MD&A. No stock options have been exercised as of the date of this MD&A.

APPROVAL

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

ADDITIONAL INFORMATION

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

CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS

All statements in this MD&A, other than statements of historical fact, are "forward-looking information" with respect to Pilot Gold within the meaning of applicable Canadian securities laws, including statements that address future mineral production, reserve potential, exploration drilling, the future prices of gold, silver, copper and molybdenum, potential quantity and/or grade of minerals, potential size of a mineralized zone, potential expansion of mineralization, the timing and results of future resource estimates, the timing of a PEA or other study, proposed exploration and development of our exploration properties and the estimation of mineral reserves and resources. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "planned", "expect", "project", "predict", "potential", "targeting", "intends", "believe", "potential", and similar expressions, or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved. 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, Pilot Gold's ability to fully fund cash-calls made by its joint venture partners for ongoing expenditure on the properties, completion of expenditure obligations under the Kinsley Option Agreement and the Griffon Option Agreement, proposed exploration and development of Pilot Gold's exploration properties, estimated future working capital, uses of funds, future capital expenditures, exploration expenditures and other expenses for specific operations, future issuances of Common Shares to satisfy earn-in obligations or the acquisition exploration properties, information with respect to exploration results, the timing and success of exploration activities generally, the costs and timing of the development of new deposits, potential quantity and/or grade of minerals, potential size of mineralized zone, potential expansion of mineralization, potential type of mining operation, the timing and possible outcome of any pending litigation, permitting timelines, the ability to maintain or convert the underlying licenses for the Halilağa Project and the TV Tower Project in accordance with the requirements of Turkish Mining Law, government regulation of exploration and mining operations, environmental risks, including satisfaction of requirements relating to the submissions of Environmental Impact Assessments, title disputes or claims, and limitations on insurance coverage 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 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, reliance on technical information provided by our joint venture partners or other third parties; changes in project parameters as plans continue to be refined; current economic conditions; future prices of commodities; possible variations in grade or recovery 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 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 intended. There can be no assurance that such information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements.

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

NATIONAL INSTRUMENT 43-101 COMPLIANCE

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

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

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

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

Ian Cunningham-Dunlop, Professional Engineer, Chief Operating Officer and Vice President Exploration of Pilot Gold, and a QP for the purposes of NI 43-101, is responsible for preparing and supervising the preparation of the scientific or technical information contained in this MD&A and has verified the technical data disclosed in this document relating to those projects in which the Company holds a 100% interest. Mr. Cunningham-Dunlop has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

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

Any results contained in this MD&A that are historical in nature relating to Griffon and the Kinsley Mountain Project, have not been verified by Pilot Gold.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

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

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, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 audits 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, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
March 28, 2012

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in US Dollars)
Year ended December 31, 2011

	2011	2010
Operating expenses		
Stock based compensation (Note 13)	$ 5,900,670	$ 210,696
Property investigation (Note 14)	1,707,421	–
Office and general	1,241,232	201,863
Wages and benefits	1,201,229	353,445
Professional fees	466,283	127,345
Investor relations, promotion and advertising	335,822	43,282
Depreciation	324,448	383,623
Listing and filing fees	303,645	–
Loss on disposal and write down of plant and equipment (Note 8)	89,490	–
Write down of assets held for sale (Note 7(c))	137,984	–
Write down of VAT receivable (Note 6)	290,110	–
Loss from operations	11,998,334	1,320,254
Other income (expenses)		
Change in fair value of financial instruments (Note 9)	(38,575)	(72,097)
Other expenses	(47,392)	–
Income (loss) from associates (Note 10)	4,762	(92,199)
Finance income (charges)	231,643	–
Foreign exchange gains (losses)	56,951	(23,855)
	207,389	(188,151)
Loss before tax	(11,790,945)	(1,508,405)
Income tax (expense) recovery (Note 12)	(49,985)	1,203
Loss for the period	(11,840,930)	(1,507,202)
Other comprehensive income (loss)		
Exchange differences on translating foreign operations	(1,523,756)	52,711
Net fair value loss on financial assets (Note 9)	(83,701)	(8,770)
Exchange on unrealized loss on long-term investments	27,907	–
Other comprehensive income (loss) for the period, net of tax	(1,579,550)	43,941
Total loss and comprehensive loss for the period	(13,420,480)	(1,463,261)
Loss per share		
Basic and diluted	$(0.21)	$(0.03)
Common shares basic and diluted (Notes 1 and 13)	55,281,973	50,701,927

Consolidated Statements of Financial Position

(Expressed in US Dollars)

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
ASSETS			
Current assets			
Cash	$ 7,391,497	$ 86,966	$ 218,526
Short term investments	11,028,857	–	–
Receivables (Note 6)	309,295	265,113	239,039
Prepayments	165,863	21,389	8,641
Assets held for sale (Notes 7(a))	–	27,724	–
Total current assets	18,895,512	401,192	466,206
Non-current assets			
Exploration properties and deferred exploration expenditures (Note 7)	9,129,967	3,053,770	370,571
Plant and equipment (Note 8)	714,024	930,888	726,686
Reclamation deposits	250,283	12,858	–
Other financial assets (Note 9)	456,870	419,133	–
Investment in associates (Note 10)	8,046,606	3,087,329	875,821
Total non-current assets	18,597,750	7,503,978	1,973,078
Total assets	37,493,262	7,905,170	2,439,284
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities (Note 11)	999,502	74,807	35,015
Decommissioning liability	50,484	–	–
Total current liabilities	1,049,986	74,807	35,015
Non-current liabilities			
Deferred tax liabilities (Note 12)	52,536	2,550	3,753
Other liabilities	21,137	–	–
Total non-current liabilities	73,673	2,550	3,753
Shareholders' equity			
Share capital (Note 13)	92,123,392	1,215,000	–
Contributed surplus (Note 13)	6,599,039	10,016,247	4,340,689
Accumulated other comprehensive income (loss)	(1,349,229)	230,321	186,380
Accumulated deficit	(61,003,599)	(3,633,755)	(2,126,553)
Total shareholders' equity	36,369,603	7,827,813	2,400,516
Total liabilities and shareholders' equity	37,493,262	7,905,170	2,439,284

Commitments (Note 17) | Segment information (Notes 7 and 18) | Related party transactions (Note 19) | Subsequent events (Note 20)

These financial statements are approved by the board and authorised for issue on March 28, 2012:

Donald McInnes, Director

Sean Tetzlaff, Director

Consolidated Statements of Changes in Equity

	Number of shares #	Share capital $	Contributed surplus $	Accumulated other comprehensive (loss) income $	Accumulated deficit $	Total $
Balance as at January 1, 2010	–	–	4,340,689	186,380	(2,126,553)	2,400,516
Shares issued on incorporation of Pilot Gold Inc. (Note 1 & 13)	2,500,000	1,215,000	–	–	–	1,215,000
Funding and expenses paid by Fronteer and its subsidiaries (Note 1)	–	–	1,044,282	–	–	1,044,282
Net assets contributed by Fronteer and its subsidiaries (Note 1)	–	–	4,631,276	–	–	4,631,276
Unrealized loss on long-term investments	–	–	–	(8,770)	–	(8,770)
Cumulative translation adjustment	–	–	–	52,711	–	52,711
Net loss for the period	–	–	–	–	(1,507,202)	(1,507,202)
Balance as at December 31, 2010	2,500,000	1,215,000	10,016,247	230,321	(3,633,755)	7,827,813
Funding and expenses paid by Fronteer and its subsidiaries (Note 1 & 13)	–	–	10,131,534	–	–	10,131,534
Net assets contributed by Fronteer and its subsidiaries (Note 1 & 13)	–	–	46,485,989	–	–	46,485,989
Adjustment for shares issued in connection with the Fronteer Arrangement (Note 13)	–	–	(66,633,770)	–	(45,528,914)	(112,162,684)
Shares issued pursuant to the Fronteer Arrangement	48,201,952	66,633,770	–	–	–	66,633,770
Unrealized loss on long-term investments	–	–	–	(83,701)	–	(83,701)
Exchange on unrealized loss on long-term investments	–	–	–	27,907	–	27,907
Shares issued as a result of financing	8,333,334	25,810,450	–	–	–	25,810,450
Share issue costs	–	(1,635,968)	–	–	–	(1,635,968)
Shares issued as consideration for option on mineral property (Note 7(b))	50,000	100,140	–	–	–	100,140
Cumulative translation adjustment	–	–	–	(1,523,756)	–	(1,523,756)
Stock based compensation	–	–	6,599,039	–	–	6,599,039
Net loss for the period	–	–	–	–	(11,840,930)	(11,840,930)
Balance as at December 31, 2011	59,085,286	92,123,392	6,599,039	(1,349,229)	(61,003,599)	36,369,603

Consolidated Statements of Cash Flows

(Expressed in US Dollars)

	Year ended December 31, 2011	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (11,840,930)	$ (1,507,202)
Adjusted for:		
Stock based compensation	5,900,670	210,696
Stock based compensation included in Property Investigation	431,187	–
Depreciation	324,448	383,623
Write-down of assets held for sale	137,984	–
Write-down of VAT receivable (Note 6)	290,110	–
Change in fair value of financial instruments	38,575	72,097
Non-cash other income	23,323	–
Loss on disposal of property and equipment	95,329	–
Income from associates	(4,762)	92,199
Foreign exchange	(16,112)	23,855
Change in provision	21,137	
Deferred income taxes	49,985	1,203
Interest income on short term investments	(105,774)	–
Movements in working capital:		
Accounts receivable and prepayments	(71,103)	(15,589)
Accounts payable and other liabilities	250,264	15,978
Net cash used by operating activities	(4,475,669)	(723,140)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funding received from Fronteer for operations	1,176,472	6,612,944
Cash received from financing	25,810,450	–
Share issue costs	(1,635,968)	–
Cash received pursuant to the Fronteer Arrangement	9,819,540	–
Net cash generated by financing activities	35,170,494	6,612,944
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in working capital attributable to deferred exploration expenditures	228,573	581
Purchase of short term investments	(11,274,980)	(500,000)
Purchase of property and equipment	(199,997)	(572,924)
Proceeds from sale of capital equipment	5,839	–
Investment in Associates	(4,693,358)	(2,187,730)
Acquisition of mineral properties	(350,000)	(1,675,000)
Interest in exploration properties and deferred exploration expenditures	(5,938,638)	(1,078,352)
Recoveries on mineral properties	140,000	–
Purchase of reclamation deposits	(250,000)	(12,858)
Net cash used by investing activities	(22,332,561)	(6,026,283)
Effect of foreign exchange rates	(1,057,733)	4,919
Net increase (decrease) in cash and cash equivalents	7,304,531	(131,560)
Cash at beginning of period	86,966	218,526
Cash at end of the period	7,391,497	86,966

Notes to the Consolidated Financial Statements

Year ended December 31, 2011

(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 1650 – 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

The Company was incorporated as "7703627 Canada Inc." on November 18, 2010, under the Canada Business Corporations Act. Articles of amendment were subsequently filed on November 29, 2010, to change the name of the Company to Pilot Gold Inc.

On February 3, 2011, Pilot Gold, Fronteer Gold Inc. ("Fronteer"), and Newmont Mining Corporation ("Newmont") entered into an arrangement agreement ("Arrangement Agreement") pursuant to which Newmont acquired all of the outstanding common shares of Fronteer by way of a plan of arrangement (the "Fronteer Arrangement"), which became effective on April 6, 2011. At that time, Pilot Gold ceased to be a wholly-owned subsidiary of Fronteer.

The shareholders of Fronteer approved the Fronteer Arrangement at a special meeting held on March 30, 2011. Pursuant to the Fronteer Arrangement, subsidiaries of Fronteer transferred to Pilot Gold the following assets and liabilities in exchange for the issuance of 192,807,707 common shares of Pilot Gold ("pre-consolidation common shares"). In connection with the Fronteer Arrangement, the pre-consolidation common shares were immediately consolidated on a one-for-four basis (the "Common Shares"):

i. unpatented mining claims known as the Anchor, Baxter Springs, New Boston, Stateline, Easter, Viper and Gold Springs 2 projects to Pilot Gold USA Inc. ("Pilot USA"), in exchange for (i) $1.1 million, and (ii) the transfer by way of assignment back to Fronteer of the South Monitor property;

ii. certain assets and liabilities in Elko, NV, including office equipment and furniture, fixed assets, computer hardware and software, and certain technical data related to the exploration properties transferred in exchange for $795,632;

iii. all of the issued and outstanding shares of Pilot Investments Inc. ("PII") (formerly, Fronteer Investment Inc.) for a purchase price equal to the fair value of PII's shares (approximately $52.25 million), which holds the respective 40% interests in Orta Truva Maden Isletmeleri A.Ş. ("Orta Truva") and Truva Bakir Maden Isletmeleri A.Ş. ("Truva Bakir") the legal joint venture entities that hold the TV Tower Project and the Halilağa Project;

iv. 2,000,000 common shares in the capital of Rae Wallace Mining Company ("Rae Wallace"), 1,000,000 warrants to purchase common shares of Rae Wallace, the option to earn a 51% interest in up to two properties that Rae Wallace owns or acquires; and

v. C$9.58 million ($9.82 million) in cash, a 40% beneficial interest in the Dededagi exploration property in Turkey, and the physical assets of the Vancouver office.

The approval of the Fronteer Arrangement has been determined for accounting purposes to represent substantive completion of the transaction; as such, March 30, 2011 is the deemed effective date (the "Effective Date") of the Fronteer Arrangement for consolidated financial statement reporting purposes.

Pursuant to the Fronteer Arrangement, Fronteer shareholders received $14.00 in cash and one pre-consolidation common share for each common share of Fronteer. Immediately following closing of the Fronteer Arrangement, approximately 80.1% of Pilot Gold was held by former shareholders of Fronteer, and 19.9% was held by Newmont. The Common Shares began trading on the TSX on April 11, 2011 under the symbol "PLG".

2. NATURE OF OPERATIONS

Pilot Gold is an exploration stage business engaged in the acquisition and exploration of mineral properties located primarily in the United States and Turkey. The Company is focused on the acquisition, exploration and development of mineral resource properties located in attractive mining jurisdictions.

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.

3. **BASIS OF PRESENTATION AND FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in Note 21.

The consolidated financial statements were authorized for issue by the Board of Directors (the "Board") on March 28, 2012.

The basis of preparation of these consolidated financial statements is different to the audited annual consolidated financial statements of Pilot Gold for the period April 23, 2010 to December 31, 2010 and those of the Exploration Properties Business of Fronteer Gold Inc. (the "Exploration Properties Business") for the year ended December 31, 2010, each prepared in accordance with Canadian GAAP, due to the first time adoption of IFRS, and to a change in the Company's presentation currency from the Canadian dollar ("C$") to United States dollars.

IFRS 1 – *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") governs the first-time adoption of IFRS. IFRS 1 in general requires accounting policies under IFRS to be applied retrospectively to determine the Company's opening statement of financial position as of the transition date of January 1, 2010, and allows certain exemptions. The Company has elected not to apply any of the optional IFRS 1 elections, and has applied IFRS fully retrospectively.

Change in Reporting Currency

Effective January 1, 2010, the Company changed its reporting currency to the United States dollar. The change in reporting currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with those of other publicly traded businesses in the gold mining industry. Prior to January 1, 2010, Pilot Gold and the Exploration Properties Business reported their respective consolidated statements of financial position and related consolidated statements of loss and comprehensive loss, statements of changes in equity and cash flows in Canadian dollars. The change to the Company's reporting currency has been accounted for in accordance with IAS 21 - *The Effects of Changes in Foreign Exchange Rates*. Income and expenses have been translated at the average exchange rate for each period and assets, liabilities and equity have been translated at the closing exchange rate at each balance sheet date. The effects of this change have been applied fully retrospectively. All resulting exchange differences are reported as a separate component of shareholders' equity titled "Cumulative Translation Adjustment".

Continuity of Interest

As the shareholders of Fronteer continued to hold their respective interests in Pilot Gold; there was no resultant change of control in either the Company, or the assets and business acquired. The Fronteer Arrangement has thus been determined to be a common control transaction, and has been accounted for on a continuity of interest basis.

In accordance with the continuity of interest basis of accounting, these audited consolidated financial statements reflect the assets, liabilities, operations and cash flows of Pilot Gold and those of the Exploration Properties Business as if Pilot Gold and the Exploration Properties Business had always been the combined entity, operating independently of Fronteer, through to the Effective Date.

Assets, liabilities, operations and cash flows recorded in the consolidated financial statements for the year ended December 31, 2011 reflect cash flows, expenditures and activities of Pilot Gold accounted for in accordance with the continuity of interest basis through March 30, 2011 and the actual cash flows, expenditures and activities of Pilot Gold from March 31, 2011 through to December 31, 2011. Accordingly, these consolidated financial statements should be read in conjunction with the consolidated annual financial statements to December 31, 2010 of Pilot Gold and of the Exploration Properties Business, respectively.

The percentage derived from the total exploration expenditure, up to the Effective Date, incurred by Fronteer through each respective period on Pilot Gold's properties, over Fronteer's total exploration and development expenditures for those same periods, was used to determine the appropriate balance to record in these consolidated financial statements for those items of general and administrative expenses, wages and salaries stock based compensation and other overhead costs not directly chargeable to the Company through to March 30, 2011. Fronteer's funding of the carved-out exploration asset and liabilities and past carved-out operations through March 30, 2011 is presented as contributed surplus.

Because the balances presented are based on the amounts recorded by Fronteer as if Pilot Gold had been an independent operator through March 30, 2011, management cautions readers of these audited consolidated financial statements, that the allocation of expenses in the statements of loss for the current and comparative periods does not necessarily reflect the nature and level of the Company's future operating expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Continuity of interest basis of accounting

There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. IAS 8 – *Accounting policies, changes in accounting estimates and errors* ("IAS 8") requires management, if there is no specifically applicable standard of interpretation, to develop a reliable policy that is relevant to the decision making needs of users.

The Company has determined to apply the concept of continuity of interest basis of accounting for transactions under common control as detailed under United States generally accepted accounting principles ("US GAAP"). US GAAP requires an acquirer in a combination between entities or businesses under common control to recognize the assets acquired and liabilities assumed in the transaction at their carrying amounts in the accounts of the transferring entity at the date of the transfer.

(b) 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.

(c) Basis of consolidation

The financial statements of Pilot Gold consolidate the accounts of Pilot Gold Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities that Pilot Gold controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Pilot Gold controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Pilot Gold and are de-consolidated from the date that control ceases.

The principal subsidiaries of Pilot Gold and their geographic locations at December 31, 2011 were as follows:

Name of subsidiary	Principal activity	Location	Proportion of ownership interest and voting power held
Pilot Gold USA Inc.	Mineral exploration	United States	100%
Agola Madencilik Limited Sirketi ("Agola") (1)	Mineral exploration	Turkey	100%
Pilot Holdings Inc.	Holding company	Cayman Islands	100%
Pilot Investments Inc.	Holding company	Cayman Islands	100%

(1) Ownership of Agola is subject to nominal share or unit holdings required to meet the statutory number of shareholders or unit holders under Turkish law. Such nominal shares and units are held by a director of Pilot Gold, for the benefit of the Company.

(d) 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; its share of other comprehensive income (loss) of associates is included in other comprehensive income (loss). Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

Intercompany transactions between Pilot Gold and its associates are recognized in the Company's consolidated financial statements only to the extent of unrelated investors' interests in the associates. Intercompany 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 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.

(e) Foreign currencies

Items included in the financial statements of each entity 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, changed effective January 1, 2010. The translation has been applied retrospectively (Note 3).

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.

The functional currency of Pilot Gold Inc. is Canadian dollars; for the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations 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.

(f) Cash

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

(g) 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.

(h) Property, plant and equipment

Property 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 property, 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. 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.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for and depreciated as separate items of plant and equipment.

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

(i) 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:

(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:

- a. The appropriate level of management must be committed to a plan to sell the asset (or disposal group);
- b. An active program to locate a buyer and complete the plan must have been initiated;
- c. 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;
- d. 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
- e. 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 previous carrying amount and fair value less costs to sell.

(j) 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.

(k) 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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(i) 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

(ii) 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. As at December 31, 2011, the Company has recorded $71,621 for provisions and constructive obligations.

(l) Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets, liabilities and expenses.

(i) 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 fair value less costs to sell.

The most significant assets assessed include the value of our investment interests in associates, and the carrying value of our exploration properties and deferred exploration expenditures. There were no assumptions underlying our estimate of recoverability of these assets that relate to matters defined as highly uncertain at the time these estimates were made. Recoverability of the carrying amount of the exploration properties, and of our interest in associates is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets. Changes in any of the assumptions used to determine impairment testing could materially affect the result our analyses.

At December 31, 2011, we reviewed the carrying value of our assets and determined that there were no indicators of impairment.

(ii) Decommissioning and restoration provisions

Decommissioning and restoration costs are a normal consequence of exploration. The Company's accounting policy requires the recognition of such provisions when the obligation occurs. The initial provisions are periodically reviewed during the life of the project to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of the projects. The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience on other sites. The expected timing of expenditure can also change. As a result there could be significant adjustments to the provision for decommissioning, which would affect future financial results.

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

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

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

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

(iv) Deferred tax assets and liabilities

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

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

(v) Functional currency

The determination of a subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method required.

Management believes that the estimates are reasonable.

(m) 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.

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.

(n) Earnings or loss per share

Earnings 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.

(o) 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. The instruments held by the Company classified in this category are share purchase warrants.

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

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

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

(iv) Held to maturity: Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Pilot Gold's management has the positive intention and ability to hold to maturity. They are measured at amortized cost less any allowance for impairment. Amortization of premiums or discounts and losses due to impairment are included in current period income (loss). Pilot Gold'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 twelve months. Otherwise, they are presented as non-current liabilities.

(p) 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.

(q) Share-based payments

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 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.

5. RECENT ACCOUNTING PRONOUNCEMENTS

(i) Accounting standards impacting 2012 calendar years

Financial instruments disclosure
In October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures*; the amendments are in respect of risk exposures arising from transferred financial assets, and are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. Pilot Gold does not anticipate this amendment to have a significant impact on its consolidated financial statements.

(ii) Accounting standards impacting 2013 calendar years

Presentation of items of other comprehensive income ("OCI")
Effective for years beginning on or after July 1, 2012, IAS 1 – *Presentation of Financial Statements* ("IAS 1") has been amended to change the disclosure of items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. The changes become effective for years beginning on or after January 1, 2013. Pilot Gold is currently evaluating the impact the amendments to IAS 1 could be expected to have on its consolidated financial statements.

Consolidated financial statements
IFRS 10 – *Consolidated Financial Statements* ("IFRS 10") replaces the guidance on control and consolidation in IAS 27 – Consolidated and Separate Financial Statements ("IAS 27"), and SIC-12 – Consolidation - Special Purpose Entities, with the objective of establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IAS 27 will be renamed "Separate Financial Statements". Effective for years beginning on or after January 1, 2013, IFRS 10: (a) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (b) defines the principle of control, and establishes control as the basis for consolidation; (c) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (d) sets out the accounting requirements for the preparation of consolidated financial statements. Pilot Gold is currently evaluating the impact the introduction of IFRS 10 will have on its consolidated financial statements.

Joint arrangements
Effective for years beginning on or after January 1, 2013, IFRS 11 – *Joint Arrangements* ("IFRS 11") replaces IAS 31 – *Interests in Joint Ventures* ("IAS 31"). IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interest in joint ventures, eliminating the existing policy choice of proportionate consolidate for jointly controlled entities under IAS 31. Entities that participate in joint operations and with jointly controlled assets will follow accounting similar to that in IAS 31. Pilot Gold is currently evaluating the impact the introduction of IFRS 11 will have on its consolidated financial statements.

Disclosure of interests in other entities
IFRS 12 – *Disclosure of Interests in Other Entities* ("IFRS 12") sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and effective for years beginning on or after January 1, 2013, replaces the disclosure requirements currently found in IAS 28 – *Investments in Associates* ("IAS 28"). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. Pilot Gold is currently evaluating the impact the introduction of IFRS 12 will have on its consolidated financial statements.

Fair value measurement and disclosure requirements
Providing a single source of guidance on how to measure fair value where its use is already required or permitted, IFRS 13 – *Fair Value Measurement* ("IFRS 13") (a) defines fair value; (b) sets out in a single IFRS a framework for measuring fair value; and (c) requires disclosures about fair value measurements. IFRS 13 is expected to enhance disclosure requirements for information about fair value measurements and becomes effective for years beginning on or after January 1, 2013. Pilot Gold is currently evaluating

the impact the application of IFRS 13 will have on its consolidated financial statements.

(iii) Accounting standards impacting 2015 calendar years

Financial instruments

As the first part of its project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*, the IASB released IFRS 9 – *Financial Instruments* ("IFRS 9") covering classification and measurement of financial assets. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. As the project to replace IAS 39 continues to evolve, further changes to IFRS 9, or changes to other standards related to financial instruments may be forthcoming. The changes as proposed become effective for years beginning on or after January 1, 2015. 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 any of the above standards.

6. ACCOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010	January 1, 2010
VAT Receivable	**$ –**	$ 241,649	$ 215,997
HST Receivable	**100,555**	–	–
Other Receivables	**208,740**	23,464	23,042
	309,295	265,113	239,039

During the year ended December 31, 2011 it was determined that the VAT Receivable of $290,110 recorded by our subsidiary in Turkey was no longer recoverable.

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Pilot Gold has an interest in the exploration projects listed in the following table of which the Brik, Buckskin North, Cold Springs, Regent and South Monitor properties were held at December 31, 2010 (the "Pilot properties"), with the remainder acquired in connection with closing of the Fronteer Arrangement (the "Exploration Business properties").

The Exploration Business properties were acquired by Fronteer on April 23, 2010, pursuant to Fronteer's acquisition of 100% of the outstanding limited liability company interests in Nevada Eagle Resources, LLC ("Nevada Eagle") from Gryphon Gold Corporation. The Pilot properties were acquired from Fronteer on December 30, 2010, pursuant to agreements with Nevada Eagle and Fronteer Development USA Inc. ("Fronteer USA").

In accordance with the application of the continuity of interest basis of accounting (Note 3), costs associated with these properties have been allocated such that historic expenditure of Fronteer on each of these properties through to the Effective Date have been recognized by Pilot Gold. Expenditures incurred subsequent to March 30, 2011 reflect actual cash flows and activities of Pilot Gold on a post-transaction basis.

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.

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES CONT'D

	Total January 1, 2010	Additions/ Allocations	Transferred to investment in associate (Note 10)	Total December 31, 2010	Transfer to held for sale (Note 7(c))	Additions/ Allocations	Transfer to Newmont (Notes 1 & 7(a))	Write down of assets held for sale (Note 7(c))	Recovery from third party earn-in (Note 7(d), (e)& 10)	Transfer of asset (Notes 7(c) & 10)	Total December 31, 2011
USA											
Regent	$ –	$ 702,234	$ –	$ 702,234	$ –	$3,009,831	$ –	$ –	$ –	$ –	$ 3,712,065
New Boston	–	327,510	–	327,510	–	900,929	–	–	–	–	1,228,439
Viper	113,927	205,327	–	319,254	–	669,168	–	–	–	–	988,422
Gold Springs 2 (Note 10)	–	250,000	–	250,000	–	8,981	–	–	(160,000)	(98,981)	–
Brik	–	177,700	–	177,700	–	538,286	–	–	–	–	715,986
Cold Springs	–	175,706	–	175,706	–	24,210	–	–	–	–	199,916
Baxter Springs	–	163,411	–	163,411	–	107,884	–	–	–	–	271,295
Anchor	–	154,657	–	154,657	–	29,341	–	–	–	–	183,998
Easter	–	150,000	–	150,000	–	5,711	–	–	(20,000)	–	135,711
Stateline	–	150,000	–	150,000	–	70,853	–	–	–	–	220,853
Buckskin North	–	63,029	–	63,029	–	23,937	–	–	–	–	86,966
Kinsley (Note 7(b))	–	–	–	–	–	1,133,509	–	–	–	–	1,133,509
Other	–	–	–	–	–	74,064	–	–	–	–	74,064
Total USA	113,927	2,519,574	–	2,633,501	–	6,596,704	–	–	(180,000)	(98,981)	8,951,224
TURKEY											
Ispir	163,452	7,457	–	170,909	(170,909)	–	–	–	–	–	–
Aktarma	55,064	7,266	–	62,330	(62,330)	–	–	–	–	–	–
TV Tower	34,981	63,568	(98,549)	–	–	–	–	–	–	–	–
Yunt Dag	3,147	8,393	–	11,540	–	2,920	–	–	(10,836)	–	3,624
Total Turkey	256,644	86,684	(98,549)	244,779	(233,239)	2,920	–	–	(10,836)	–	3,624
PERU	–	175,490	–	175,490	–	(371)	–	–	–	–	175,119
Total	370,571	2,781,748	(98,549)	3,053,770	(233,239)	6,599,253	–	–	(190,836)	(98,981)	9,129,967
ASSETS HELD FOR SALE:											
South Monitor	–	27,724	–	27,724	–	–	(27,724)	–	–	–	–
Ispir	–	–	–	–	170,909	23,445	–	(102,437)	–	(91,917)	–
Aktarma	–	–	–	–	62,330	24,705	–	(35,547)	–	(51,488)	–
Total held for sale	–	27,724	–	27,724	233,239	48,150	(27,724)	(137,984)	–	(143,405)	–

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES CONT'D

	USA	Turkey	Peru	**Total**	Assets held for sale
January 1, 2010	$ 113,927	$ 256,644	$ –	**$ 370,571**	$ –
2010 EXPENDITURES AND ADJUSTMENTS					
Acquisition costs	1,675,157	–	156,300	**1,831,457**	27,724
Assaying & geochemical	173,186	1,964	19,190	**194,340**	–
Drilling	–	–	–	–	–
Engineering	–	9,795	–	**9,795**	–
Option payments	–	–	–	–	–
Camp & field costs	12,806	286	–	**13,092**	–
Geophysics	83,445	17,682	–	**101,127**	–
Transportation	24,298	48,578	–	**72,876**	–
Wages, consulting and management fees	391,851	1,297	–	**393,148**	–
Claim maintenance and advance royalty fees	128,489	6,514	–	**135,003**	–
Environmental	13,172	–	–	**13,172**	–
Other	17,080	–	–	**17,080**	–
Costs transferred to investment in associate	–	(98,549)	–	**(98,549)**	–
Cumulative translation adjustment	90	568	–	**658**	–
December 31, 2010	2,633,501	244,779	175,490	**3,053,770**	27,724
EXPENDITURES AND ADJUSTMENTS					
Drilling	3,173,479	–	–	**3,173,479**	–
Wages, consulting and management fees	943,808	1,863	2,580	**948,251**	6,489
Assaying & geochemical	630,305	–	–	**630,305**	–
Acquisition costs	516,709	–	–	**516,709**	–
Property maintenance	403,954	–	–	**403,954**	27,626
Administrative and other	264,506	–	–	**264,506**	8,479
Geology	254,764	–	–	**254,764**	–
Geophysics	121,359	–	–	**121,359**	–
Environmental	83,242	–	–	**83,242**	–
Camp & field costs	76,173	–	–	**76,173**	–
Claim maintenance and advance royalty fees	117,351	1,115	–	**118,466**	5,576
Transportation	10,958	–	–	**10,958**	–
Write down of assets held for sale (Note 7 (c))	–	–	–	–	(137,984)
Sale of Aktarma and Ispir properties (Note 7 (c))	–	–	–	–	(143,405)
Transfer to Newmont (Note 1)	–	–	–	–	(27,724)
Cumulative translation adjustment	96	(58)	(2,951)	**(2,913)**	(20)
Transfer of asset to Gold Springs LLC (Note 10)	(98,981)	–	–	**(98,981)**	
Recovery from option holders (Notes 7(d), (e) & 10)	(180,000)	(10,836)	–	**(190,836)**	–
Held for sale (Note 7(c))	–	(233,239)	–	**(233,239)**	233,239
December 31, 2011	8,951,224	3,624	175,119	**9,129,967**	–

Disposition of exploration properties

(a) In connection with the closing of the Fronteer Arrangement, and as partial consideration for assets and liabilities transferred to Pilot Gold, the Company transferred the South Monitor exploration property to a subsidiary of Fronteer. The property was transferred at $120,000 resulting in a $92,276 'gain' recorded in contributed surplus. The carrying amount of the Company's interest in the South Monitor exploration property has been re-classified as an asset held for sale on the comparative December 31, 2010, consolidated statement of financial position.

Acquisition of option agreement

(b) On September 21, 2011 the "Option Purchase Date", the Company purchased an option agreement to earn an initial 51% interest on a mining lease (the "option agreement") on the Kinsley Mountain property from Animas Resources Ltd. ("Animas") for consideration of $350,000 cash and 50,000 common shares of the Company, valued at the date of transaction as $100,140. In addition, Animas shall receive the following as consideration provided the Company continues to earn-in to the mining lease:

(i) 25,000 Common Shares on the first anniversary of the Option Purchase Date;

(ii) 25,000 Common Shares on the second anniversary of the Option Purchase Date; and,

(iii) 50,000 Common Shares upon the Company earning and vesting a 51% interest in the mining lease, pursuant to the Option Agreement.

To earn a 51% interest in the mining lease, the Company must incur $1.18 million in exploration expenditures by March 30, 2013 (of which $0.18 million must be spent by May 31, 2012). An additional undivided 14% interest in the property can be earned by electing to incur a further $3.0 million in exploration expenditures within five years of meeting the initial earn-in. At December 31, 2011 the Company has incurred $683,369 in eligible expenditures.

Transfer of interest in mineral properties and deferred consideration

(c) Pursuant to a purchase agreement the Company signed on May 16, 2011, and amended May 26, 2011, with a subsidiary of Global Resources Corporation Ltd Pty ("GRCL"), a company traded publicly on the Australian Security Exchange, Pilot Gold's Turkish subsidiary substantively disposed of its interests in the Aktarma and Ispir exploration-stage properties, in exchange for 4,500,000 common shares in GRCL (Note 9(b)). Under the related royalty agreements, each signed June 3, 2011, Pilot Gold retains a 2% Net Smelter Return royalty upon attainment of production, on all products mined in accordance with the associated licenses at Aktarma and Ispir.

The fair market value of the shares received at June 6, 2011, the date the transaction to convey interest in the properties closed, was 171,000 Australian dollars ($144,117). The legal transfers of title of Aktarma and Ispir were completed on September 20, 2011 and October 31, 2011 respectively. In connection with the transaction, Pilot Gold recorded a write-down of $137,984 to adjust the carrying value of these properties to their recoverable value, net of costs to sell. The write-down through the year ended December 31, 2011 includes an adjustment of $22,253 for costs incurred on abandoned licenses not included in the agreement with GRCL.

Earn-in arrangements

(d) On June 27, 2011 the Company executed an earn-in arrangement with GRCL whereby GRCL received an option to acquire up to a 60% interest in the Yunt Dag exploration property. Under the Yunt Dag earn-in agreement, GRCL is required to meet exploration expenditure obligations over five years, and annually issue common shares to Pilot Gold. The agreement terminates should GRCL fail to incur the agreed upon annual expenditures by i) the end of the first year, or ii) the aggregate spend of the first three years by the third anniversary date of the agreement. The Company received the first 500,000 shares of GRCL upon signing of the earn-in agreement (Note 9(b)), with the corresponding amount ($10,836) recorded as a recovery against the deferred costs of the Yunt Dag property.

(e) Under an agreement signed by a subsidiary of Fronteer, and transferred to Pilot Gold pursuant to the Fronteer Arrangement, La Quinta Resources Corporation ("La Quinta") can earn a 65% interest in the Easter exploration property by incurring $2 million in exploration expenditures by January 4, 2015 and making annual payments to Pilot Gold totalling $190,000. Upon satisfying the conditions of this earn-in, and exercising the option to form a joint venture in 2015, La Quinta is required to issue 500,000 common shares to Pilot Gold. Pilot Gold retains a net smelter royalty of 2.5% - 4%, depending on the price of gold. Prior to the closing of the Fronteer Arrangement, the Company received a scheduled $20,000 option payment in connection with the earn-in agreement (year ended December 31, 2010: $-nil). The payment was recorded as a recovery against the deferred costs of the Easter property, and included in other income consistent with continuity of interest accounting.

8. PLANT AND EQUIPMENT

	Field equipment	Equipment	Computer software	Furniture and fixtures	Leasehold improvements	Total
COST						
Balance as at January 1, 2010	$ 139,614	$ 484,116	$ 371,209	$ 286,185	$ 264,189	**$ 1,545,313**
Additions	10,545	175,163	126,959	15,610	244,648	**572,925**
Cumulative translation adjustment	6,637	11,339	14,271	9,574	10,427	**52,248**
Balance as at December 31, 2010	156,796	670,618	512,439	311,369	519,264	**2,170,486**
Additions	20,936	110,632	46,922	4,337	17,170	**199,997**
Disposals	(80,084)	(102,718)	(340,174)	(35,190)	(4,963)	**(563,129)**
Cumulative translation adjustment	(120)	(3,369)	2,212	(3,359)	(3,743)	**(8,379)**
Balance as at December 31, 2011	97,528	675,163	221,399	277,157	527,728	**1,798,975**
DEPRECIATION						
Balance as at January 1, 2010	62,551	226,370	319,511	90,846	119,349	**818,627**
Current period depreciation	15,863	108,859	108,198	41,047	109,656	**383,623**
Cumulative translation adjustment	3,503	7,470	15,223	3,739	7,413	**37,348**
Balance as at December 31, 2010	81,917	342,699	442,932	135,632	236,418	**1,239,598**
Current period depreciation	15,444	100,372	76,248	33,434	98,950	**324,448**
Disposals	(50,046)	(71,829)	(329,112)	(19,651)	(1,126)	**(471,764)**
Cumulative translation adjustment	(244)	(2,192)	1,393	(2,099)	(4,189)	**(7,331)**
Balance as at December 31, 2011	47,071	369,050	191,461	147,316	330,053	**1,084,951**
NET BOOK VALUE						
As at January 1, 2010	77,063	257,746	51,698	195,339	144,840	**726,686**
As at December 31, 2010	74,879	327,919	69,507	175,737	282,846	**930,888**
As at December 31, 2011	50,457	306,113	29,938	129,841	197,675	**714,024**

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

During the year ended December 31, 2011, certain equipment was disposed of for proceeds of $5,839 (year ended December 31, 2010: $-nil). A loss of $6,757 (year ended December 31, 2010: $nil) was recorded on the dispositions.

Charges to write off certain items deemed to have reached the end of their useable life are included in operating expenses of $82,733 during the year ended December 31, 2011 (year ended December 31, 2010: $-nil).

During the year ended December 31, 2011 we eliminated $299,194 in cost and accumulated depreciation related to those assets identified as fully amortized.

9. LONG TERM INVESTMENTS

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 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 option-pricing 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.

The following table illustrates the classification of Pilot Gold's financial instruments with the fair value hierarchy as at December 31, 2011 and December 31, 2010 (at January 1, 2010 – nil):

	Financial assets at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Equities	380,000	–	–	380,000
Share purchase warrants	–	39,133	–	39,133
	380,000	39,133	–	**419,133**

	Financial assets at fair value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Equities	451,249	–	–	451,249
Share purchase warrants	–	5,621	–	5,621
	451,249	5,621	–	**456,870**

a. By way of a non-brokered private placement, Fronteer acquired 2,000,000 units of Rae Wallace at $0.25 per unit. Each unit consists of one common share (the "Rae Wallace shares") and one-half of one share purchase warrant (the "Rae Wallace warrants"). The Rae Wallace shares and warrants were transferred to Pilot Gold under the terms of the Fronteer Arrangement. Each whole warrant entitles Pilot Gold to acquire one additional common share of Rae Wallace for $0.375 per share until July 23, 2012.

b. Pursuant to a purchase agreement and an earn-in agreement the Company signed with GRCL, Pilot Gold received a total of 5,000,000 common shares in GRCL (notes 7(c) and 7(d)).

10. INVESTMENT IN ASSOCIATES

Pilot holds a 40% interest in three properties; Halilağa, TV Tower and Gold Springs 2 through a 40% beneficial ownership interest in three companies Truva Bakir, Orta Truva and Gold Springs LLC respectively. These three entities are each related parties to the Company.

At January 1, 2010	$ 875,821
Share of loss	(92,199)
Funding	2,228,235
Exchange differences	75,472
At December 31, 2010	**3,087,329**
Recognition	98,981
Share of income	4,762
Funding	4,693,358
Accrued cash calls	331,504
Exchange differences	(169,328)
At December 31, 2011	**8,046,606**

The Company's share of the results of its associates, all of which are unlisted, and its share in their aggregate assets and liabilities, are as follows:

Name	Country of Incorporation	Assets	Liabilities	Profit/Loss	Interest held
Truva Bakir Maden Isletmeleri	Turkey	$ 2,373,419	$ (29,903)	$ (87,332)	40%
Orta Truva Madencilik	Turkey	767,712	(23,899)	(4,867)	40%
December 31, 2010		**3,141,131**	**(53,802)**	**(92,199)**	
Truva Bakir Maden Isletmeleri	Turkey	4,729,376	(44,625)	6,846	40%
Orta Truva Madencilik	Turkey	2,680,903	(18,845)	8,136	40%
Gold Springs LLC	Canada	716,153	(16,356)	(10,220)	40%
December 31, 2011		**8,126,432**	**(79,826)**	**4,762**	

Turkey

Pilot Gold owns 40% of the Halilağa copper-gold porphyry property (the "Halilağa Project") through a 40% ownership stake in Truva Bakir, a Turkish company, controlled (60%) by Teck Madencilik Sanayi Ticaret A.S. ("TMST"), an indirect subsidiary of Teck Resources Limited ("Teck"). Pilot Gold also holds a 40% interest in Orta Truva, a Turkish company that holds mineral interests in northwest Turkey, including the TV Tower gold-silver-copper property (the "TV Tower Project"). Orta Truva is also controlled (60%) by TMST. Both Orta Truva and Truva Bakir are unlisted, and as such fair values of the Company's investments are not determinable through an active market.

Balances through 2011 include Pilot Gold's share of a 12% management fee and $7,501 recorded under continuity of interest accounting. The cash call due to TMST related to December 2011 (Note 11) was paid on February 2, 2011.

United States

On June 30, 2011, High Desert Gold Corporation ("HDG") advised the Company that they had met the minimum earn-in expenditure requirement of $1,000,000 on the Gold Springs 2 property during the preceding quarter. On July 5, 2011, the Company elected to participate at a 40%-interest in Gold Springs LLC, the conveyance of each company's respective interests into the newly established company that will hold Gold Springs 2, is outstanding.

Costs capitalised by the Company relating to the Gold Springs 2 property, net of option payments received of $160,000 to July 5, 2011, were $98,981. Option payments include a $20,000 payment received prior to the closing of the Fronteer Arrangement.

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 336,240	$ 8,152	$ –
Other payables	85,832	17,852	20,663
Accrued liabilities	245,926	48,803	14,352
Amounts due to Gold Springs LLC	104,754	–	–
Amounts due to Orta Truva	155,715	–	–
Amounts to Truva Bakir	71,035	–	–
	999,502	**74,807**	**35,015**

Trade payables and accrued liabilities are non-interest bearing and are normally settled on 30-day terms. Amounts due to Truva Bakir, Orta Truva and Gold Springs LLC relate to cash calls due in connection with the Company's pro rata share of costs incurred. Cash calls are non-interest bearing and are normally settled on 10-day terms.

12. 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 2011 of 26.5% (2010 – 28.5%)

	December 31, 2011	December 31, 2010
Loss before taxes	$ (11,790,945)	$ (1,508,405)
Statutory tax rate	26.50%	28.50%
Expected income tax recovery	(3,124,601)	(429,895)
Permanent differences	1,550,210	42,357
Benefit not recognized and other	1,624,376	323,100
Income tax expense	**49,985**	**(1,203)**

(b) Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial and tax purposes. The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Mineral properties	$ (52,536)	$ (2,550)	$ (3,753)
Total deferred tax liability	**(52,536)**	**(2,550)**	**(3,753)**

All changes in deferred tax liabilities are recognised in the statement of loss. All deferred tax liabilities are expected to be for longer than twelve months.

(c) The following are deferred tax benefits which have not been recognized as at December 31, 2011:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets (liabilities):			
Operating losses carried forward	$ 2,726,789	$ 1,321,804	$ 382,826
Equipment	56,024	227,241	157,549
Mineral properties	(1,531,653)	(728,107)	(29,819)
Investments and other	355,059	12,718	–
Net unrecognized tax benefit	**1,606,219**	**833,656**	**510,556**

(d) The Company has non capital losses which may be applied to reduce future taxable income. These losses expire as follows:

Year	Canada	US	Total
2031	$ 2,321,000	$ 5,399,000	$ 7,720,000

There are no income taxes owed by Pilot Gold at December 31, 2011.

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized

Unlimited Common Shares with no par value.

Issued

10,000,001 pre-consolidation common shares were issued to Fronteer on December 30, 2010 for $1,215,000 in connection with the transfer to Pilot USA of those various unpatented mining claims that comprise the Regent Project, and the Buckskin North, Brik, Cold Springs and South Monitor properties.

Pursuant to the Fronteer Arrangement, on April 4, 2011, Pilot Gold issued 192,807,807 pre-consolidation common shares in exchange for assets received from Fronteer (Note 1). The issued and outstanding 202,807,808 pre-consolidation common shares were immediately consolidated on a one-for-four basis to 50,701,952 Common Shares. The balance of share capital immediately following the close of the Fronteer Arrangement was $67,848,770.

Loss per share information in these consolidated financial statements has been presented as if the Common Shares issued in connection with the closing of the Fronteer Arrangement had been issued and outstanding from the start of all periods presented.

An adjustment of $45,528,914 was made at March 31, 2011, through accumulated deficit to reconcile i) the allocated Fronteer costs; and ii) the amounts arising on the difference between the consideration exchanged for the assets and businesses acquired and the carrying values at which they are recorded under continuity of interest, to the Common Shares issued in connection with the closing of the Fronteer Arrangement on April 6, 2011.

Pursuant to an agreement with a syndicate of underwriters (the "Underwriters"), on June 14, 2011, Pilot Gold issued 8,333,334 Common Shares on a bought-deal basis (the "Bought Deal") at $C3.00 per Common Share, for aggregate gross proceeds of C$25,000,002. In consideration of the services rendered by the Underwriters in connection with the Bought-Deal, the Company paid the Underwriters $1,290,522 (C$1,250,000), representing a fee equal to 5.0% of the gross proceeds (the "Underwriters' Fee"). In addition to the Underwriters' Fee, the Company paid share issuance costs of $345,446 in connection with the Bought Deal.

On September 21, 2011 the Company issued 50,000 Common Shares to Animas as part consideration in the purchase of the Kinsley Mountain Option Agreement. The Common Shares were valued at $100,140 (C$2 each) at the time of transaction and are subject to a four month hold clause.

Contributed Surplus

The value of i) Fronteer's funding of the carved-out exploration assets and liabilities and past carved-out operations ($10,131,534), and ii) the assets and liabilities transferred to Pilot Gold pursuant to the Fronteer Arrangement ($46,485,989) were recorded as contributed surplus at March 31, 2011. The value related to the Common Shares issued was transferred to share capital following the close of the Fronteer Arrangement.

Share-based Payments

Pilot Gold has established a stock option plan (the Pilot Gold Stock Option Plan (2011)) (the "Plan"), approved by Fronteer, the sole shareholder of the Company on April 4, 2011, prior to the close of the Fronteer Arrangement. Under the terms of the 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 in such numbers and for such terms as may be determined by the Board.

The number of 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 shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis.

Stock options granted under the Plan are exercisable over periods of up to ten years, and the exercise price of each option shall in 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. Options exercisable at December 31, 2011 totalled 1,750,000 (December 31, 2010 – nil). Any consideration paid by the optionee on the exercise of options is credited to share capital.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Shares #	Weighted Average Exercise Price C$
Balance, December 31, 2010	–	–
Options granted	4,027,500	3.35
Balance, December 31, 2011	**4,027,500**	**3.35**

At December 31, 2011, Pilot Gold had incentive stock 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 (in years)	Weighted average exercise price C$	Number of options exercisable	Weighted average exercise price of options exercisable C$
C$1.00 to C$1.99	150,000	9.89	1.20	–	–
C$2.00 to C$2.99	90,000	9.55	2.54	–	–
C$3.00 to C$3.99	3,787,500	9.29	3.45	1,750,000	3.45
	4,027,500	**9.32**	**3.35**	**1,750,000**	**3.45**

Stock-Based Compensation

For the year ended December 31, 2011, the Company recorded compensation cost on the grant of stock options to employees, directors and non-employees. For the purposes of estimating the fair value of options using the Black-Scholes option pricing model, 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.

The fair value of options granted during the year ended December 31, 2011 ranged from C$0.80 to C$2.43 per option. The fair value of each option granted was determined using the Black-Scholes option pricing model and used the following range of assumptions:

	December 31, 2011
Risk free interest rate	1.836% to 2.93%
Expected life	5.25 to 6.29 years
Expected volatility	79% to 84%
Expected dividend yield	0.0%

For the year ended December 31, 2011, the Company has capitalized a total of $287,553 (2010 - C$-nil) of stock-based compensation to exploration properties and deferred exploration expenditures. For the year ended December 31, 2011, the Company charged a total of $6,331,857 of stock-based compensation expense related to Pilot Gold stock options to the statement of loss, of which $431,187 is attributed to general exploration. Total stock based compensation expense for the year ended December 31, 2011 also includes $20,371 of allocated Fronteer expense recorded pursuant to continuity interest accounting. Stock based compensation is allocated consistent with the allocation of wages and other compensation related to exploration undertakings on the Company's mineral properties.

In the year ended December 31, 2010, C$164,267 of allocated Fronteer Gold stock-based compensation was allocated to the statement of loss, of which $-nil was attributed to general exploration, and C$27,731 was capitalized to exploration properties and deferred exploration expenditures on a continuity of interest basis.

14. PROPERTY INVESTIGATION EXPENSE

	December 31, 2011	December 31, 2010
Salaries and benefits	$ 472,136	$ –
Stock–based compensation	431,187	–
Professional fees	206,362	–
Geochemistry	131,937	–
Transportation	120,233	–
Consultants	101,965	–
Meals and accommodation	80,466	–
Leasing	56,345	–
Other	28,070	–
Due diligence	44,968	–
Permitting	33,752	–
	1,707,421	–

15. CAPITAL DISCLOSURES

Pilot Gold considers the items included in the consolidated statement of shareholder's 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.

16. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's board of directors 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 reclamation deposits with A+ 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 time to time have to issue additional 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 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 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. 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.

17. COMMITMENTS

The Company has entered into operating leases for premises in Canada, 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. The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the year ended December 31, 2011 is $348,582, including $1,904 allocated from Fronteer under continuity of interest accounting.

Total future minimum lease payments, under non-cancellable operating leases as at December 31, 2011 are as follows:

Year	Amount
2012	$ 433,407
2013	314,021
2014	275,067
2015	281,470
2016	284,015
2017+	639,034
	2,227,013

The Company is also responsible for its share of property taxes and operating costs on office premises leases.

18. SEGMENT INFORMATION

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At December 31, 2011, Pilot Gold has three geographic locations: Canada, the USA, and Turkey. The total assets attributable to the geographic locations relate primarily to the Company's exploration properties and deferred exploration expenditures and have been disclosed in Note 7.

The net loss relating to the operations in Canada, the United States and Turkey totalled $8,790,644, $1,433,272 and $1,617,014 respectively for the year ended December 31, 2011 ($799,310, $208,169 and $499,723 for the year ended December 31, 2010).

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

	December 31, 2011	December 31, 2010	January 1, 2010
Canada	$ 234,662	$ 421,098	$ 448,039
USA	466,492	484,322	245,086
Turkey	12,870	25,468	33,561
	714,024	**930,888**	**726,686**

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

19. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

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

	Year ended December 31, 2011
Salaries and other short-term employee benefits	891,135
Share-based payments	5,366,679
Total	6,257,814

With the exception of certain members of the Board, prior to April 6th, 2011, Pilot Gold did not have any personnel. There was thus no remuneration or other compensation paid or provided by Pilot Gold directly to any key management personnel for their services prior to April 6th, 2011. Members of the Board receive remuneration on a quarterly basis; no remuneration had been paid to those members of the Board for their services as directors through March 31, 2011. Subsequent to March 31, 2011, the Company entered into employment relationships with its key management employees.

20. SUBSEQUENT EVENTS

Nevada Sunrise Gold Corporation

On February 15, 2012, the Company agreed to participate in a private placement by Nevada Sunrise Gold Corporation ("NSGC"), the company that holds the underlying lease on the Kinsley Mountain Project. Through the offering, which closed on March 23, 2012, the Company agreed to purchase 6,250,000 units of NSGC at a price of $0.12 per unit. Each unit issued to Pilot Gold will consist of one common share of NSGC and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase an additional common share at an exercise price of $0.20 for a period of 24 months from the date of issuance. As a result the Company holds a 9.9% interest, on a partially diluted basis, in NSGC.

21. TRANSITION TO IFRS

Pilot Gold has prepared financial statements that comply with IFRS applicable for periods beginning on or after January 1, 2010 and the significant accounting policies meeting those requirements are described in Note 4.

The effects of the Company's transition to IFRS are summarised in this note as follows:

(i) Transition elections

(ii) Adjustments to the statement of cash flows

(iii) Reconciliation of equity and comprehensive income as previously reported[1] under Canadian GAAP to IFRS

(i) Transitional exemptions and elections

Under IFRS 1, there are four mandatory exemptions from full retrospective application of IFRS. Of these, the only applicable election relates to estimates. An entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at January 1, 2010 are consistent with its previous estimates under GAAP for the same date.

There are also fifteen elective exemptions. The Company has not applied any elective transition exceptions and exemptions to full retrospective application of IFRS.

(ii) Adjustments to the statement of Cash Flows.

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by Pilot Gold.

(iii) Reconciliations

The following tables reconcile the Company's and the Exploration Properties Business ("EPB") unaudited condensed consolidated statements of financial position and statements of loss and comprehensive loss prepared in accordance with Canadian GAAP and as previously reported[1] to those prepared and reported in these consolidated financial statements in accordance with IFRS.

1 Pilot Gold determined its presentation currency to be the United States dollar to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry. Transitional comparative financial information below has been translated accordingly.

21. TRANSITION TO IFRS CONT'D

Consolidated Statements of Financial Position

			January 1, 2010
	Cdn GAAP EPB[1]	Adj IAS 21	IFRS
ASSETS			
Current assets			
Cash and cash equivalents	$ 218,526	$ –	$ 218,526
Trade and other receivables	247,680	–	247,680
Total current assets	466,206	–	466,206
Non-current assets			
Exploration properties and deferred exploration expenditures	366,001	4,570	370,571
Property and equipment	740,678	(13,992)	726,686
Investment in associates	875,821	–	875,821
Total non-current assets	1,982,500	(9,422)	1,973,078
Total assets	2,448,706	(9,422)	2,439,284
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Trade and other payables	35,015	–	35,015
Total current liabilities	35,015	–	35,015
Non-current liabilities			
Deferred tax liabilities	2,556	1,197	3,753
Total non-current liabilities	2,556	1,197	3,753
Shareholder's equity			
Share capital	–	–	–
Contributed surplus	4,340,689	–	4,340,689
Cumulative translation account	119,379	67,001	186,380
Accumulated deficit	(2,048,933)	(77,620)	(2,126,553)
Total shareholder's equity attributable to owners of the company	2,411,135	(10,619)	2,400,516
Total shareholder's equity and liabilities	2,448,706	(9,422)	2,439,284

As at January 1, 2010, there are no balances presented related to Pilot Gold Inc. ("Cdn GAAP – Pilot"), as the assets and activities accounted for in accordance with the continuity of interests' basis of accounting were not acquired by Fronteer, our former parent until April 23, 2010

1 Pilot Gold determined its presentation currency to be the United States dollar to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry. Transitional comparative financial information below has been translated accordingly.

21. **TRANSITION TO IFRS CONT'D**

Consolidated Statements of Financial Position (cont'd)

				December 31, 2010
	Cdn GAAP EPB[1]	Cdn GAAP Pilot	Adj IAS 21	**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents	$ 86,966	$ –	–	**86,966**
Trade and other receivables	286,502	–	–	**286,502**
Assets held for sale	27,724	–	–	**27,724**
Total current assets	401,192	–	–	**401,192**
Non-current assets				
Exploration properties and deferred exploration expenditures	1,945,234	1,146,735	(38,199)	**3,053,770**
Property and equipment	962,500	–	(31,612)	**930,888**
Reclamation deposits	12,858	–	–	**12,858**
Other financial assets	419,133	–	–	**419,133**
Investment in associates	3,087,329	–	–	**3,087,329**
Total non-current assets	6,427,054	1,146,735	(69,811)	**7,503,978**
Total assets	6,828,246	1,146,735	(69,811)	**7,905,170**
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Trade and other payables	52,579	22,228	–	**74,807**
Total current liabilities	52,579	22,228	–	**74,807**
Non-current liabilities				
Deferred tax liabilities	2,656	–	(106)	**2,550**
Total non-current liabilities	2,656	–	(106)	**2,550**
SHAREHOLDER'S EQUITY				
Share capital	–	1,215,000	–	**1,215,000**
Contributed surplus	9,938,722	77,525	–	**10,016,247**
Cumulative translation account	259,822	(2,041)	(18,690)	**239,091**
Accumulated other comprehensive income	(8,770)	–		**(8,770)**
Accumulated deficit	(3,416,763)	(165,977)	(51,015)	**(3,633,755)**
Total shareholder's equity attributable to owners of the Company	6,773,011	1,124,507	(69,705)	**7,827,813**
Total shareholder's equity and liabilities	6,828,246	1,146,735	(69,811)	**7,905,170**

[1] Pilot Gold determined its presentation currency to be the United States dollar to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the gold mining industry. Transitional comparative financial information below has been translated accordingly.

21. TRANSITION TO IFRS CONT'D

Consolidated Statements of Loss and Comprehensive Income (Loss)

The significant impacts of IFRS on the Company's consolidated statements of financial position at December 31, 2010 include those described above and those described below in the reconciliation of the Company's condensed statements of loss and comprehensive loss:

				December 31, 2010
	Cdn GAAP EPB[1]	Cdn GAAP Pilot	Adj IAS 21	**IFRS**
CONTINUING OPERATIONS				
Operating expenses				
Professional fees	$ 91,899	$ 35,446	$ –	**$ 127,345**
Wages and benefits	305,002	48,443	–	**353,445**
Stock based compensation	159,467	51,229	–	**210,696**
Office and general	181,685	20,178	–	**201,863**
Investor relations, promotion and advertising	32,601	10,681	–	**43,282**
Depreciation	387,337	–	(3,714)	**383,623**
Loss from operations	1,157,991	165,977	(3,714)	**1,320,254**
Other income (expenses)				
Change in fair value of financial instruments	(72,097)	–	–	**(72,097)**
Foreign exchange gains and (losses)	(46,745)	–	22,890	**(23,855)**
Loss from associates	(92,199)	–	–	(92,199)
	(211,041)	–	22,890	**(188,151)**
Loss before tax	(1,369,032)	(165,977)	26,604	**(1,508,405)**
Income tax recovery	1,203	–	–	**1,203**
Loss for the year	**(1,367,829)**	**(165,977)**	**26,604**	(1,507,202)
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations	140,443	(2,041)	(85,691)	**52,711**
Net fair value loss on financial assets	(8,517)	–	(253)	**(8,770)**
Other comprehensive income (loss) for the period, net of tax	131,926	(2,041)	(85,944)	**43,941**
Total loss and comprehensive loss for the period	**(1,235,903)**	**(168,018)**	**(59,340)**	**(1,463,261)**

Explanatory notes:

(a) IAS 21 Adjustment

Under IFRS, functional currency is determined on an entity-by-entity basis as the primary economic environment in which each entity operates. The hierarchy of factors explicitly described by IAS 21 *The Effects of Changes in Foreign Exchange Rates i*n this determination has led to a change in the functional currency of the United States and Turkey-based subsidiaries to United States dollars due to a number of factors. The result is a number of foreign currency translation differences not present under Canadian GAAP. The functional currency of Pilot Gold Inc., Pilot Holdings Inc. and Pilot Investments Inc., remain unchanged as the Canadian dollar.

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Cover photo taken by renowned surf photographer Chris Burkard with fellow surfer/artist Eric Soderquist. The two took a road trip from Mexico to Oregon in a '78 Volkswagen bus, wanting to rediscover the legendary California coastline. This shot was taken in Northern California and is the cover shot for their book documenting the journey, dubbed *The California Surf Project*.

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