

# Pilotgold

An exploration stage company

Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars - unaudited)  
Six months ended June 30, 2012

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

	As at June 30, 2012	As at December 31, 2011
	\$	\$
<b>Assets</b>		
<i>Current assets</i>		
Cash	10,702,732	7,391,497
Short term investments	118,691	11,028,857
Receivables	416,107	309,295
Prepayments	361,611	165,863
Assets held for sale (Note 5c)	174,766	-
Total current assets	<u>11,773,907</u>	<u>18,895,512</u>
<i>Non-current assets</i>		
Earn-in option (Note 4)	4,445,078	-
Exploration properties and deferred exploration expenditures (Note 5)	11,827,323	9,129,967
Plant and equipment (Note 6)	681,554	714,024
Reclamation deposits	250,408	250,283
Other financial assets (Note 7)	1,202,097	456,870
Investment in associates (Note 8)	9,464,632	8,046,606
Total non-current assets	<u>27,871,092</u>	<u>18,597,750</u>
<b>Total assets</b>	<u>39,644,999</u>	<u>37,493,262</u>
 <b>Liabilities and Shareholders' Equity</b>		
<i>Current liabilities</i>		
Accounts payable and other liabilities (Note 9)	1,159,697	999,502
Decommissioning liability	30,000	50,484
Total current liabilities	<u>1,189,697</u>	<u>1,049,986</u>
<i>Non-current liabilities</i>		
Deferred tax liabilities	-	52,536
Other liabilities	26,131	21,137
Total non-current liabilities	<u>26,131</u>	<u>73,673</u>
<i>Shareholders' equity</i>		
Share capital (Note 10)	95,795,139	92,123,392
Warrants issued (Note 10)	546,713	-
Contributed surplus (Note 10)	7,940,339	6,599,039
Accumulated other comprehensive loss	(2,005,612)	(1,349,229)
Accumulated deficit	<u>(63,847,408)</u>	<u>(61,003,599)</u>
Total shareholders' equity	<u>38,429,171</u>	<u>36,369,603</u>
<b>Total liabilities and shareholders' equity</b>	<u>39,644,999</u>	<u>37,493,262</u>

The notes on pages 5 to 18 are an integral part of these condensed interim consolidated financial statements.

These financial statements are approved by the board and authorised for issue on August 13, 2012:

"Donald McInnes", Director

"Sean Tetzlaff", Director

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

	Three months ended June 30,		Six months ended June 30,	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>Operating expenses</b>				
Stock based compensation (Note 10)	511,932	4,841,707	1,030,773	4,862,078
Wages and benefits	441,371	464,512	900,729	609,719
Office and general	406,958	446,320	787,594	501,176
Property investigation (Notes 4, 5 and 11)	12,230	369,128	377,664	369,128
Investor relations, promotion and advertising	90,298	76,564	263,302	90,252
Professional fees (Note 4)	(8,281)	204,566	176,851	261,005
Depreciation	52,918	118,362	105,422	221,406
Listing and filing fees	1,257	277,216	54,490	277,216
(Recovery) write down of mineral property interest (Note 5c)	(177,918)	69,418	-	137,984
Loss (gain) on disposal of plant and equipment	-	20,112	(3,440)	20,112
<b>Loss from operations</b>	<b>1,330,765</b>	<b>6,887,905</b>	<b>3,693,385</b>	<b>7,350,076</b>
<b>Other income (expenses)</b>				
Change in fair value of financial instruments (Note 7)	(121,245)	(58,825)	676,283	(14,021)
Foreign exchange gains	121,559	40,161	111,024	41,627
Finance income	42,877	45,799	108,686	45,799
Net other expenses (Note 8)	(83,575)	(22,790)	(73,295)	(22,790)
Income (loss) from associates (Note 8)	(11,528)	(710)	(25,658)	309
	(51,912)	3,635	797,040	50,924
<b>Loss before tax</b>	<b>1,382,677</b>	<b>6,884,270</b>	<b>2,896,345</b>	<b>7,299,152</b>
Income tax (expense) recovery	-	(385,546)	52,536	(384,738)
<b>Loss for the period</b>	<b>1,382,677</b>	<b>7,269,816</b>	<b>2,843,809</b>	<b>7,683,890</b>
<b>Other comprehensive (loss) income</b>				
Exchange differences on translating foreign operations	(463,532)	273,206	5,141	293,288
Net fair value (loss) gain on financial assets (Note 7)	(516,022)	(213,583)	(661,524)	(33,583)
<b>Other comprehensive (loss) income for the period, net of tax</b>	<b>(979,554)</b>	<b>59,623</b>	<b>(656,383)</b>	<b>259,705</b>
<b>Total loss and comprehensive loss for the period</b>	<b>2,362,231</b>	<b>7,210,193</b>	<b>3,500,192</b>	<b>7,424,185</b>
<b>Loss per share</b>				
Basic and diluted	\$ 0.02	\$ 0.14	\$ 0.05	\$ 0.15
<b>Common shares</b>				
Basic and diluted (Note 10)	59,525,671	52,167,129	59,306,695	51,442,668

The notes on pages 5 to 18 are an integral part of these condensed interim consolidated financial statements.

**PILOT GOLD INC.**

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

	Number of Common Shares <sup>1</sup> #	Share capital \$	Warrants \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Accumulated deficit \$	Total shareholders' equity \$
Balance as at January 1, 2011	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	-	-	-	10,131,534	-	-	10,131,534
Net assets contributed by Fronteer and its subsidiaries	-	-	-	46,485,989	-	-	46,485,989
Adjustment for shares to be issued in connection with the Fronteer Arrangement	-	-	-	(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 gain on long-term investments	-	-	-	-	(85,301)	-	(85,301)
Exchange on unrealized loss on long-term investments	-	-	-	-	51,718	-	51,718
Shares issued as a result of financing	8,333,334	25,810,450	-	-	-	-	25,810,450
Share issue costs	-	(1,671,608)	-	-	-	-	(1,671,608)
Cumulative translation adjustment	-	-	-	-	293,288	-	293,288
Stock based compensation	-	-	-	5,073,812	-	-	5,073,812
Net loss for the period	-	-	-	-	-	(7,683,890)	(7,683,890)
Balance as at June 30, 2011	59,035,286	91,987,612	-	5,073,812	490,026	(56,846,559)	40,704,891
Balance as at January 1, 2012	59,085,286	92,123,392	-	6,599,039	(1,349,229)	(61,003,599)	36,369,603
Stock based compensation (Note 10)	-	-	-	1,341,300	-	-	1,341,300
Unrealized loss on long-term investments	-	-	-	-	(685,453)	-	(685,453)
Exchange on unrealized loss on long-term investments	-	-	-	-	23,929	-	23,929
Shares issued (Note 10)	3,375,000	3,676,788	-	-	-	-	3,676,788
Share issue costs	-	(5,041)	-	-	-	-	(5,041)
Warrants issued (Note 10)	-	-	546,713	-	-	-	546,713
Cumulative translation adjustment	-	-	-	-	5,141	-	5,141
Net loss for the period	-	-	-	-	-	(2,843,809)	(2,843,809)
Balance as at June 30, 2012	62,460,286	95,795,139	546,713	7,940,339	(2,005,612)	(63,847,408)	38,429,171

<sup>1</sup> On April 4th 2011, pursuant to the Fronteer Arrangement (Note 2), the number of the Company's Common Shares were consolidated on a one-for-four basis. Accordingly the number of Common Shares presented for the comparative period have been adjusted to reflect the impact of consolidation.

The notes on pages 5 to 18 are an integral part of these condensed interim consolidated financial statements.

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

	Six months ended June 30	
	2012	2011
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(2,843,809)	(7,683,890)
Adjusted for:		
Stock based compensation	1,157,131	4,862,078
Write-down of deferred exploration expenditures	-	137,984
Depreciation	105,422	221,406
Non-cash other income	-	(23,821)
Change in fair value of financial instruments	(676,283)	14,021
Interest income on short term investments	(58,753)	-
Loss (gain) from associates	25,658	(309)
Foreign exchange not related to cash	-	(41,627)
Deferred income taxes	(52,536)	384,738
Change in provision	4,994	-
Loss on disposal of property and equipment	-	20,112
Loss on dilution of associate	88,729	-
Movements in working capital:		
Accounts receivable and prepayments	(146,036)	(186,357)
Accounts payable and other liabilities	(197,622)	911,432
Net cash outflow due to operating activities	<u>(2,593,105)</u>	<u>(1,384,233)</u>
<b>Cash flows from financing activities</b>		
Funding received from Fronteer for operations	-	1,176,472
Cash received from financing	-	24,408,633
Share issue costs	(5,041)	(381,086)
Cash received pursuant to the Fronteer Arrangement	-	9,819,540
Cash (used in) generated by financing activities	<u>(5,041)</u>	<u>35,023,559</u>
<b>Cash flows from investing activities</b>		
Change in working capital attributable to deferred exploration expenditures	(556,015)	748,386
Maturity of short term investments	11,048,334	-
Acquisition of financial assets	(751,350)	(11,413,504)
Purchase of property and equipment	(63,865)	(131,265)
Proceeds from sale of equipment	3,440	1,773
Funding to Associates	(1,090,504)	(1,371,852)
Acquisition of mineral property	(98,790)	-
Legal fees on acquisition of option to earn-in	(144,086)	-
Interest in exploration properties and deferred exploration expenditures	(2,411,001)	(2,177,122)
Recoveries on mineral properties	25,000	-
Purchase of reclamation deposits	-	(250,000)
Net cash inflow (outflow) due to investing activities	<u>5,961,163</u>	<u>(14,593,584)</u>
Effect of foreign exchange rates	<u>(51,782)</u>	<u>197,787</u>
Net increase in cash and cash equivalents	3,311,235	19,243,529
Cash at beginning of period	7,391,497	86,966
Cash at end of the period	<u>10,702,732</u>	<u>19,330,495</u>

## **PILOT GOLD INC.**

**(An exploration stage company)**

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

Six months ended June 30, 2012

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

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#### **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.

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.

At June 30, 2012, the Company has \$10.8 million in cash and short-term investments. The Company has an ongoing requirement to fund exploration activities incurred on properties held by its associates (Note 8) and is committed to fund a \$5 million exploration program to maintain an option to earn-in to the TV Tower gold-silver-copper exploration property (“TV Tower”) over the next twelve months (Note 4).

#### **2. BASIS OF PRESENTATION**

These unaudited condensed interim consolidated financial statements for the six months ended June 30, 2012 have been prepared in accordance with IAS 34, ‘Interim financial reporting’, using accounting policies consistent with those used in the Company’s annual consolidated financial statements for the year ended December 31, 2011 (the “Annual Financial Statements”). The condensed consolidated interim financial information should be read in conjunction with the Annual Financial Statements for the year ended December 31, 2011, which have been prepared in accordance with *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”).

##### *Continuity of interest*

As described in detail in our Annual Financial Statements, Pilot Gold ceased to be a wholly owned subsidiary of Fronteer Gold Inc. (“Fronteer”) on April 6, 2011, through an arrangement agreement between Fronteer and the Newmont Mining Corporation (“Newmont”), pursuant to which Newmont acquired all the outstanding common shares of Fronteer by way of a plan of arrangement (the “Fronteer Arrangement”). The effective date (“Effective Date”) of the Fronteer Arrangement was determined to be March 30, 2011.

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 elected to be accounted for on a continuity of interest basis.

In accordance with the continuity of interest basis of accounting, these unaudited condensed interim consolidated financial statements reflect the assets, liabilities, operations and cash flows of the business that is Pilot Gold as if it had operated independently of Fronteer through to the Effective Date. Assets, liabilities, operations and cash flows recorded in the Annual Financial Statements 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.

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 unaudited condensed interim 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.

## **PILOT GOLD INC.**

**(An exploration stage company)**

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

Six months ended June 30, 2012

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

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#### **2. BASIS OF PRESENTATION (continued)**

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 comparative balances presented include amounts recorded by Fronteer as if Pilot Gold had been an independent operator through March 30, 2011, management cautions readers of these unaudited interim condensed consolidated financial statements, that the allocation of expenses in the statements of loss for the comparative period does not necessarily reflect the nature and level of the Company's recurring operating expenses.

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

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

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the Annual Financial Statements.

#### **4. OPTION TO EARN-IN TO TV TOWER (the "Earn-in Option")**

On June 20, 2012 ("TV Tower Effective Date"), Teck Resources Limited ("Teck"), Teck Madencilik Sanayi Ticaret A.Ş ("TMST"), Pilot Investments Inc. ("PII"), and Pilot Gold signed a joint venture and earn-in agreement ("TV Tower Agreement") that will, further to the Company meeting several conditions precedent, see shares equal to a 20% interest in Orta Truva Madencilik Şanayi ve Ticaret A.Ş ("Orta Truva") transferred from TMST to PII, such that PII will hold a 60% interest and TMST will hold a 40% interest in Orta Truva. Orta Truva holds the licenses that comprise TV Tower. During the period of earn-in, PII will be the project operator at TV Tower, but does not have control of Orta Truva.

The consideration paid in order to acquire the right to earn-in to the additional 20% interest consists of 3,275,000 common shares of Pilot Gold ("Common Shares") and 3,000,000 Common Share purchase warrants ("Pilot Warrants") to TMST. Each Pilot Warrant is exercisable for a period of three years from the date of issue and shall be exercisable for one Common Share at an exercise price of C\$3.00 per share. In addition, a further 1,637,500 Common Shares will be issued on each of the first and second anniversaries of the date the TV Tower Agreement was signed, should Pilot Gold elect to continue with the earn-in. The total value of the Common Shares and Pilot Warrants of \$4,113,316 has been determined to be an intangible asset and capitalised accordingly.

In order to earn-in to the additional 20% interest, the Company must incur \$21 million in exploration expenditures ("Expenditures") over three years, as follows:

- \$5 million in the twelve months from the TV Tower Effective Date;
- \$7 million in the second year from the TV Tower Effective Date; and
- \$9 million in the third year from the TV Tower Effective Date.

The aggregate Expenditure of \$5 million in the first year is a committed amount to TMST subject to penalty (Note 12). If Expenditures after one year are less than \$3.75 million, the Earn-in Option terminates but the remainder is payable in cash to TMST. If Expenditures of between \$3.75 million and \$5 million are made, and the Company intends to continue with the Earn-in Option, any shortfall to \$5 million is payable in cash to TMST and an amount equal to the shortfall is added to the work commitment for the second year. The Earn-in Option will increase as expenditures are incurred.

In accordance with the TV Tower Agreement, Expenditures incurred between January 2012 and the TV Tower Effective Date are eligible toward earn-in. The Company had previously recorded related costs as property investigation costs. A total of \$312,794 has been reclassified between the Earn-in Option and our investment in Orta Truva. \$101,734 in legal fees have been capitalised that are directly attributable to the acquisition of the Earn-in Option, these had been expensed in the preceding quarter.

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

Six months ended June 30, 2012

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

**5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

None of the Company's properties have any known body of commercial ore or any established economic deposit; all are currently in the exploration stage.

	<b>Total January 1, 2012</b>	Additions/ Allocations	Recovery from third party earn-in	<b>Total June 30, 2012</b>
	\$	\$	\$	\$
<b>USA</b>				
Kinsley Mountain (Note 5a)	1,133,509	2,238,633	-	3,372,142
Griffon (Note 5b)	2,772	213,326	-	216,098
Gold Bug (Note 5d)	-	108,849	-	108,849
Regent	3,712,065	82,734	-	3,794,799
New Boston	1,228,439	15,481	-	1,243,920
Easter	135,711	12,596	(25,000)	123,307
Brik	715,986	10,209	-	726,195
Viper	988,422	8,639	-	997,061
Baxter Springs	271,295	6,878	-	278,173
Stateline	220,853	5,058	-	225,911
Cold Springs	199,916	895	-	200,811
Anchor	183,998	-	-	183,998
Buckskin North	86,966	-	-	86,966
Other	71,292	57,516	-	128,808
<b>Total USA</b>	<b>8,951,224</b>	<b>2,760,814</b>	<b>(25,000)</b>	<b>11,687,038</b>
<b>Turkey</b>				
Arasanli	-	135,220	-	135,220
Yunt Dag (Note 5a)	3,624	1,126	-	4,750
<b>Total Turkey</b>	<b>3,624</b>	<b>136,346</b>	<b>-</b>	<b>139,970</b>
<b>Total</b>	<b>8,954,848</b>	<b>2,897,160</b>	<b>(25,000)</b>	<b>11,827,008</b>
Held for sale: Rae Wallace (Note 5c)	175,119	(353)	-	174,766



**PILOT GOLD INC.**  
**(An exploration stage company)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
Six months ended June 30, 2012  
(Expressed in United States Dollars, unless otherwise noted- unaudited)

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

	<b>Total January 1, 2011</b>	<b>Additions/ Allocations</b>	<b>Transfer to held for sale</b>	<b>Transferred to Newmont</b>	<b>Write down of asset held for sale</b>	<b>Recovery from third party earn-in</b>	<b>Total June 30, 2011</b>
	\$	\$	\$	\$	\$	\$	\$
<b>USA</b>							
Regent	702,234	1,353,331	-	-	-	-	2,055,565
New Boston	327,510	400,037	-	-	-	-	727,547
Easter	150,000	5,580	-	-	-	(20,000)	135,580
Brik	177,700	329,195	-	-	-	-	506,895
Viper	319,254	28,223	-	-	-	-	347,477
Baxter Springs	163,411	44,255	-	-	-	-	207,666
Stateline	150,000	12,240	-	-	-	-	162,240
Gold Springs 2	250,000	8,981	-	-	-	(20,000)	238,981
Cold Springs	175,706	12,469	-	-	-	-	188,175
Anchor	154,657	9,526	-	-	-	-	164,183
Buckskin North	63,029	15	-	-	-	-	63,044
<b>Total USA</b>	<b>2,633,501</b>	<b>2,203,852</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,000)</b>	<b>4,797,353</b>
<b>Turkey</b>							
Ispir	170,909	-	(170,909)	-	-	-	-
Aktarma	62,330	-	(62,330)	-	-	-	-
Yunt Dag	11,540	2,733	-	-	-	(10,835)	3,438
<b>Total Turkey</b>	<b>244,779</b>	<b>2,733</b>	<b>(233,239)</b>	<b>-</b>	<b>-</b>	<b>(10,835)</b>	<b>3,438</b>
<b>Peru</b>							
	175,490	10,548	-	-	-	-	186,038
<b>Total</b>	<b>3,053,770</b>	<b>2,217,133</b>	<b>(233,239)</b>	<b>-</b>	<b>-</b>	<b>(50,835)</b>	<b>4,986,829</b>
<b>Assets held for sale:</b>							
South Monitor	27,724	-	-	(27,724)	-	-	-
Aktarma	-	24,705	62,330	-	(35,548)	-	51,487
Ispir	-	23,445	170,909	-	(102,436)	-	91,918
<b>Total held for sale</b>	<b>27,724</b>	<b>48,150</b>	<b>233,239</b>	<b>(27,724)</b>	<b>(137,984)</b>	<b>-</b>	<b>143,405</b>

In accordance with the application of the continuity of interest basis of accounting (Note 2), costs associated with these properties have been allocated such that historic expenditure of Fronteer 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.

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

Six months ended June 30, 2012

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

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

	USA	Turkey	Peru	Total	Assets Held for sale
	\$	\$	\$	\$	\$
January 1, 2011	2,633,501	244,779	175,490	<b>3,053,770</b>	27,724
Drilling	1,233,794	-	-	<b>1,233,794</b>	-
Wages and salaries	385,007	1,675	2,699	<b>389,381</b>	6,489
Other	115,577	-	-	<b>115,577</b>	8,479
Assaying & geochemical	112,562	-	-	<b>112,562</b>	-
Geology	135,250	-	-	<b>135,250</b>	-
Property maintenance	78,843	-	-	<b>78,843</b>	27,626
Environmental	44,123	-	-	<b>44,123</b>	-
Acquisition costs	38,468	-	-	<b>38,468</b>	-
Camp & field costs	35,573	-	-	<b>35,573</b>	-
Lesases, royalty and option payments	13,601	1,115	-	<b>14,716</b>	5,576
Transportation	10,958	-	-	<b>10,958</b>	-
Cumulative translation adjustment	96	(57)	7,849	<b>7,888</b>	(20)
Recovery	(40,000)	(10,835)	-	<b>(50,835)</b>	-
Write down of assets held for sale	-	-	-	-	(137,984)
Transfer to Newmont (Note 1)	-	-	-	-	(27,724)
Held for sale (Ispir and Aktarma)	-	(233,239)	-	<b>(233,239)</b>	233,239
June 30, 2011	4,797,353	3,438	186,038	<b>4,986,829</b>	143,405
January 1, 2012	8,951,224	3,624	175,119	<b>9,129,967</b>	-
Acquisition costs	195,362	99,915	-	<b>295,277</b>	-
Drilling	1,183,553	-	-	<b>1,183,553</b>	-
Wages and salaries	407,468	8,474	-	<b>415,942</b>	-
Assaying & geochemical	275,211	20,080	-	<b>295,291</b>	-
Administrative and other	253,754	4,014	-	<b>257,768</b>	-
Geology and geophysics	174,608	2,827	-	<b>177,435</b>	-
Lesases, royalty and option payments	78,715	-	-	<b>78,715</b>	-
Environmental	67,974	-	-	<b>67,974</b>	-
Camp & field costs	39,351	1,036	-	<b>40,387</b>	-
Property maintenance	43,652	-	-	<b>43,652</b>	-
Other	41,166	-	-	<b>41,166</b>	-
Recovery	(25,000)	-	-	<b>(25,000)</b>	-
Write down of asset	-	-	-	-	(177,918)
Reversal of write down of asset	-	-	-	-	173,242
Cumulative translation adjustment	-	-	-	-	4,323
Held for sale (Rae Wallace option)	-	-	(175,119)	<b>(175,119)</b>	175,119
June 30, 2012	<b>11,687,038</b>	<b>139,970</b>	-	<b>11,827,008</b>	174,766

**PILOT GOLD INC.**

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

*a) Kinsley Mountain*

In exchange for consideration valued at \$450,140, the Company was assigned an option agreement (the “Kinsley Option”) from Animas Resources Ltd. (“Animas”) providing the ability to earn-in to an initial 51% interest, and the opportunity to elect to earn-into a further 14% interest in the underlying lease that comprises Kinsley Mountain. The Kinsley Option required the option holder to incur \$1,500,000 in aggregate exploration expenditures in order to exercise the initial option. At the time the Kinsley Option was assigned, Nevada Sunrise Gold Corporation (“NSGC”) agreed to recognize \$316,141 of expenditures incurred by Animas as eligible toward the initial earn-in.

On May 9, 2012, the Company received approval from NSGC that it had completed its exploration commitment under the Kinsley Option and concurrently notified NSGC of its intention to undertake the second option expenditure requirement to earn a total of a 65% interest in Kinsley Mountain. To earn the additional 14% interest, the Company must sole fund \$3,000,000 in exploration expenditures over a five-year period from the initial earn-in date.

The Company has also determined to contribute the mineral claims known as Kinsley North and other claims with the defined area of interest toward the initial earn-in. NSGC has similarly agreed to contribute claims that company staked within and around the defined project area of interest.

Upon incurring the initial earn-in expenditure, the Company and NSGC were deemed to have entered into a joint venture, with an undivided 51% beneficial interest in Kinsley Mountain transferred to Pilot Gold. Since the formal transfer of the property into Kinsley Gold LLC is pending, the Company is currently accounting for its interest in Kinsley Mountain as an interest in an asset. Once the formal transfer of the property into Kinsley Gold LLC is completed, the Company will account for NSGC’s 49% share as a non-controlling interest.

The joint venture will be required to make advance royalty payments to Nevada Sunrise, LLC (“NSL”), a private Nevada-based company, in accordance with an underlying lease agreement, beginning with a payment of \$75,000 per year, through 2016, increasing up to \$200,000 per year in 2020 and beyond. A maximum 4% net smelter return royalty is also payable through the lease to NSL, and may be reduced to 2% through a series of payments at the Company’s election.

In connection with achieving the initial earn-in, pursuant to the assignment agreement by which the Company acquired the Kinsley Option, the Company has issued 50,000 Common Shares to Animas. The Company will issue a further 25,000 Common Shares to Animas, on each of the first and second anniversaries of the assignment.

*b) Griffon*

Pilot Gold has the option to earn-in to an initial 60% of the Griffon property by paying Molycor Gold Corp. (“Molycor”) a total of \$119,636 cash and upon incurring \$100,000 of exploration expenditures prior to the earlier of February 7, 2014 or upon receipt of first phase drilling permits. To maintain this option in good standing, the Company must issue and aggregate of 120,000 Common Shares and incur \$750,000 in exploration and development expenses over a four year period. As at June 30, 2012 a total of \$39,636 cash had been paid to Molycor.

*c) Rae-Wallace*

During the three months ended March 31, 2012, management wrote off the deferred costs related to the acquisition of and subsequent expenditures on an option to acquire a 51% interest in up to two exploration properties (the “RW Option”) owned by Rae-Wallace Mining Company (“Rae-Wallace”). The RW Option was acquired by the Company pursuant to the Fronteer Arrangement, with the associated costs accounted for in accordance with continuity of interest accounting. Management determined to write off the associated costs following an assessment as to the likelihood that the Company would recover such costs, or elect to proceed with the RW Option prior to its expiration. During the three months ended June 30, 2012 as a result of the agreement with Rae-Wallace (Note 15) the impairment was reversed after it was determined that the original costs would now be recoverable.

*d) Gold Bug*

On June 5, 2012 the Company acquired the Gold Bug property (formerly known as Gold Springs 1) from a subsidiary of Crown Gold Corporation for consideration of C\$50,000 and 50,000 Common Shares, total value \$94,413.

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

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**5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)***e) Farm-out arrangements*

The Company has granted options to La Quinta Resources Corporation (“La Quinta”) and Global Resources Corporation Limited (“GRCL”) to earn-in to an interest in the Easter exploration property (“Easter”) and the Yunt Dag (“Yunt Dag”) exploration property, respectively. La Quinta can earn a 65% interest in Easter by incurring \$2 million in exploration expenditures by January 4, 2015 and making aggregate payments of \$190,000 to the Company. GRCL has the option to earn-in to 60% of Yunt Dag over a five year period. The minimum expenditure required of GRCL prior to December 31, 2012 is \$500,000 (Note 7b).

**6. PLANT AND EQUIPMENT**

	Field equipment	Equipment	Computer software	Furniture and fixtures	Leasehold improvements	Total
Cost:	\$	\$	\$	\$	\$	\$
Balance as at January 1, 2011	156,796	670,618	512,439	311,370	519,263	<b>2,170,486</b>
Additions	8,317	97,971	11,691	1,797	11,488	<b>131,264</b>
Disposals	(406)	(10,807)	-	(5,222)	(4,963)	<b>(21,398)</b>
Cumulative translation adjustment	5,226	5,699	15,160	7,743	8,217	<b>42,045</b>
Balance as at June 30, 2011	169,933	763,481	539,290	315,688	534,005	<b>2,322,397</b>
Balance at January 1, 2012	97,528	675,163	221,399	277,157	527,728	<b>1,798,975</b>
Additions	2,200	59,538	-	11,477	-	<b>73,215</b>
Cumulative translation adjustment	(129)	(770)	(235)	(417)	(441)	<b>(1,992)</b>
Balance as at June 30, 2012	99,599	733,931	221,164	288,217	527,287	<b>1,870,198</b>
Depreciation:						
Balance as at January 1, 2011	81,917	342,699	442,932	135,632	236,418	<b>1,239,598</b>
Current period depreciation	7,792	55,856	76,026	17,303	65,349	<b>222,326</b>
Disposals	(81)	(3,117)	-	(1,044)	(1,072)	<b>(5,314)</b>
Cumulative translation adjustment	3,045	4,424	13,913	3,494	7,288	<b>32,164</b>
Balance as at June 30, 2011	92,673	399,862	532,871	155,385	307,983	<b>1,488,774</b>
Balance at January 1, 2012	47,071	369,050	191,461	147,316	330,053	<b>1,084,951</b>
Current period depreciation	5,160	43,559	11,458	14,429	30,816	<b>105,422</b>
Cumulative translation adjustment	(112)	(549)	(284)	(342)	(442)	<b>(1,729)</b>
Balance as at June 30, 2012	52,119	412,060	202,635	161,403	360,427	<b>1,188,644</b>
Net Book Value:						
As at June 30, 2011	77,260	363,619	6,419	160,303	226,022	<b>833,623</b>
As at January 1, 2012	50,457	306,113	29,938	129,841	197,675	<b>714,024</b>
As at June 30, 2012	47,480	321,871	18,529	126,814	166,860	<b>681,554</b>

Equipment consists of automobiles, and automotive equipment, and computer hardware. Furniture and fixtures includes \$9,350 of assets under a finance lease arrangement.

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

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**7. OTHER FINANCIAL ASSETS**

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

For accounting purposes, Pilot Gold has determined that any share purchase warrants held are derivative financial instruments 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 June 30, 2012 and December 31, 2011:

	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
	<b>\$ 451,249</b>	<b>\$ 5,621</b>	-	<b>\$ 456,870</b>

  

	Financial assets at fair value as at June 30, 2012			
	Level 1	Level 2	Level 3	Total
Equities <sup>(a)(b)</sup>	\$ 1,026,102	-	-	\$ 1,026,102
Share purchase warrants <sup>(c)</sup>	-	175,995	-	175,995
	<b>\$ 1,026,102</b>	<b>\$ 175,995</b>	-	<b>\$ 1,202,097</b>

- a) On March 23, 2012, the Company participated in a private placement by NSGC, the company that holds the underlying lease on Kinsley Mountain. Through the offering, the Company agreed to purchase 6,250,000 units of NSGC at a price of C\$0.12 per unit. Each unit issued to Pilot Gold consists of one common share of NSGC and one half of one common share purchase warrant. Each whole warrant entitles 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.
- b) On June 6, 2012 GRCL underwent a 20:1 share consolidation decreasing the number of GRCL shares held by the Company to 250,000. On June 27, 2012 an agreement was signed between the Company and GRCL whereby GRCL's option to earn-in to 60% of the Yunt Dag property was extended to a minimum expenditure of \$500,000 by December 31, 2012, in consideration for an additional 100,000 shares.
- c) On March 29, 2012 Rae-Wallace agreed to extend the term of the 1,000,000 share purchase warrants held by Pilot Gold by 18 months from the date that Rae-Wallace obtains a listing on a recognised stock exchange (a "Transaction") as a precursor to the final agreement where Pilot Gold waives its right to the option on the Rae-Wallace properties (Note 15).

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

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

Pilot Gold owns 40% of the Halilağa copper-gold porphyry property (the “Halilağa Project”) through a 40% ownership stake in Truva Bakir Maden İşletmeleri A.Ş (“Truva Bakir”), a Turkish company, controlled (60%) by TMST, an indirect subsidiary of Teck. Pilot Gold also holds a 40% interest in Orta Truva, a Turkish company that holds TV Tower. Pilot Gold became the operator on TV Tower on June 20, 2012 and has an option to acquire an additional 20% interest of Orta Truva (Note 4). Orta Truva is also controlled (60%) by TMST.

*United States*

Pilot Gold holds a 30% beneficial interest in the Gold Springs 2 property and a proportionate interest in Gold Springs LLC (“Gold Springs”), an entity established to hold Gold Springs 2 after High Desert Gold Corporation (“HDG”) earned in to an initial 40% interest in 2011. HDG are the operators of the Gold Springs 2 property. During the three months ended June 30, 2012, the Company elected to cease to participate in the 2012 program at Gold Springs 2, resulting in a dilution of 10.2% of the Company’s interest in Gold Springs as per the terms of the related operating agreement. A dilution loss of \$88,729 has been recognised within other expenditures. If less than 90% of the planned 2012 budget for Gold Springs 2 is expended by year end, then the Company can reconsider its contribution to the budget and return to its previous 40% interest in Gold Springs by paying 40% of actual expenditures plus interest.

The conveyance of each company’s respective interests into Gold Springs, the company that will hold Gold Springs 2 property, is outstanding as at June 30, 2012.

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

	<b>Truva Bakir</b>	<b>Orta Truva</b>	<b>Gold Springs</b>	<b>Total</b>
At January 1, 2012	\$ 4,684,751	\$ 2,662,058	\$ 699,797	\$ 8,046,606
Share of loss	(6,017)	(2,624)	(17,017)	(25,658)
Funding	946,800	312,602	303,194	1,562,596
Exchange differences	(18,745)	(11,438)	-	(30,183)
Loss on dilution	-	-	(88,729)	(88,729)
<b>At June 30, 2012</b>	<b>\$ 5,606,789</b>	<b>\$ 2,960,598</b>	<b>\$ 897,245</b>	<b>\$ 9,464,632</b>

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

<b>Name</b>	<b>Jurisdiction</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Loss</b>	<b>Interest held</b>
Truva Bakir	Turkey	\$ 5,642,801	\$ (36,012)	\$ (6,017)	40%
Orta Truva	Turkey	2,965,929	(5,331)	(2,624)	40%
Gold Springs	United States	1,020,664	(123,419)	(17,017)	30%
<b>June 30, 2012</b>		<b>\$ 9,629,394</b>	<b>\$ (164,762)</b>	<b>\$ (25,658)</b>	

**PILOT GOLD INC.**

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**9. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

	<b>June 30, 2012</b>	December 31, 2011
Trade payables	\$ 244,204	\$ 336,240
Other payables	48,819	85,832
Accrued liabilities	289,501	245,926
Amounts due to Gold Springs LLC	407,948	104,754
Amounts due to Orta Truva	24,010	155,715
Amounts to Truva Bakir	144,899	71,035
	<b>\$ 1,159,381</b>	<b>\$ 999,502</b>

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.

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

*a) Authorized*

Unlimited common shares ("Common Shares") with no par value

*b) Issued*

As at June 30, 2012 the Company has 62,460,286 Common Shares issued and outstanding. During the three months ended June 30 2012 the Company issued a total of 3,375,00 Common shares; 50,000 in connection with Kinsley (Note 5a), 50,000 in part consideration for Gold Bug (Note 5d) and 3,275,000 as part of the TV Tower Agreement (Note 4).

*c) 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 Common Shares which may be issued pursuant to options previously granted and those granted under the Plan will be a maximum of 10% of the issued and outstanding shares at the time of the grant; the number of 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 five or ten years, and the exercise price of each option shall under no circumstances be lower than the closing market price of the Company's stock on the trading day immediately before the date of grant. Options granted to Directors vest immediately, the remaining options vest in thirds at the end of each year from the date of grant. Options exercisable at June 30, 2012 totalled 2,864,167 (December 31, 2011 – 1,750,000). Any consideration paid by the optionee on the exercise of options is credited to share capital.

**PILOT GOLD INC.**  
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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

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

	Shares	Weighted Average Exercise Price
Balance, December 31, 2011	4,027,500	C\$ 3.35
Options granted	1,658,500	1.30
Options forfeit	(245,000)	2.07
<b>Balance, June 30, 2012</b>	<b>5,441,000</b>	<b>C\$ 2.78</b>

At June 30, 2012, 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	1,458,500	6.71	1.08	425,000	1.08
C\$2.00 to C\$2.99	290,000	9.70	2.81	10,000	2.93
C\$3.00 to C\$3.99	3,692,500	9.01	3.45	2,429,167	3.45
	<b>5,441,000</b>	<b>8.43</b>	<b>2.78</b>	<b>2,864,167</b>	<b>3.10</b>

*Stock-based compensation:*

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 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:

Risk free interest rate	1.25% to 2.93%
Expected life	5.00 to 6.29 years
Expected volatility	79% to 84%
Forfeiture rate	2.77%
Expected dividend yield	0.0%

For the six months ended June 30, 2012, the Company has capitalized a total of \$184,169 (December 31, 2011 - \$287,553) of stock-based compensation to exploration properties and deferred exploration expenditures. For the six months ended June 30, 2012, the Company charged a total of \$1,157,131 of stock-based compensation expense to the statement of loss, of which \$126,358 is attributed to property investigation.

Total stock based compensation expense for the six months ended June 30, 2011 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.



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

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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)***d) Warrants:*

During the six months ended June 30, 2012 the Company issued 3,000,000 Pilot Warrants as part of the TV Tower Agreement (Note 4) entitling the holders to purchase one Common Share for each warrant held.

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2011	-	C\$ -
Warrants issued	3,000,000	3.00
Warrants exercised	-	-
Warrants expired	-	-
<b>Balance, June 30, 2012</b>	<b>3,000,000</b>	<b>C\$ 3.00</b>

As at June 30, 2012 the Company had the following warrants outstanding:

Expiry date	Warrants	Exercise Price
<b>June 20, 2015</b>	<b>3,000,000</b>	<b>C\$ 3.00</b>

The fair value of warrants issued during the period was C\$0.19 and was determined using the Black-Scholes option pricing model and used the following range of assumptions:

Risk free interest rate	1.13%
Expected life	3 years
Expected volatility	63%
Expected dividend yield	0.0%

**11. PROPERTY INVESTIGATION EXPENSE**

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Salaries and benefits	\$ 144,485	\$ 97,754
Stock-based compensation	126,358	90,029
Professional fees	34,802	13,774
Transportation	24,386	11,661
Contract labour	14,072	1,245
Consultants	8,822	27,175
Geochemistry	8,060	37,037
Meals and accommodation	6,801	22,449
Other	5,634	50,127
Leasing	4,244	17,877
	<b>\$ 377,664</b>	<b>\$ 369,128</b>

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

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**12. COMMITMENTS***Earn-in Option*

As described in Note 4 of these condensed interim consolidated financial statements, the Company has committed to incur \$5 million of Expenditures relating to the Earn-in Option before June 20, 2013. If this Expenditure commitment is not met, then the remainder is payable in cash as per the terms previously described.

Pursuant to the TV Tower Agreement, further to completion of all other conditions precedent (Note 4), the Company must make a one-time cash payment to TMST, equal to \$20 per ounce of gold, applicable on 20% on the gold ounces delineated at TV Tower in excess of 750,000 ounces defined as compliant Measured, Indicated or Inferred resources in a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* technical report, prepared generally concurrent with the completion of the TV Tower Expenditure requirement (the "Additional Consideration"). It is not possible at this time to estimate the amount of Additional Consideration payable.

*Leases*

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 six months ended June 30, 2012 is \$144,342.

Total future minimum lease payments, under non-cancellable operating leases as at June 30, 2012 are as follows:

Year	
2012	\$ 242,407
2013	430,090
2014	387,778
2015	266,403
2016	253,074
2017+	569,417
	<b>\$ 2,149,169</b>

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

**13. SEGMENT INFORMATION**

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At June 30, 2012 and 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 5.

The net loss relating to the operations in Canada, the United States and Turkey for the three months ended June 30, 2012 totalled \$881,000, \$392,488 and \$109,189 (comparative period, 2011: \$5,705,482, \$728,951, \$828,902) respectively, for the six months ended June 30, 2012, \$1,884,830, \$698,595 and \$260,384 (comparative period, 2011: \$5,964,727, \$850,583, \$868,580) respectively. Plant and equipment are distributed by geographic segment per the table below:

	June 30, 2012	December 31, 2011
Canada	\$ 218,504	\$ 234,662
USA	450,748	466,492
Turkey	12,302	12,870
	<b>\$ 681,554</b>	\$ 714,024

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

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**14. 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:

	Six months ended June 30,	
	2012	2011
Salaries and other short-term employee benefits	\$ 536,454	\$ 233,397
Share-based payments	903,155	4,483,469
<b>Total</b>	<b>\$ 1,439,609</b>	<b>\$ 4,716,866</b>

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. Subsequent to March 31, 2011, the Company entered into employment relationships with its key management employees. Members of the Board receive director's fees on a quarterly basis; no fees were paid to those members of the Board for their services as directors through March 31, 2011.

**15. SUBSEQUENT EVENT**

*Rae-Wallace*

On July 18, 2012 an agreement was signed between Pilot Gold and Rae-Wallace whereby the Company agreed to terminate the RW Option in exchange for 1,985,100 shares in Rae-Wallace and an extension to the terms of the 1,000,000 warrants currently held, of 24 months from the date on which Rae-Wallace completes a Transaction. As a result of this agreement, Pilot Gold holds 3,985,100 Rae-Wallace shares, representing 15.8% of Rae-Wallace's current issued and outstanding capital, or 19.0% calculated on a partially-diluted basis.

Additionally, subject to Rae-Wallace completing a Transaction, the Company will receive the following additional consideration from Rae-Wallace:

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