

**Pilot Gold Inc.**  
Annual Information Form  
for the fiscal year ended December 31, 2012

Dated March 27, 2013



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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws which include, but are not limited to, statements or information concerning the future financial or operating performance of Pilot Gold and its business, operations, properties and condition, the future prices of gold, silver, copper, molybdenum and other metals, the potential quantity and/or grade of minerals, the potential size of a mineralized zone or potential expansion of mineralization, proposed exploration and development of Pilot Gold’s exploration properties, the timing and amount of estimated future production, costs of production and mine life of the various mineral projects of Pilot Gold, the interpretation and actual results of historical production at certain of our exploration properties, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by our joint venture partners or other third parties, the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration, acquisition and development activities, estimated exploration budgets and timing of expenditures and community relations activities, requirements for additional capital, Pilot Gold’s ability to fully fund cash-calls made by its joint venture partners for ongoing expenditure on the Corporation’s property interests, completion of expenditure obligations under earn-in or option agreements to which the Corporation is a party, successful earn-in at TV Tower, including the ability to incur the minimum annual expenditure requirements, government regulation of mining operations, environmental risks and reclamation expenses, title disputes, the ability to maintain or convert the underlying licences for Halılađa and TV Tower in accordance with the requirements of applicable mining laws in Turkey; government regulation of exploration and mining operations; environmental risks, including satisfaction of requirements relating to the submissions and successful defence of Environmental Impact Assessment reports (“**EIA**”) and other claims or existing, pending or threatened litigation or other proceedings, limitations of insurance coverage, future issuances of common shares in the capital of the Corporation (“**Common Shares**”) to satisfy earn-in obligations or the acquisition of exploration properties and the timing and possible outcome of regulatory and permitting matters and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of Pilot Gold to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “will”, “projects”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Statements relating to mineral reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral reserves and resources described exist in the quantities predicted or estimated and may be profitably produced in the future. Estimated values of future net revenue do not represent fair market value. There is no certainty that it will be commercially viable to produce any portion of the resources.

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management

at the date the statements are made, including among other things, assumptions about future prices of gold, copper, silver, molybdenum and other metals, changes in the worldwide price of other commodities such as coal, fuel and electricity fluctuations in resource prices, currency exchange rates and interest rates, favourable operating conditions, political stability, obtaining governmental approvals and financing on time, obtaining renewals for existing licences and permits and obtaining required licences and permits, labour stability, stability in market conditions, availability of equipment, accuracy of any mineral resources and mineral reserves, successful resolution of the EIA challenge at Halilağa, anticipated costs and expenditures and our ability to achieve our goals. While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies, and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information. Many assumptions are based on factors and events that are not within the control of Pilot Gold and there is no assurance they will prove to be correct.

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others: general business, economic, competitive, political, regulatory and social uncertainties; disruptions or changes in the credit or securities markets and market fluctuations in prices for Pilot Gold's securities; judgement of management when exercising discretion in their use of proceeds from offerings of securities; potential dilution of Common Share voting power or earnings per share as a result of the exercise of Share Purchase Warrants, Teck Warrants or Options (all, as defined in this AIF), future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Corporation is an exploration and development stage company with no history of pre-tax profit and no income from its operations and there can be no assurance that the Corporation's operations will be profitable in the future; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental risks and hazards, cave-ins, pitwall failures, flooding, rock bursts and other acts of God, or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, insurrection or acts of war or terrorism; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization; Pilot Gold's ability to renew existing licences and permits or obtain required licences and permits; changes in government legislation and regulation; fluctuations in commodity prices; requirements for future funding to satisfy contractual obligations and additional capital needs generally; changes or disruptions in market conditions; market price volatility; the Corporation currently has a major shareholder with greater than 10% holdings; uncertainties associated with minority interests and joint venture operations; the majority of the Corporation's operations occur in foreign jurisdictions; risks associated with the Corporation's indemnified liabilities; increased infrastructure and/or operating costs; reclamation costs; the Corporation has limited operating history and no history of earnings; reliance on a finite number of properties; limits of insurance coverage and uninsurable risk; contests over title to properties; environmental risks and hazards; regulation of State Forest Land in Turkey; limitations on the use of community water sources; the need to obtain and maintain licences and permits and comply with laws and regulations or other regulatory requirements; competitive conditions in mineral exploration and mining businesses; the ability

of the Corporation to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Corporation's current business; influence of third party stakeholders; risks of litigation; the Corporation's designation as a "passive foreign investment company"; the Corporation's system of internal controls; conflicts of interest; credit and/or liquidity risks; fluctuations in the value of Canadian and United States dollars relative to each other; changes to the Corporation's dividend policy; the risks involved in the exploration, development and mining business in general; and the factors discussed in the section entitled "Risk Factors" in this AIF. Although the Corporation has attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward-looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

Forward-looking statements and forward-looking information contained herein are made as of the date of this AIF and the Corporation disclaims any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events, or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

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

Information in this AIF, including any information incorporated by reference, and disclosure documents of Pilot Gold that are filed with Canadian securities regulatory authorities concerning mineral properties have been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws.

Without limiting the foregoing, these documents use the terms "measured resources", "indicated resources" and "inferred resources". Shareholders in the United States are advised that, while such terms are defined in and required by Canadian securities laws, the United States Securities and Exchange Commission (the "SEC") does not recognize them. Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher resource category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility, pre-feasibility or other technical reports or studies, except in rare cases. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of contained ounces is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report resources as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in these documents may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

## PRELIMINARY NOTES

Throughout this Annual Information Form (“AIF”), Pilot Gold Inc. is referred to as “Pilot Gold” or the “Corporation”. All information contained in this AIF is given as of December 31, 2012, unless otherwise stated.

### Currency

All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars (“US\$”), the same currency that the Corporation uses in its consolidated financial statements. As at December 31, 2012 and March 27, 2013, the value of the Canadian dollar (“C\$”), based on the Bank of Canada’s noon rates of exchange for the conversion of C\$ was US\$1.0051 and US\$0.9833 respectively.

### Measurements and frequently used abbreviations and acronyms

In this AIF, metric units are used with respect to the Corporation’s various mineral properties and operations. Conversion rates from imperial measures to metric units and from metric units to imperial measures are provided in the table set out below:

Imperial Measure	Metric Unit	Metric Unit	=	Imperial Measure
2.471 acres	1 hectare (“ha”)	0.4047 hectares		1 acre (“ac”)
3.281 feet	1 metre (“m”)	0.3048 metres		1 foot (“ft.”)
0.621 miles	1 kilometres (“km”)	1.609 kilometres		1 mile (“mi.”)
2.20 pounds	1 kilogram (“kg”)	0.454 kilograms		1 pound (lb.”)
0.032 troy ounces	1 gram (“g”)	31.1 grams		1 troy ounce (“oz.”)

Measurements and amounts in this AIF have been rounded to the nearest two decimal places.

### Financial Statements and Management Discussion and Analysis

This AIF should be read in conjunction with the Audited Consolidated Financial Statements of Pilot Gold for the year ended December 31, 2012 (the “**Audited Financial Statements**”), and the accompanying management’s discussion and analysis (“**MD&A**”) for that year. Unless otherwise indicated, financial information contained in this AIF is presented in accordance with International Financial Reporting Standards (“**IFRS**”). The Audited Financial Statements and MD&A are available at [www.pilotgold.com](http://www.pilotgold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### Standard Resource and Reserve Reporting System

National Instrument 43-101, “*Standards of Disclosure for Mineral Projects*”, Companion Policy 43-101CP and form 43-101F1 (collectively, “**NI 43-101**”) are a set of rules developed by the Canadian Securities Administrators, which has established standards for all public disclosure an issuer makes of “scientific and technical information” concerning mineral projects (“**Technical Information**”). Unless otherwise indicated, all Technical Information, including resource estimates attributable to Pilot Gold’s property interests contained in this AIF, including any information contained in certain documents referenced in this AIF, have been prepared in accordance with NI 43-101, and those of the Canadian Institute of Mining, Metallurgy and Petroleum Standing Committee on Reserve Definitions (the “**CIM Standards**”).

The individuals named throughout this AIF are the qualified persons, as defined under NI 43-101 (individually, a “**Qualified Person**”), who supervised the preparation of the Technical Information contained in the applicable technical reports referenced in this AIF, which form the basis for the Technical Information reproduced in this AIF, as applicable.

## Material Property Interests

As at March 27, 2013, the Corporation holds an interest in three mineral properties that are considered to be material within the meaning of applicable Canadian securities laws (together, the “**Material Properties**”):

<u>Property name</u>	<u>Ownership vehicle</u>	<u>% interest</u>
Halilağa	Truva Bakır Maden İşletmeleri A.Ş. (“ <b>Truva Bakır</b> ”)	40%
TV Tower	Orta Truva Madencilik Şanayi ve Ticaret A.Ş. (“ <b>Orta Truva</b> ”)	40% <sup>1</sup>
Kinsley	Pilot Gold (USA) Inc. (“ <b>Pilot USA</b> ”)	65% <sup>2</sup>

See discussion in this AIF, under headings, “*Intercorporate Relationships*” and “*Mineral Properties*” for ownership interest and summaries of and Technical Information for each of the Corporation’s material property interests.

## Technical Disclosure

Unless otherwise indicated, Pilot Gold has prepared the Technical Information in this AIF 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](http://www.sedar.com). The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Each of the Corporation’s Disclosure Documents was prepared by or under the supervision of a Qualified Person. 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 Halilağa, a development-track copper-gold porphyry deposit located in northwest Turkey (“**Halilağa**”), any inference of potential quantity and grade at Pilot Gold’s exploration property interests, and those in which the Corporation has a joint venture, disclosed in this AIF are conceptual in nature. With the exception of Halilağa, there has been insufficient exploration to date, on any of the Corporation’s Material 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 resource estimates contained herein relating to Halilağa 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.

Moira Smith, Ph.D., P.Geol., Chief Geologist, Pilot Gold, and a Qualified Person, is responsible for preparing and supervising the preparation of the Technical Information contained in this AIF and has verified the technical data disclosed in this document relating to those projects in which the Corporation holds a 100% interest. Dr. Smith has consented to the inclusion of the Technical Information in the form and context in which it appears in this AIF.

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<sup>1</sup> As described elsewhere in this AIF, particularly under “Mineral Properties – TV Tower, Turkey”, the Corporation signed a share-purchase and joint venture agreement with Teck on June 20, 2012, pursuant to which, the Corporation can, by making certain exploration expenditures, and by making payments and equity issuances to Teck, acquire a further 20% of Orta Truva, and thus, TV Tower.

<sup>2</sup> The Corporation’s interest in Kinsley increased from 51% to 65% pursuant to having notified NSGC on February 8, 2013 that the \$3 million earn-in expenditure requirement had been satisfied.

## CORPORATE STRUCTURE OF THE CORPORATION

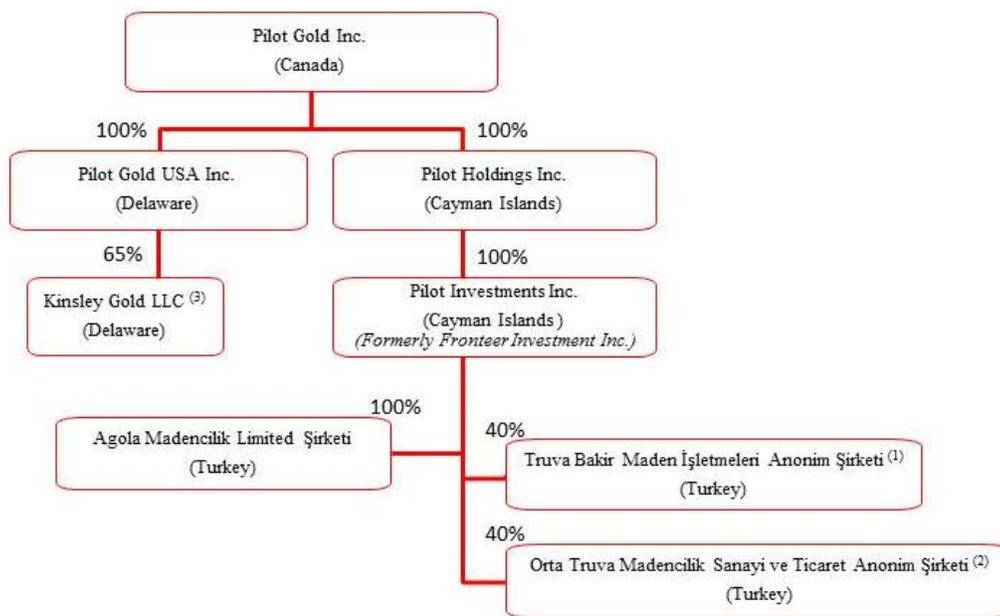
### Name, Incorporation and Registered Office

Pilot Gold was incorporated as “7703627 Canada Inc.” under the Canada Business Corporations Act (“**CBCA**”) on November 18, 2010. Articles of amendment were subsequently filed on November 29, 2010 to change the name of the Corporation to “Pilot Gold Inc.”

The registered office and principal place of business of the Corporation is located at Suite 1650, 1055 West Hastings Street, Vancouver, British Columbia V6E 2E9. The Corporation also has offices in Elko, Nevada, USA and Ankara, Turkey for its projects located in these respective jurisdictions, and subsidiaries in the Cayman Islands. The Corporation’s legal structure has been established to streamline the flow of funds from Canada to Turkey and the United States for exploration purposes.

### Intercorporate Relationships

A significant portion of the Corporation’s business is carried on through its various subsidiaries and joint ventures. The following chart illustrates, as at the date of this AIF, the Corporation’s significant subsidiaries, affiliates and joint ventures, including their respective places of incorporation (establishment in the case of partnerships) and the percentage of voting securities (or partnership interests) in each that are held by the Corporation either directly or indirectly:



- (1) Truva Bakir, a Turkish Joint Stock company holds title to the licenses that comprise Halılağa. The Corporation holds a 40% interest in Truva Bakir. Teck Madencilik Şanayi Ticaret A.Ş. (“**TMST**”), an indirect subsidiary of Teck Resources Limited (“**Teck**”) owns 60% of Truva Bakir, and is project Operator of Halılağa.
- (2) Orta Truva, a Turkish Joint Stock company holds title to the licenses that comprise TV Tower. The Corporation currently holds a 40% interest in Orta Truva; TMST holds the remaining 60%. Agola Madencilik Limited Şirketi (“**Agola**”), a subsidiary of Pilot Gold, is project Operator at TV Tower. The Company has the option to increase its interest in Orta Truva to 60% (and thus, indirectly to TV Tower) as described elsewhere in this AIF particularly under “*Mineral Properties – TV Tower, Turkey*”.
- (3) Kinsley Gold LLC holds a beneficial interest in i) a lease on the Kinsley Mountain property and ii) certain other claims held directly by Pilot USA and Intor Resources Corporation (“**Intor**”), the U.S. subsidiary of NSGC. Pilot Gold is the Operator and holds a 65% interest in Kinsley Gold LLC. NSGC holds the remaining 35% interest.
- (4) The Corporation’s interest in Gold Springs LLC (“**GSLLC**”) was diluted to 17.5% further to having declined to participate in funding an exploration program on the Gold Springs 2 property (“**Gold Springs**”) proposed by High Desert Gold Corporation (“**High Desert**”) the project operator. Pursuant to accounting treatment prescribed by IFRS, GSLLC was derecognized as an ‘Associate’ and the value of Corporation’s interest has been accounted for as a financial asset. Accordingly GSLLC is no longer included in the organizational chart above.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

Pilot Gold was incorporated by Fronteer Gold Inc. (“**Fronteer**”) on November 18, 2010. At that time, Fronteer was a publicly-listed entity engaged in the acquisition and exploration of mineral properties or interests predominantly located in Nevada, USA and Turkey.

Pursuant to an agreement dated December 30, 2010 (the “**First Nevada Eagle Agreement**”), Nevada Eagle Resources LLC (“**Nevada Eagle**”), an indirect wholly-owned subsidiary of Fronteer, sold to Pilot Gold (USA) Inc. (“**Pilot USA**”), a wholly-owned subsidiary of Pilot Gold, various unpatented mining claims known as the Regent, Buckskin North, Brik and Cold Springs projects, situated in the Mineral, Douglas, Lincoln and Churchill Counties of Nevada, United States for a purchase price of \$1,095,000. Pursuant to an agreement dated December 30, 2010 (the “**First Fronteer USA Agreement**”), Pilot USA purchased from Fronteer Development (USA) Inc. (“**Fronteer USA**”) some additional mining claims located in Nye County, Nevada known as the South Monitor project for a purchase price of \$120,000. The purchase price for these mining claims was funded by an issuance by the Corporation of 10,000,000 pre-consolidation common shares (as defined herein) to Fronteer for an aggregate of \$1,215,000 and the subsequent issuance by Pilot USA of its common shares to Pilot Gold for the same amount.

On February 3, 2011, Fronteer, the Corporation and Newmont Mining Corporation 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 (the “**FA Effective Date**”). Pursuant to the Fronteer Arrangement, Fronteer shareholders received C\$14.00 in cash and one pre-consolidation common shares for each common share of Fronteer. The pre-consolidation common shares were subsequently consolidated on a one-for-four basis, such that each former Fronteer shareholder held one Common Share for every four common shares of Fronteer previously held. On the FA Effective Date, Pilot Gold ceased to be a wholly-owned subsidiary of Fronteer, and Fronteer became an indirect, wholly-owned subsidiary of Newmont.

In connection with the Fronteer Arrangement, on April 4, 2011, the following transfers of properties and assets (the “**Fronteer Properties**”) occurred:

- Nevada Eagle and Pilot USA entered into an agreement (the “**Second Nevada Eagle Agreement**”) pursuant to which, Nevada Eagle sold to Pilot USA several unpatented mining claims known as the Anchor, Baxter Springs, New Boston, Stateline, Easter and Gold Springs properties, located in the Eureka, Nye and Lincoln Counties of Nevada and Iron County, Utah (collectively, the “**Additional Nevada Eagle Assets**”). The purchase price paid for the Additional Nevada Eagle Assets was Fronteer’s cost for such assets (which Fronteer and Pilot Gold agreed to be equal to their fair market value) and consisted of (i) a cash payment by Pilot USA of approximately \$1.1 million, and (ii) the transfer by way of assignment to Nevada Eagle of all mining claims held by Pilot USA in respect of the South Monitor project.

In connection with the sale of the Additional Nevada Eagle Assets to Pilot USA, Nevada Eagle assigned all the relevant contracts related to such assets and Pilot USA assumed the obligations under such contracts. Nevada Eagle also transferred to Pilot USA certain exploration and administrative assets relating to the Additional Nevada Eagle Assets and Pilot USA entered into an assignment and assumption agreement pursuant to which it assigned its interest in the South Monitor Project to Nevada Eagle.

- Fronteer USA, a wholly-owned subsidiary of Fronteer, and Pilot USA entered into an agreement (the “**Second Fronteer USA Agreement**”) pursuant to which Fronteer USA sold to Pilot USA various unpatented mining claims and private mineral rights comprising the Viper property, situated in Elko County, Nevada, together with certain exploration and administrative assets relating to the

Viper property (including an office lease in Elko County, Nevada, office equipment and furniture, fixed assets associated with the Viper project and all relevant technical information, reports, data and studies associated with the Viper project) (collectively, the “**Viper Assets**”). The purchase price paid for the Viper Assets was Fronteer’s cost for such assets (which Fronteer and Pilot Gold agreed to be equal to their fair market value) and consisted of a cash payment by Pilot USA to Fronteer USA of \$795,633. In connection with the sale of the Viper Assets to Pilot USA, Fronteer USA also assigned to Pilot USA all contracts related to such assets and Pilot USA assumed the obligations thereunder.

- Fronteer Holdings Inc. (“**FHI**”), a wholly-owned subsidiary of Fronteer and Pilot Holdings Inc. (“**PHI**”) entered into a share purchase agreement (the “**FII Share Purchase Agreement**”), pursuant to which FHI sold to PHI, all of the issued and outstanding shares of Pilot Investments Inc. (“**PII**”) (formerly, Fronteer Investment Inc.). The purchase price for the PII shares (which Fronteer and Pilot Gold determined was the fair market value of such shares) consisted of a cash payment by PHI to FHI of \$52,250,000. As a result of such purchase, PHI indirectly acquired all of the issued and outstanding shares of PII, a Cayman Islands company that at the time held:
  - (a) a 40% participating interest in two Turkish joint venture companies (each respectively 60% owned by TMST) which, in turn, hold Halilağa, the TV Tower gold-silver project (“**TV Tower**” and, together with Halilağa, the “**Turkish Properties**”); a 40% beneficial interest in the Dededağı exploration property in Turkey and several other early-stage exploration licenses for properties in northwest Turkey (each of which at the time subject to a memorandum of understanding relating to exploration in the Biga Peninsula amongst Teck and Fronteer and their respective affiliates (collectively, the “**Biga Agreements**”); and
  - (b) through Agola, an indirect, wholly-owned Turkish subsidiary, three other early-stage exploration properties in Turkey, “Yuntdağ”, “Ispir” and “Aktarma”, respectively.
- Fronteer and Pilot Gold entered into an additional agreement pursuant to which Fronteer transferred to Pilot Gold the following:
  - (i) 2,000,000 common shares and 1,000,000 share purchase warrants of Rae-Wallace Mining Company (“**Rae-Wallace**”) and an option agreement with Rae-Wallace pursuant to which Pilot Gold acquired a right to earn a 51% interest (the “**RW Option**”) in up to two properties that Rae-Wallace currently owns or may acquire within a 25,300 km<sup>2</sup> area of interest (“**AOI**”);
  - (ii) cash in the amount of C\$9,584,714, representing, after deducting certain payments made by Fronteer in respect of Halilağa, and TV Tower, the agreed amount to be funded to Pilot Gold under the Arrangement Agreement;
  - (iii) additional cash required by Pilot Gold to fund the purchase of the Additional Nevada Eagle Assets, the Viper Assets and the PII shares as described above; and
  - (iv) additional assets of Fronteer, including an office lease in Vancouver, BC, office equipment and furniture, and the fixed assets and technical information, reports, data and studies related to those exploration properties transferred to Pilot Gold in accordance with the Arrangement Agreement. In addition, Fronteer assigned to Pilot Gold the contracts entered into with respect to those assets acquired from Fronteer.

In consideration for the foregoing, Pilot Gold issued Common Shares to Fronteer that resulted in Newmont holding an indirect 19.9% interest in Pilot Gold, and assumed certain liabilities relating to the assets acquired.

On April 11, 2011 the Corporation’s Common Shares began trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol, “PLG”, marking the beginning of Pilot Gold’s existence as a publicly traded company. Pilot Gold is a reporting issuer in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

Pursuant to a purchase agreement the Corporation signed on May 16, 2011, and amended May 26, 2011, with a subsidiary of Global Resources Corporation Ltd (“**GRCL**”), a company traded publicly on the Australian Securities Exchange (the “**ASX**”), 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, and a 2% net smelter return royalty (“**NSR**”) on each project.

On June 14, 2011, the Corporation completed a “bought deal” short form prospectus offering (the “**2011 Bought-Deal**”), pursuant to which the Corporation issued 8,333,334 Common Shares at a price of C\$3.00 per share, to raise aggregate gross proceeds of C\$25,000,002. As a result of Newmont’s decision not to exercise the Newmont Participation Right (as defined in this AIF), Newmont’s interest in Pilot Gold was consequentially reduced to 17.09% of the outstanding Common Shares. For further details, please refer to the material change report of the Corporation dated May 31, 2011, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

On June 27, 2011 the Corporation executed an earn-in arrangement with GRCL whereby, in exchange for 500,000 common shares of GRCL, the Corporation granted GRCL an option to acquire up to a 60% interest in the Yuntdağ exploration-stage property in Turkey. Under the related Yuntdağ earn-in agreement, GRCL is required to meet exploration expenditure obligations over five years, and annually issue common shares to Pilot Gold. In exchange for an additional 100,000 shares of GRCL, the Yuntdağ earn-in agreement was subsequently amended on June 27, 2012 providing GRCL an extension to December 31, 2012 to meet its requirement to incur the minimum expenditure toward the earn-in to Yuntdağ. On December 27, 2012, further to discussions with GRCL and a strategic decision by the Corporation, the claims representing Yuntdağ were dropped; the Yuntdağ earn-in was concurrently terminated.

On July 12, 2011, High Desert announced that it had completed its earn-in option on Gold Springs located on the Nevada-Utah border, providing High Desert a 60% interest in Gold Springs. The Corporation’s interest in Gold Springs was subsequently diluted to 29.8% in 2012 and again to 17.5% in early 2013 further to a strategic decision by Pilot Gold to cease participation in the budgets proposed by High Desert for those respective years.

The Corporation announced on September 21, 2011 that it had, pursuant to an Assignment Agreement (the “**Assignment Agreement**”), purchased an option agreement (the “**Kinsley Option Agreement**”) from Animas Resources Ltd. (“**Animas**”), providing the Corporation the right to earn-into an initial 51% interest in the Kinsley Mountain gold property (“**Kinsley**”) in exchange for \$350,000 cash, the issuance of 50,000 Common Shares, and a commitment to issue an additional 100,000 Common Shares over time.

Pursuant to the terms of the Kinsley Option Agreement, Pilot Gold has the exclusive right to earn from Nevada Sunrise:

- (i) a 51% undivided interest in Kinsley by incurring \$1.18 million in exploration expenditures by March 30, 2013 (of which \$0.18 million must be spent by May 31, 2012); and
- (ii) an additional undivided 14% interest in Kinsley by electing to incur a further \$3.0 million in exploration expenditures within five years of meeting the initial earn-in.

The Corporation achieved the initial earn-in milestone on March 31, 2012, earning a 51% interest in Kinsley and elected at that time to continue earning in toward a further 14% interest. The Corporation notified NSGC of having met the second earn-in milestone on February 8, 2013 providing Pilot Gold with a 65% interest in Kinsley.

Effective February 9, 2012, the Corporation entered into an earn-in arrangement with Nevada Clean Magnesium Inc. (formerly “Molycor Gold Corp.”), whereby, in exchange for a cash payment of \$119,636, and the issuance over time of 120,000 Common Shares, the Corporation could earn an initial 60% in the Griffon gold property (“**Griffon**”) a Carlin-type sediment-hosted gold property at the southern end of the Battle Mountain-Eureka Trend in Nevada.

On March 23, 2012, the Corporation purchased, 6,250,000 units (the “**NEV Units**”) of NSGC at a price of C\$0.12 per NEV Unit (the “**NEV Private Placement**”). Each NEV Unit comprises one common share of NSGC (a “**NEV Share**”) and one half of one common share purchase warrant (a “**NEV Warrant**”). Each whole NEV Warrant entitles the holder to purchase an additional NEV Share (a “**NEV Warrant Share**”) at an exercise price of C\$0.20 per NEV Warrant Share for a period of 24 months from the date of issuance. If the NEV Shares trade at a daily volume weighted average price of greater than C\$0.32 per share for a period of 20 consecutive trading days at any time after four months and one day after the closing, NSGC has the right to accelerate the expiry date of the NEV Warrants by giving notice to the holders thereof. As a result of this transaction, as at the date of this AIF, the Corporation holds a 6.9% interest in the issued and outstanding common shares of NEV, and a 9.99% interest determined on a partially diluted basis.

On June 20, 2012, the Corporation entered into a share-purchase and joint venture agreement with Teck, pursuant to which the Corporation can acquire a further 20% of Orta Truva, and thus indirectly, a further 20% into TV Tower (the “**TV Tower Agreement**”), upon:

- a) incurring \$21,000,000 in exploration expenditures over three years (the “**TV Tower Expenditure Requirement**”), with a minimum commitment of \$5,000,000 in the first year;
- b) issuing 3,275,000 Common Shares and 3,000,000 Common Share purchase warrants (“**Teck Warrants**”) to TMST within five business days of signing the TV Tower Agreement. Each Teck Warrant shall be 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;
- c) issuing 1,637,500 Common Shares to TMST on the first and second anniversaries of the date the agreement was signed; and
- d) making a one-time cash payment to TMST equal to \$20 per ounce of gold applicable to only 20% of the ounces of gold delineated at TV Tower in excess of 750,000 gold ounces defined as compliant Measured, Indicated or Inferred resources in a NI 43-101 technical report prepared generally concurrent with the completion of the TV Tower Expenditure Requirement.

For further details, please refer to the material change report of the Corporation dated June 29, 2012, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

On October 10, 2012, the Corporation reported the completion of the Halilaža PEA (as that term is defined in this AIF), demonstrating the following highlights using a \$1,200/oz. gold (“**Au**”) price, and a \$2.90/lb. copper (“**Cu**”) price<sup>3</sup>:

- Pre-tax discounted net present value (“**NPV<sub>7%</sub>**”) of \$675 million, 26% internal rate of return (“**IRR**”) and 2.1 year payback;
- After-tax NPV<sub>7%</sub> of \$474 million, 20% IRR and 2.7 year payback;
- Average life of mine (“**LOM**”) strip ratio of 1:1;
- LOM payable production of 1.290 million ounces gold and 1.247 billion pounds Cu;
- Total project capital costs of \$1.17 billion (including a contingency of \$200 million), with potential to reduce initial capital costs through contract mining or equipment leasing and project optimization through more advanced studies.

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<sup>3</sup> All mineralized material classified as Indicated (56%) and Inferred (44%) Mineral Resources was considered in the optimization and mine plan. The Halilaža PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and there is no certainty that the Halilaža PEA will be realized.

The Halilağa PEA is based on a mineral resource estimate first presented in the March 23, 2012 technical report titled “*Resource Estimate for the Halilaga Copper-Gold Property NI 43-101 Technical Report*” and authored by Garth Kirkham, P. Geo. Of Kirkham Geosystems Ltd., and James Gray, P. Geo. of Advantage Geoservices Ltd (the “**Gray Kirkham Report**”).

The resource therein (the “**Initial Halilağa Resource**”) and incorporated to the Halilağa PEA, outlined the following:

*Sulphide Resource, using a 0.2% Cu equivalent cut-off grade:*

- An Indicated Resource of 1.665 million ounces gold, at an average grade of 0.31 grams per tonne (“**g/t**”) gold, and 1.112 billion pounds of copper at an average grade of 0.30% Cu (168,167,000 tonnes);
- An Inferred Resource of 1,661 million ounces 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% Cu (198,668,000 tonnes); and

*Oxide Resource, using a 0.2 g/t Au cut-off grade:*

- An Inferred Resource of 95,000 ounces gold, at an average grade of 0.60 g/t gold (4,914,000 tonnes).

The Initial Halilağa Resource is based on results from 30,004 m of drilling in 72 drill holes (69 core; 3 reverse circulation (“**RC**”).

For further details, please refer to the material change report of the Corporation dated October 11, 2012, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

On November 1, 2012, the Corporation completed a “bought-deal” short form prospectus offering (the “**2012 Bought-Deal**”), pursuant to which Pilot Gold issued 17,825,000 units of the Corporation (“**PLG Units**”) at a price of C\$1.65 per Unit to raise aggregate gross proceeds of C\$29,411,250. Each PLG Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole common share purchase warrant, a “**Share Purchase Warrant**”). Each Share Purchase Warrant entitles the holder to acquire one Common Share at a price of C\$2.20 until October 31, 2014. The Share Purchase Warrants are listed on the TSX under the symbol “PLG.WT”. Concurrent private placements with subsidiaries of Teck and Newmont (the “**Teck Subscription**”, and the “**Newmont Subscription**” respectively, and together with the 2012 Bought-Deal, the “**2012 Offering**”) closed on November 1, 2012. To maintain their respective pro rata interest in accordance with the participation rights detailed in this AIF, 3,669,482 Units on the same terms as those issued under the 2012 Bought-Deal were issued pursuant to the Newmont Subscription, and 1,230,565 Units on the same terms as those issued under the 2012 Offering were issued pursuant to the Teck Subscription. The Teck Subscription and Newmont Subscription raised additional aggregate gross proceeds of C\$8,085,078. Units purchased by Newmont and TMST were subject to a four-month statutory hold period.

For further details, please refer to the material change report of the Corporation dated November 9, 2012, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

On July 18, 2012, Rae-Wallace agreed to extend the term of the 1,000,000 share purchase warrants already held by Pilot Gold by 24 months from the date that company completes a Transaction (as that term is defined in the related agreement), and issued an additional 1,985,100 shares to Pilot Gold. 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 Corporation will receive the following additional consideration from Rae-Wallace:

- a) a 2% net smelter royalty on all of Rae-Wallace's Peruvian projects except the Liscay Project (the "**Rae-Wallace NSR**");
- b) additional shares in the capital of Rae-Wallace to maintain the Corporation's 15.8% interest after giving effect to a Transaction;
- c) additional Rae-Wallace share purchase warrants exercisable for an additional 9.99% of the common shares of Rae-Wallace after giving effect to a Transaction; and
- d) a right of first offer ("**ROFO**") in the event that Rae-Wallace wishes to explore or develop any of Rae-Wallace's projects in Peru with a third party.

On January 30, 2013, in connection with the closing of a transaction by Rae-Wallace to sell its interests in Peru, the condition precedent (being the completion of a Transaction by Rae-Wallace) was waived and the Rae-Wallace NSR was conveyed to Pilot Gold.

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

For further information regarding Pilot Gold, reference is made to Pilot Gold's filings with the Canadian securities regulatory authorities available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Significant Acquisitions**

Pilot Gold did not make any significant acquisitions during the financial year ended December 31, 2012 that would require the Corporation to file a Form 51-102F4 *Business Acquisition Report* under Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**").

## DESCRIPTION OF THE BUSINESS

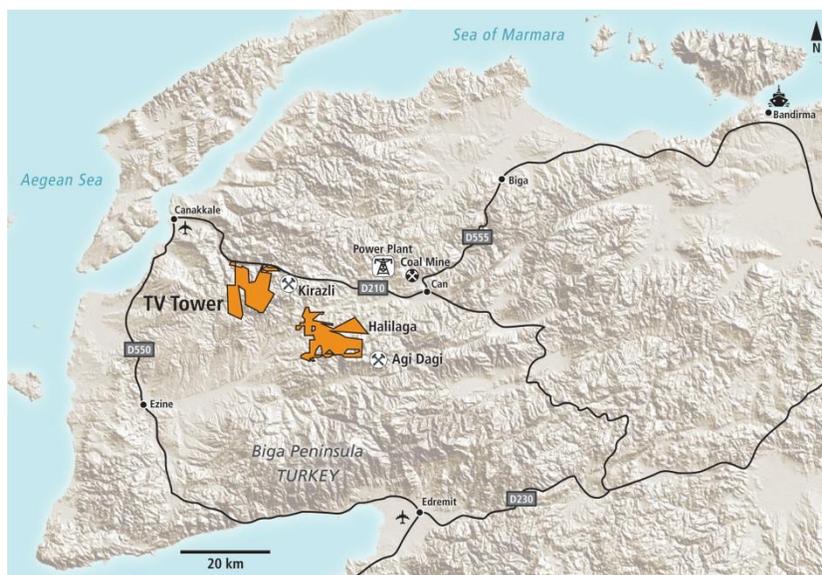
Pilot Gold is principally engaged in the acquisition, exploration and development of mineral properties, or interests in companies controlling mineral properties, which feature strong grades, meaningful size and access to existing infrastructure in the best mining jurisdictions in the World.

The Corporation's objective is to become the leading gold-focused exploration company. Pilot Gold's technical and management teams are currently focused on discovering and advancing a pipeline of projects with strong exploration and production potential in Turkey and Nevada, USA. The Corporation's Material Properties are TV Tower, Halilağa and Kinsley.

### Turkey

Turkey has a rich mining history and is quickly becoming an emerging gold producer. The country is already the largest producer of gold in Europe and among the top 30 producers globally, with an output of nearly 30 tons a year<sup>4</sup>.

The Biga District in northwestern Turkey, home to TV Tower and Halilağa, is a region that boasts excellent infrastructure, including paved roads, power and proximity to a major port.



Pilot Gold's technical team has played a pioneering role in discovering a significant gold, silver and copper endowment in the Biga and establishing the region as an area of significant mineral and economic potential.

Pilot Gold's projects in northwest Turkey's Biga district include a 40% interest in Halilağa and TV Tower.

#### *TV Tower*

TV Tower, at more than 71 km<sup>2</sup> a large gold and silver system in the Biga District, with two gold discoveries and multiple high-priority targets identified to date.

Pursuant to the TV Tower Agreement, the Corporation became Operator of TV Tower on June 20, 2012. As Operator, Pilot Gold commenced a 16,000-metre initial drill program concentrated initially on the KCD target. The Corporation's exploration efforts to date have revealed widespread high-grade gold mineralization and a growing gold zone partially overlain by an extensive zone of moderate to high-grade silver. Both the silver and gold zones remain open in multiple directions. Exploration is underway on the property.

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<sup>4</sup> Republic of Turkey Prime Ministry Investment Support and Promotion Agency

## Halilaža

Halilaža hosts a copper-gold porphyry deposit, proximate to established infrastructure, including paved roads and power lines and is proximate to a major port. A preliminary economic assessment for Halilaža dated in October 10, 2012 and based on an initial resource estimate released in February 2012, outlined a value of \$675 million (using pre-tax NPV<sub>7%</sub>), with a 2.1 year pre-tax payback, and 26% pre-tax internal rate of return<sup>5</sup>. As at the date of this AIF, the Corporation and its joint venture partner continue to undertake strategic activities to advance Halilaža and enhance its value.

## United States

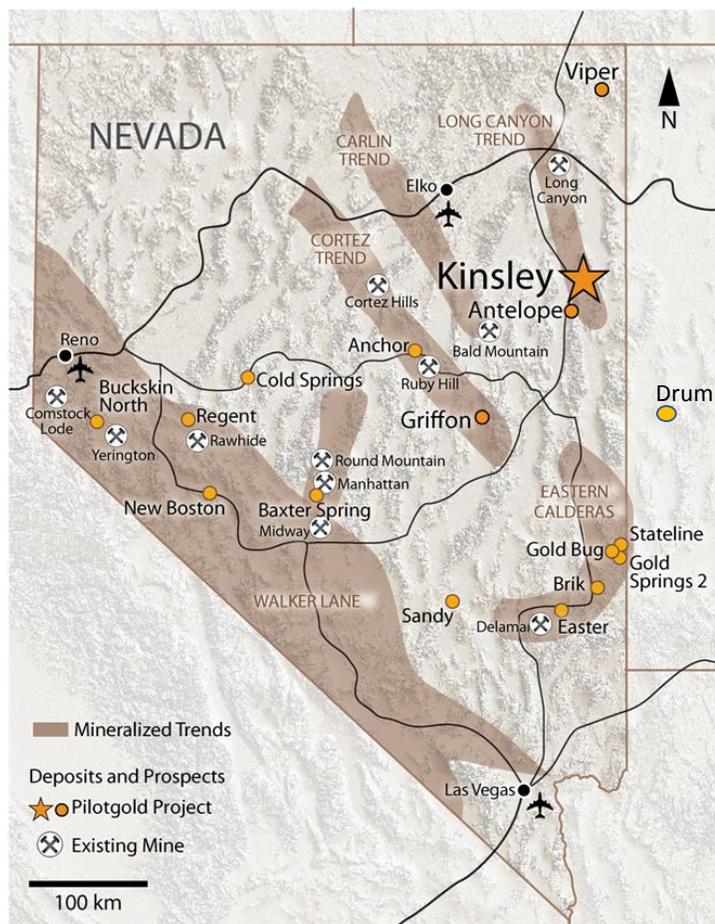
Pilot Gold also has an interest in several exploration-stage gold projects throughout Nevada and along the Nevada-Utah border.

The Corporation's primary interest in Nevada is Kinsley, a past-producing, sediment-hosted gold property along the Long Canyon Trend with a stratigraphy, structure and mineralization-style common to other sediment-hosted gold systems in northeast Nevada. Pilot Gold's geologic team, defined a significant gold resource at Long Canyon prior to its sale to Newmont and believe that Kinsley has the potential to host gold mineralization in several stratigraphic intervals.

Located in southeast Elko County, the Corporation holds a 65% interest in Kinsley pursuant to having completed in January 2012, an earn-in under an option agreement the Corporation acquired in September 2011.

Pilot Gold anticipates an active drill program at Kinsley in the second half of 2013, upon receipt of an approved Plan of Operations.

For further details concerning the Corporation's material mineral properties, please see "*Mineral Properties*" in this AIF.



<sup>5</sup> The summary disclosure set forth above relating to Halilaža is derived from the Halilaža PEA unless otherwise expressly noted, and provides only a preliminary overview of the project's economics based on broad, factored assumptions. Readers are cautioned that the economic analysis summarized in the Halilaža PEA is only intended to provide an initial, high-level review of the project. Furthermore, the Halilaža PEA is preliminary in nature. It includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and there is no certainty that the PEA will be realized.

## Area of Interest Limitations on the Business

### *Newmont*

Pilot Gold has made certain covenants in the Arrangement Agreement that affect its ability to acquire and explore additional properties. Until the fifth anniversary of the FA Effective Date, without Newmont's prior written consent, none of Pilot Gold or its subsidiaries are permitted to stake, lease or otherwise purchase or acquire or become entitled to acquire, directly or indirectly, alone or in concert with any other Person, any interest whatsoever in real property, land rights, surface rights, water rights or any mineral concessions, leases, claims or other form of mineral rights whatsoever, any part of which lies within the boundary of, or within five miles of the perimeter of the Long Canyon Property, the Sandman Property and the Northumberland Property (which are properties acquired by Newmont pursuant to the Fronteer Arrangement), and if Pilot Gold or any of its subsidiaries acquires any such interest in contravention of the foregoing, Pilot Gold is required to notify Newmont and to hold such interest in trust for Newmont and promptly convey such interest to Newmont at no cost.

### *Teck*

In accordance with the TV Tower Agreement, and the defined AOI detailed in the memoranda of understanding dated October 19, 2004 and June 1, 2007 (together, the "**Biga Agreements**") relating to the Turkish Properties and other mineral properties in northwest Turkey's Biga district, the Corporation and Teck have mutually agreed that if either entity, or any of its subsidiaries or affiliates stakes or acquires any surface or water rights or mineral properties within two km of the perimeter of a Designated Project (as that term is defined in the Biga Agreements), or around the licenses that comprise the TV Tower Property (the "**Turkish AOI**"), it will offer to have those rights or properties included in the Designated Project. It was agreed that both Teck and Pilot Gold would consult each other prior to making any acquisitions of lands held by third parties within the Turkish AOI.

## Competitive Conditions

The Corporation's business is intensely competitive, and the Corporation competes with other exploration, development and mining companies, many of which have greater resources and experience. As described in this AIF, under "*Risk Factors*", competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically and the capital for the purpose of financing development of desired properties.

In addition, this competition may impact the Corporation's ability to recruit or retain qualified employees with the technical expertise to find, develop, or the labour to operate such properties.

Pilot Gold believes that its success is dependent on the performance of its management and key employees, many of whom have specialized knowledge and skills relating to the precious metals exploration business. Pilot Gold believes it has adequate personnel with the specialized skills required to successfully carry out its operations. As at March 27, 2013, the Corporation and its subsidiaries had 35 employees. Many of the Corporation's management and its senior geologic team are either former employees or long-time contractors of Fronteer.

The Corporation has also retained Oxygen Capital Corp. ("**Oxygen**"), a private entity owned by certain directors of the Company to provide services to the Company including staffing, office rental and other administrative functions. The Corporation benefits from expanded access to technical and administrative personnel as a result of the Oxygen relationship. Several key executives of the Corporation are employed by Oxygen, and provide services through the arrangement. 8 employees of Oxygen dedicate at least 50% of their time to Pilot Gold.

## Health, Safety and Environment

The Corporation places great emphasis on providing a safe and secure working environment for all of Pilot Gold's employees, and recognize the importance of operating in a sustainable manner.

Pilot Gold's Health, Safety and Sustainability Committee meets at least twice annually to review the Corporation's performance and compliance as related to such matters. Pilot Gold has also adopted a Health, Safety and Sustainability Charter, and has communicated the importance of working in a safe and secure working environment to all employees and significant contractors. Pilot Gold has also adopted a Health, Safety and Sustainability Policy to frame decisions of the Corporation's employees and contractors.

The Corporation believes awareness and communication of risks is a critical step in preventing accidents on each of the property interests operated by the Corporation. The Corporation requires:

- Mandatory Orientation Sessions for all site workers and visitors on the properties;
- Drill safety meetings at start-up of drill programs, weekly safety meetings while drill programs are underway, and after accidents/incidents;
- The use of radios or "spot-devices" at all times for personnel in the field; individuals are encouraged to communicate with home regularly.

The Corporation had one direct lost-time incident during 2012 when an employee carrying a shovel slipped and fell, suffering lacerations to his wrist, resulting in 7 days of lost time. There was 1 lost time incident at Halilağa involving an employee of Truva Bakır. The principal drill contractor at TV Tower also had a lost time incident resulting from a fall on property. The Corporation has taken, and continues to take steps to address the cause of these incidents.

There were no significant environmental incidents at any of the exploration and development properties at which the Corporation is the operator through the twelve-months ended December 31, 2012 (none through the twelve-months ended December 31, 2011).

Pilot Gold is subject to federal, provincial, territorial, and state and local environmental laws and regulations. Management have put in place ongoing monitoring programs at the Corporation's properties, and posts surety bonds, as required, in compliance with state and local closure, reclamation and environmental obligations. The estimate for future reclamation and property closure costs for the Corporation's projects at December 31, 2012 was \$0.04 million. There had previously been minimal disturbance, and thus no requirement to account for reclamation. The reclamation related to disturbance in 2012, with the exception of limited disturbance under a United States Interior Department's Bureau of Land Management (the "BLM") Notice of Intent<sup>6</sup> at Kinsley, where exploration work and disturbance continues, was largely complete as at the date of this AIF.

One of the more significant remaining environmental risks associated with the Corporation's exploration projects relate to handling of fuel and fuel storage systems. These risks are mitigated through the use of various spill protection equipment such as berms and bladders. Management have also developed emergency plans in the event a significant spill does occur. Many of Pilot Gold's projects are subject to periodic monitoring by government agencies with respect to environmental protection plans and practices, which in many circumstances must be detailed when applying for exploration permits.

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<sup>6</sup> BLM Notice of Intent # NVN-090386 (in this AIF, the "NOI"). The NOI authorizes disturbance of up to 1.02 acres (0.41 ha) and can be amended to permit up to a total of 5.00 acres (2.00 ha).

## *Corporate Social Responsibility – Turkey*

In the Biga District, TMST and Pilot Gold (and formerly, Fronteer) have worked extensively with community stakeholders in the settlements surrounding Halılağa and TV Tower to build positive relationships based on transparency, trust and shared benefits. The Corporation and TMST aim to maintain the mutually beneficial relationship with the local communities, including the villages of Muratlar, Hacibekirler and Halılağa, and other stakeholders based on respect, consultation and participation.

Since 2008, more than \$0.17 million has been spent by Orta Truva, Truva Bakır and Agola on community development and sustainability projects in the area. Historic activities include vocational training, sustainability programs, health services and infrastructure upgrades in local communities, the drilling of new water sources for the Town of Muratlar near Halılağa, and the restructuring of a courtyard in the Town of Muratlar, the construction of a fire fighting reservoir and the development of a regional reforestation program in order to reverse deforestation caused by forest fires and agricultural activities. The Corporation has also contributed food for local festivals and some less fortunate families in neighbouring communities.

In 2012, community investment activities included:

- The construction of an additional fire-fighting reservoir between the Muratlar and Hacibekirler villages.
- Providing educational and construction materials to the primary school in Muratlar and vocational high school of Çanakkale 18 Mart University in Çan district.
- Material support and service delivery for various infrastructure works of the project-affected villages.
- Sponsoring annual charity festivals and local sports teams of the villages.
- Repairing of mukhtar and community tea-house building in Ortaca village.

Ensuring that the local communities have an understanding of and appreciation for the potential impacts of exploration, development and mining activity in the region is also a focus. During 2012 Orta Truva and Truva Bakır engaged with community members, solicited and responded to feedback and concerns raised from the concerned citizens, and hosted property tours for interested members of the community. On a regular basis, the Corporation and TMST are working to:

- Provide information and regular updates to community groups and the general public regarding all exploration activities in the region.
- Undertake exploration in a safe manner, and assess the environmental and social risks associated with each phase of the projects.
- Support transparent and fair employment strategies at the local level, and where possible, employing workforce at all skill levels.
- Allocate resources to study and develop a social, economic, and educational infrastructure within those communities directly affected by the Turkish Properties.
- Where pragmatic, give priority to local communities for procurement of goods and services.

Orta Truva and Truva Bakır are also committed to community investment projects that promote local development, decrease poverty, and enhance the quality of life by investing in education and health initiatives for the local community groups. In addition to the immediately-required infrastructure and educational support, development activities are meant to include long-term, sustainable goals for local communities that generate employment opportunities; and improve long-term health services. The main objectives of these community development projects is to build partnerships with local community groups such as the residents of project-affected settlements, government authorities, Non-Governmental Organizations and university personnel, while ensuring that all parties contribute to the initiatives that can benefit the local communities.

## RISK FACTORS

An investment in securities of the Corporation involves a significant degree of risk and must be considered highly speculative due to the nature of the Corporation's business and the present stage of exploration and development of its mineral property interests. There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Pilot Gold and could cause the Corporation's operating and financial performance to differ materially from the estimates described in forward-looking statements related to the Corporation.

These risks and uncertainties are not the only ones facing the Corporation. There are widespread risks associated with any form of business and specific risks associated with Pilot Gold's business and its involvement in the gold exploration and development industry.

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in quantity or quality to return a profit from production. **Shareholders of Pilot Gold may lose their entire investment.**

In addition to the other information set forth elsewhere in this AIF, the following risk factors should be carefully reviewed by prospective investors. These risks may not be the only risks faced by Pilot Gold. Risks and uncertainties not presently known by Pilot Gold or which are presently considered immaterial may also adversely affect Pilot Gold's business, properties, results of operations and/or condition (financial or otherwise). **If any of the following risks actually occur, Pilot Gold's business, financial condition, operating results and prospects could be adversely affected.**

Additional risks and uncertainties not presently known to Pilot Gold or those that are currently deem immaterial may also impair the Corporation's business operations. If any such risks actually occur, the business, financial condition and operating results of the Corporation could be materially harmed. All references to "Pilot Gold" or the "Corporation" in this section entitled "*Risk Factors*" include Pilot Gold and its subsidiaries and joint ventures, except where the context otherwise requires. Before making an investment decision, prospective investors should carefully consider the risks and uncertainties herein, as well as the other information contained in the Corporation's public filings.

Turkey is considered to be an *Emerging Market*. Many of the Risk Factors identified in this AIF reflect risks and characteristics unique to operating in an emerging market.

### **The Common Shares are Subject to Market Price Volatility**

The market price of the Common Shares may be adversely affected by a variety of factors relating to Pilot Gold's business, including fluctuations in the Corporation's operating and financial results, the results of any public announcements made by Pilot Gold or its joint venture partners and the failure to meet analysts' expectations.

The market price of securities of Pilot Gold has experienced wide fluctuations which may not necessarily be related to the financial condition, operating performance, underlying asset values or prospects of Pilot Gold. Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. This volatility may adversely affect the market price of the Common Shares.

The price of the Common Shares is also likely to be significantly affected by short-term changes in gold, copper or other mineral prices. Other factors unrelated to the Corporation's performance that may have an effect on the price of the Common Shares include the following: (i) the extent of analytical coverage available to investors concerning the Corporation's business may be limited if investment banks with research capabilities do not follow the Corporation's Common Shares; (ii) lessening in

trading volume and general market interest in the Corporation's Common Shares may affect an investor's ability to trade significant numbers of Common Shares; (iii) the size of the Corporation's public float may limit the ability of some institutions to invest in the Corporation's Common Shares; and (iv) a substantial decline in the price the Common Shares that persists for a significant period of time could cause the Corporation's Common Shares to be delisted from the TSX or from any other exchange upon which the Corporation's Common Shares may trade from time to time, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Corporation's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### **Exploration, Development and Operating Risks and Risks Associated with the Early Stage Status of the Corporation's Mineral Properties and the Nature of Exploration**

The Corporation's mineral property interests are of high risk, and are considered to be speculative in nature. There is no certainty that the expenditures made by the Corporation towards the search for and evaluation of gold or other minerals with regard to its mineral properties, or otherwise, will result in discoveries of commercial quantities of gold or other minerals. Where expenditures on a property have not led to the discovery of mineral reserves, such incurred expenditures will generally not be recoverable. Furthermore, the exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate or even mitigate. While the discovery of a mineral-bearing structure may result in an increase in value for shareholders, few properties which are explored are ultimately developed into producing mines. Substantial expenditures are required to locate and establish mineral reserves through drilling, for development of metallurgical processes to extract the metal from the ore, and in the case of new properties, for construction of the mining and processing facilities and infrastructure at any site chosen for mining.

It is impossible to ensure that the exploration or development programs planned by the Corporation will result in a profitable commercial mining operation. Whether a gold or other precious or base metal or mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of mineralization and proximity to infrastructure; mineral prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Other factors include: the ability to hire and retain qualified people, the ability to obtain suitable machinery, equipment or labour and the ability to obtain necessary services in jurisdictions in which the Corporation operates. Unfavourable changes to these and other factors have the potential to negatively affect the Corporation's operations and business.

In the exploration and development phases of a project, no absolute assurance can be given that any particular level of recovery of minerals will be realized or that any potential quantities and/or grade will ever qualify as a resource, or that any such resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, if production is commenced, mineral reserves are finite and there can be no assurance that the Corporation will be able to locate additional reserves as its existing reserves are depleted.

With the exception of Halilaža, on which an initial resource estimate has recently been defined, the terms "Resource(s)" or "Reserve(s)" cannot be used to describe Pilot Gold's mineral property interests due to their early stage of exploration at this time. Any reference to potential quantities and/or grade is conceptual in nature, as there has been insufficient exploration on those properties to define any mineral resource and it is uncertain if further exploration will result in the determination of any mineral resource. Quantities and/or grade described in this AIF should not be interpreted as

assurances of a potential resource or reserve, or of potential future mine life or of the profitability of future operations.

As to Halilağa, or other properties on which the Corporation releases a resource estimate, the Corporation notes that mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates may or may not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.

Even in the event of the successful completion by the Corporation or its joint venture partners of those programs underway on the individual Material Properties (see “*Mineral Properties*”, in this AIF), there is no assurance that the results of such exploration will warrant undertaking, or result in, the completion of further exploration programmes or activities on any particular Material Property. In such circumstances, the Corporation may be required to reallocate its resources and focus its operations on other mineral properties. There can be no assurance that any such additional mineral properties will be available for acquisition by the Corporation or that, if available, the terms of acquisition will be favourable to the Corporation.

In general, mining operations involve a high degree of risk. The Corporation’s operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

### **Permitting and License Risks**

In the ordinary course of business, Pilot Gold will be required to obtain and renew governmental licences or permits for the operation and expansion of the Material Properties or for the development, construction and commencement of mining at any of the Corporation’s mineral resource properties, including the Material Properties. Obtaining or renewing the necessary governmental licences or permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly permitting and other legal undertakings on the part of the Corporation.

In Turkey and the United States, as with many jurisdictions, there are various Federal, Provincial and local laws governing land, power and water use, the protection of the environment, development, occupational health and safety, waste disposal and appropriate handling of toxic substances. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and require the Corporation to obtain permits from various governmental agencies.

Exploration generally requires one form of permit while development and production operations require additional permits. There can be no assurance that all permits which the Corporation may require for future exploration or possible future development will be obtainable at all or on reasonable terms. In addition, future changes in applicable laws or regulations could result in changes in legal requirements or in the terms of existing permits applicable to the Corporation or its properties. This could have a negative effect on the Corporation’s exploration activities or the Corporation’s ability to develop its properties.

The duration and success of the Corporation’s efforts, or those of its partners to obtain and renew licences or permits are contingent upon many variables not within Pilot Gold’s control, including the interpretation of applicable requirements implemented by the licensing authority. The Corporation

may not be able (and no assurances can be given with respect to its ability) to obtain or renew licences or permits that are necessary to operations at Pilot Gold's property interests, including, without limitation, an exploitation or operations licence, or the cost to obtain or renew licences or permits may exceed what Pilot Gold believes can be recovered from its property interests if they are put into production. Any unexpected refusals of required licences or permits or delays or costs associated with the licensing or permitting process could prevent or delay the development or impede the operation of a mine, which could adversely impact the Corporation's operations and profitability.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or other remedial actions.

The Corporation cannot be certain that it will receive the necessary permits and licences at all, or on acceptable terms required to conduct further exploration and to develop its properties and bring them into production. The failure to obtain such permits or licences, or delays in obtaining such permits or licences, could increase the Corporation's costs and delay its activities, and could adversely affect the properties, business or operations of the Corporation.

### *Turkey*

Under the Turkish Mining Law, mining operations have been divided into five groups which are subject to different terms and conditions on licensing principles and procedures. The three types of licenses granted for prospecting and operating mineral exploration activities stated under the laws of the Republic of Turkey are as follows: (i) a prospecting license, enabling its holder to carry out prospecting activities in a specific area; (ii) an operation license, enabling its holder to carry out operational activities within the same area as stated in the prospecting license; and (iii) an operation permit, enabling its holder to operate a specific mine as specified in the operation license. Applications for an operation-type license must be submitted before the end of the term of a prospecting-type license, and must demonstrate the presence of an economic<sup>7</sup> resource on the license. The conversion application includes providing a resource estimate, a conceptual mine plan, a positive conceptual economic analysis and an initial description of likely environmental impacts.

Each licence type is valid for a predetermined period of time and must meet a variety of requirements in order to remain in good standing, including a requirement to receive a number of permits from the Government of Turkey's Mining Affairs General Directorate of the Ministry of Energy and Natural Resources (the "**General Directorate-Mining Affairs**"). Applications to renew an exploration-type licence, as well as applications to receive, or renew an operation-type licence, are made to the General Directorate-Mining Affairs, and are subject to an extensive review. Periodically, and particularly when a licence is under review for renewal or conversion from one classification to another, a licence holder must prepare and submit an EIA to the General Directorate-Mining Affairs. A public consultation process occurs following receipt of approval. There can be no assurance that an EIA will be approved, or that it won't consequently be overturned or that activity on a property won't be arrested as a result of the public consultation process. A failure to renew a particular licence could have a significant detrimental impact on the price of the Corporation's Common Shares, and on the ability of the Corporation to raise debt or capital.

As it relates to Halilağa and TV Tower, TMST has been responsible for completing and submitting applications for permits and permit renewals. TMST has also been responsible for the preparation and submission of an EIA in respect of Halilağa. At the date of this AIF, TMST awaits receipt of a business operating permit relating to a GSM permit from the Office of the Governor of

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<sup>7</sup> Readers of this AIF are cautioned that this definition is not equivalent to the term "economic" as it relates to the definition of proven and probable as those terms are used in NI 43-101, and does not infer that mineralization at either Halilağa or TV Tower (or Kinsley) could be economically and legally produced based on drilling and resource estimate modelling undertaken to date.

Çanakkale (the “**Governor**”). The Corporation does not always have an opportunity to review, and is not always consulted by TMST on such applications and reports prior to submission.

The Corporation (and as Fronteer, former parent company to Pilot Gold) has experienced permitting delays at Halilağa in the past. Mining legislation in Turkey has also been subject to recent changes. There is no certainty that further changes to the legislation will not be introduced that may make permitting a project more difficult.

In particular, and as discussed in this AIF, the Corporation’s exploration and development activities at Halilağa have recently been subject to a challenge that could impact its longer term ability to develop and operate the open pit mine contemplated in the Halilağa PEA. Even though neither Truva Bakır, nor the Corporation are named as a party to the litigation, and the Corporation believes the petition is without merit, there can be no guarantee that the Halilağa EIA challenge will not cause future permitting delays, unexpected interruptions or additional costs for Halilağa.

#### *United States*

The Corporation submitted a Plan of Operations (a “**PoO**”) and a draft Environmental Assessment (“**EA**”) to the BLM in June 2012. Approval of the PoO and EA will allow for expanded exploration activities in the southern third of the Kinsley property beyond the previously disturbed areas. Until the PoO is approved, the Corporation’s drilling activities will be limited to the area under the five acre NOI.

The timing of receipt of an approved PoO from the BLM in Nevada, will directly impact the Corporation’s ability to execute on the planned exploration program at Kinsley.

#### **Government Regulation**

In addition to Permitting and License Risks, the mineral exploration activities (as well as the potential for eventual mining, processing and development activities) of the Corporation are subject to extensive laws and regulations governing prospecting, exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, waste disposal, water use, land claims of local people, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters.

Government approvals, approval of aboriginal peoples and permits are currently, and may in the future be required in connection with the Corporation’s operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from continuing its exploration or mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Regulators in the United States and Turkey have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards.

The Corporation’s mineral exploration and mining activities in the countries in which it operates, including the United States and Turkey, may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase royalties payable or the costs related to the Corporation’s activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, government imposed royalties, claim fees, export controls,

income taxes, and expropriation of property, environmental legislation and mine safety. The effect of these factors cannot be accurately predicted. Although the Corporation's exploration and development activities are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Furthermore, any shift in political attitudes, or amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof are beyond the control of the Corporation and could have a substantial adverse impact on the Corporation.

### *Turkey*

In Turkey, mining rights and minerals are exclusively owned by the state. The ownership of minerals in Turkey is not subject to the ownership of the relevant land. By law, the state delegates its rights to explore and operate to individuals or legal entities by issuing licences for a determined period of time in return for a royalty payment. Mining rights, with respect to certain types of mines, belong to State or State enterprises.

According to the General Directorate-Mining Affairs, the Turkish state will receive 4% of a net smelter return royalty (known as the State's rights) for precious metals in the fourth Group minerals (in other words, non-ferrous minerals, excluding gems). If mineral tenure is on State-owned forestry land, an additional 30% is added to the royalty payment.

Changes to the mining law in Turkey impacting the rate at which royalties are levied could have a substantial adverse impact on the Corporation, or on the potential economics of an exploration or development project in Turkey.

### *United States*

Recently, in the State of Nevada, where the Corporation has most of its United States property interests, section 47 of Assembly Bill 6 enacted by the Special Session of the Nevada Legislature increased the fee payable by owners of unpatented mining claims on the recording of a notice of intent to hold the mining claim. Legislation is also currently proposed in the State of Nevada which seeks to remove the section in the Nevada Constitution that caps net proceeds mining taxes at 5% ("Senate Joint Resolution 15", or "SJR-15"). The Nevada State Senate Committee on Resources and Economic Development passed SJR-15 unanimously on March 26, 2013. If voters ratify SJR-15, the elimination of the constitutional protection against taxing mining claims, it will be possible for State legislators to pass legislation that could impose a real property tax on mining claims. This would increase the cost of owning and operating exploration and development claims in the State of Nevada.

At the federal level, recent United States Federal budgets propose to levy a 5% royalty on the gross proceeds of hardrock minerals mined on public lands including silver, gold and copper extracted from all new projects on public lands like those managed by the BLM or the United States Forest Service.

These and other changes to legislation and regulation in the United States, as well as similar changes in other jurisdictions may indicate an increasing risk for companies operating in the exploration and production stage of the mining industry to be subject to increasing taxes on operations. The Corporation's activities and financial results may be adversely impacted by these and other changes.

**The Corporation has no known reserves and no economic reserves may exist on the Corporation's properties, which could have a negative effect on the Corporation's operations and valuation**

Despite exploration work on the Corporation's mineral claims, no mineral reserves have been established on any of its mineral properties. In addition, the Corporation is still engaged in exploration on all of its properties in order to determine if any economic deposits exist on the Corporation's

properties. The Corporation may expend substantial funds in exploring some of its properties only to abandon them and lose its entire expenditure on the properties if no commercial or economic quantities of minerals are found. Even if commercial quantities of minerals are discovered, the exploration properties might not be brought into a state of commercial production. Finding mineral deposits is dependent on a number of factors, including the technical skill of exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as content of the deposit including harmful substances, size, grade and proximity to infrastructure, as well as metal prices and the availability of power and water in sufficient supply to permit development. Most of these factors are beyond the control of the entity conducting such mineral exploration. The Halilağa PEA for the potential development of a mine at Halilağa includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Kinsley and TV Tower are early stage exploration projects and do not contain any mineral resource estimates as defined by NI 43-101. The potential quantities and grades disclosed in the respective TV Tower and Kinsley Technical Reports are conceptual in nature and there has been insufficient exploration to define a mineral resource for the targets disclosed therein. It is uncertain if further exploration will result in these targets being delineated as a mineral resource.

The Corporation is an exploration and development stage company with no history of pre-tax profit and no income from its operations. There can be no assurance that the Corporation's operations will be profitable in the future. There is no certainty that the expenditures to be made by the Corporation in the exploration and development of its properties will result in discoveries of mineralized material in commercial quantities. Most exploration projects do not result in the discovery of commercially mineable deposits and no assurance can be given that any particular level of recovery of mineral reserves will in fact be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) mineral deposit which can be legally and economically exploited. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production. If the Corporation is unsuccessful in its exploration and development efforts, it may be forced to acquire additional projects or cease operations.

### **Risks Associated with a Lack of Funding to Satisfy Contractual Obligations**

The Corporation may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Corporation may have its property interests subject to such agreements reduced as a result or even face termination of such agreements. The Corporation has a joint venture agreement in Turkey with respect to Halilağa. The joint venture agreement with TMST provides for adjustments to the interests of the parties in Halilağa where either party fails to fund cash calls within certain specified periods. If the Corporation fails to fund cash calls, it risks having its interest reduced, may lose its effective veto power over certain decisions and ultimately could have its interest in Halilağa diluted or terminated. TMST is a subsidiary of Teck, a much larger entity with far greater access to financial resources than the Corporation.

### **Additional Capital and Potential Dilution to Common Shares**

Pilot Gold's articles of incorporation allow the Corporation to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as shall be established by our Board, in many cases, without the approval of the shareholders.

There are currently 85,210,329 Common Shares issued and outstanding. The increase in the number of Common Shares issued and outstanding through further issuances may have a depressive effect on the price of the Common Shares and will dilute the voting power of the Corporation's existing shareholders.

The exploration and development of the Corporation's properties will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of property interest. In particular, if capital calls are made by TMST in respect of Halilağa or the Corporation acquires additional mineral properties which necessitate exploration expenditures, the Corporation may not have sufficient funds to finance such operations. The primary source of funding available to the Corporation consists of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be on terms that are favourable to the Corporation. In addition, any future financing may be dilutive to existing shareholders of the Corporation.

Pursuant to the TV Tower Agreement, and to keep the earn-in option at TV Tower in good standing, the Corporation must issue 1,637,500 Common Shares to TMST on the first and second anniversaries of the date that agreement was signed. As discussed in this AIF, the Corporation must also issue Common Shares in connection with the Assignment Agreement and to maintain an earn-in option for Griffon in good standing.

In addition, the Corporation has issued potentially dilutive securities in the form of incentive stock options to purchase Common Shares ("**Options**") pursuant to Pilot Gold's Stock Option Plan (2011) (the "**Option Plan**"). As at March 27, 2013, there were 7,120,000 Common Shares issuable upon the exercise of outstanding Options at a weighted average exercise price of C\$2.61 per Common Share. As at December 31, 2012 and as at the date of this AIF, there were 2,839,167, and 3,261,667 options exercisable respectively.

The Corporation has also issued potentially dilutive securities in the form of Common Share purchase warrants: (i) Pursuant to the TV Tower Agreement, the Corporation issued 3,000,000 Teck Warrants on June 29, 2012; and (ii) pursuant to the 2012 Offering, the Corporation issued 11,362,524 Share Purchase Warrants. Each Teck Warrant is exercisable for a period of three years from the date of issue, for one Common Share an exercise price of C\$3.00 per Common Share. Each Share Purchase Warrant entitles the holder to acquire one Common Share at a price of C\$2.20 until October 31, 2014.

The Corporation may issue additional Common Shares in future offerings (including through the sale of securities convertible into or exchangeable for Common Shares) and on the exercise of stock options. The Corporation may also issue Common Shares to finance future acquisitions and other projects. Further, as discussed elsewhere in this AIF, the Corporation has granted Teck and Newmont (or their respective affiliates) the right to maintain their current pro rata shareholding of the Corporation. Pilot Gold cannot predict the size of future issuances of Common Shares, whether Teck or Newmont will exercise their respective participation rights in an offering of Common Shares, or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares.

Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and Pilot Gold may experience dilution in the Corporation's earnings per share.

### **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. Recently, 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 Corporation and the mining industry in general as capital has been attracted to the industry making it somewhat easier for corporations exploring for commodities to raise financing. The Corporation's future performance is largely tied to the development of its current 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 2013 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 Corporation may have difficulty raising debt or equity financing for the purposes of mineral exploration and development, and, if obtained, on terms favourable to the Corporation and/or without excessively diluting present shareholders of the Corporation. These economic trends may limit the Corporation's ability to develop and/or further explore its mineral property interests and may limit the ability of the Corporation to meet capital calls with respect to Halilaga, and/or meet the TV Tower Expenditure Requirement.

### **Commodity Price Risks**

The price of the Common Shares, the Corporation's financial results and exploration, and development and mining activities may in the future be significantly and adversely affected by declines in the price of gold or other minerals. The price of gold or other minerals fluctuates widely and is affected by numerous factors beyond the Corporation's control, including but not limited to the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions of major mineral-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future price declines in the market value of gold or other minerals could cause continued development of and commercial production from the Corporation's properties to be impracticable. Depending on the price of gold and other minerals, cash flow from mining operations may not be sufficient and the Corporation could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Economic viability of future production from the Corporation's mining properties, if any, is dependent upon the prices of gold and other minerals being adequate to make the properties economic.

In addition to adversely affecting any resource estimates of the Corporation and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### **Foreign Operations Risk**

Some of Pilot Gold's operations are conducted in Turkey and Pilot Gold may acquire or invest in additional properties located in less stable jurisdictions in the future and, as such, its operations are and may increasingly be exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; military repression; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; and changing political conditions and governmental regulations, including changing environmental legislation.

Turkey is seeking membership to the European Union and is progressing to conform to EU standards and develop greater political and economic stability. However, Turkey has historically, and to some degree continues to experience heightened levels of political and economic instability due to regional geopolitical instability. These conditions may be exacerbated by current global economic conditions. This instability may cause changes to existing governmental regulations affecting mineral exploration and mining activities and/or may have a material adverse effect on the Corporation's properties, business and results of operations.

Changes, if any, in mining or investment policies or shifts in political attitudes in Turkey or other jurisdictions in which Pilot Gold holds properties or assets may adversely affect its operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on operations, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the properties, business, operations or financial condition of the Corporation.

In addition, in the event of a dispute arising from foreign operations, Pilot Gold may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Pilot Gold also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for Pilot Gold to accurately predict such developments or changes in laws or policy or to the extent to which any such developments or changes may have a material adverse effect on Pilot Gold's operations.

### **Minority Interests in the Turkish Properties**

The terms of the joint venture agreements governing the exploration of Halilağa and TV Tower provide effective control to TMST over many of the activities conducted on those properties since TMST holds a majority (60%) of the shares of the joint venture companies that hold the mining rights in respect of Halilağa and TV Tower. Although the Corporation is currently the Operator of TV Tower, for as long as the Corporation holds the minority interest, the majority of the directors on the board of directors of the joint venture company, Orta Truva, will be representatives of TMST. The joint venture agreement for Halilağa provides that only a limited number of decisions regarding that property require unanimous approval. Therefore, for as long as the Corporation has only a minority interest, it will be dependent upon TMST for many aspects of project development at Halilağa.

### **Major Shareholders with greater than 10% Holding**

Newmont indirectly holds approximately 15.84% of the Corporation's issued and outstanding Common Shares and is Pilot Gold's single largest shareholder. As a result, Newmont may have the ability to influence the outcome of matters submitted to the Pilot Gold shareholders for approval, which could include the election and removal of directors, amendments to Pilot Gold's corporate governance documents and business combinations. Pilot Gold's interests and those of Newmont may at times conflict, and this conflict might be resolved against Pilot Gold's interests. The concentration of approximately 15.84% of Pilot Gold's issued and outstanding shares in the hands of a single shareholder may discourage an unsolicited bid for the Common Shares, and this may adversely impact the value and trading price of the Common Shares. Furthermore, pursuant to the Newmont Participation Right, Newmont's participation in, or failure to participate in any issuance of Additional Pilot Gold Securities may have a material impact on the value and trading price of the Common Shares.

### **Indemnified Liability Risk**

Pursuant to the Arrangement Agreement, Pilot Gold has covenanted and agreed that, following the FA Effective Date, it will indemnify Newmont, Fronteer and its subsidiaries from all losses suffered or incurred by them 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), which includes (i) a liability or obligation that, following the FA Effective Date, Fronteer or any of its subsidiaries is legally obliged to pay but which was incurred or accrued prior to the FA Effective Date in respect of the Fronteer Exploration Properties (including the operations or activities in connection therewith and any liabilities or obligations for taxes in connection with the transfer of the Fronteer Exploration Properties

to Pilot Gold), and (ii) the amount of any tax payable by Fronteer in respect of the disposition of Common Shares to the former Fronteer security holders. Pilot Gold will remain liable under this indemnity for six years following the FA Effective Date, or until 60 days after the end of the relevant statutory limitation period in respect of claims for taxes. Because of Pilot Gold's limited financial resources, any requirement to indemnify under these provisions could have a material adverse effect on the ability of Pilot Gold to carry out its business plan.

### **Subsidiaries and Joint Ventures**

The Corporation owns its respective 40% interests in the Turkish Properties through joint stock companies with Teck, its approximately 17.5% interest in Gold Springs through a joint venture with High Desert, and it operates some of its properties through subsidiaries. Pursuant to earn-in agreements, the Corporation is also Operator of certain exploration properties for which it does not have title. The Corporation is subject to the typical risks associated with joint ventures and contractual agreements, including disagreement on how to develop, operate or finance the project and contractual and legal remedies of the Corporation's partners in the event of such disagreements. In addition, any limitation on the transfer of cash or other assets between the Corporation and such entities, or among such entities, could restrict the Corporation's ability to fund its operations efficiently. Any such limitations or the perception that such limitations may exist now or in the future, could have an adverse impact on the Corporation's value and stock price.

### **Reliance on a Limited Number of Properties**

The only material property interests of the Corporation are its interest in Kinsley and its 40% minority interests in the Turkish Properties. As a result, unless the Corporation acquires additional property interests, any adverse developments affecting any one of these properties could have a material adverse effect upon the Corporation and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Corporation. While the Corporation may seek to acquire additional mineral properties that are consistent with its business objectives, there can be no assurance that the Corporation will be able to identify suitable additional mineral properties or, if it does identify suitable properties, that it will have sufficient financial resources to acquire such properties or that such properties will be available on terms acceptable to the Corporation or at all. See "*Mineral Properties*" in this AIF.

### **Land Title**

The acquisition of the right to explore and/or exploit mineral properties is a detailed and time-consuming process. Although the Corporation is satisfied it has taken reasonable measures to acquire unencumbered rights to explore its mineral properties in the United States, no assurance can be given that such claims are not subject to prior unregistered agreements or interests or to undetected or other claims or interests which could be material or adverse to the Corporation. The Corporation's mineral properties in the United States are primarily unpatented mining claims to which the Corporation has only possessory title. Because title to unpatented mining claims is subject to inherent uncertainties, it is difficult to determine conclusively the ownership of such claims. These uncertainties relate to such things as sufficiency of mineral discovery, proper posting and marking of boundaries and possible conflicts with other claims not determinable from descriptions of record. Since a substantial portion of all mineral exploration, development and mining in the United States now occurs on unpatented mining claims, this uncertainty is inherent in the mining industry.

The present status of the Corporation's unpatented mining claims located on public lands provides the Corporation with the exclusive right to mine and remove valuable minerals, such as precious and base metals. The Corporation is also allowed to use the surface of the land solely for purposes related to exploration, mining and processing the mineral-bearing ores. However, legal ownership of the land remains with the United States government. The Corporation remains at risk

that the mining claims may be forfeited either to the United States government or to rival private claimants due to failure to comply with statutory requirements.

In Turkey, mining rights and minerals are exclusively owned by the State. The ownership of the minerals in Turkey is not subject to the ownership of the relevant land. The State, under the mining legislation, delegates its rights to explore and operate to individuals or legal entities by issuing licences for a determined period of time in return for a royalty payment. Mining rights, with respect to certain types of mines, belong to State or State enterprises.

The Corporation may need to enter into negotiations with landowners and other groups in the local community in Turkey in order to conduct future exploration and development work on the Turkish Properties. There is no assurance that future discussions and negotiations will result in agreements with landowners and other local community groups in Turkey or if such agreements will be on terms acceptable to the Corporation so that the Corporation can continue to conduct exploration and development work on these properties.

### **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on the availability of adequate infrastructure. Reliable roads, bridges, power sources, fuel and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Corporation's operations, financial condition and results of operations.

### **State Forest Land in Turkey**

In order to conduct drilling or other potentially disruptive exploration activities on concessions within State Forest land in Turkey, valid permits are required from the Republic of Turkey's Ministry of Environment and Forests, General Directorate of Forestry. There have recently been several changes in regulation governing the use of forestry lands for mining activities in Turkey. The potential for continuing change in Turkey as it relates to undertaking exploration activities on concessions within State Forest land, or as it relates to other areas determined to be protected or otherwise deemed to be of national interest is elevated. It is thus uncertain if the Corporation's existing permits may be affected in the future or if the Corporation will have difficulties in obtaining all necessary forest permitting it requires for its mining and exploration activities to continue if any new regulations are adopted.

### **Costs of Land Reclamation**

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the Corporation's properties. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the business, financial condition and results of operations of the Corporation.

### **Limited Operating History**

The completion of the Fronteer Arrangement on April 6, 2011 and subsequent listing on the TSX of the Common Shares marked the start of independent operations for Pilot Gold. As the Corporation is in its second year of operation, it has little history of operations and no earnings. As such, the Corporation is subject to many risks common to such enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

## **Insurance and Uninsured Risks**

The Corporation's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Corporation's properties or the properties of others, delays in the ability to undertake exploration, monetary losses and possible legal liability.

Although the Corporation maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Corporation or to other companies in the mining industry on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards which it may not be insured against or which the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

## **Environmental Risks and Hazards**

The Corporation currently has no known financial obligations relating to environmental protection. However, all phases of the Corporation's operations are subject to environmental regulation including environmental impact assessments and permitting) in the jurisdictions in which it operates. Several of the properties in Nevada to which the Corporation has an interest, including Kinsley, have undergone significant surface disturbance for over 100 years. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation and international standards are evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation and standards, if any, will not adversely affect the Corporation's business, condition or operations. Environmental hazards may exist on the properties on which the Corporation holds interests which are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties.

Pilot Gold cannot give any assurances that breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition. There is no assurance that any future changes to environmental regulation, if any, will not adversely affect Pilot Gold.

## **Water Sources**

Community water sources occur in the region of the Corporation's interest in its properties in Turkey, and in the United States. The Corporation will have to ensure that exploration activities do not impact community water sources. Future operations may require that alternate water sources be provided to potentially affected communities.

## **Competitive Conditions**

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Corporation competes with a number of other entities in the search for and the acquisition of potentially productive mineral properties. In particular, there is a high degree of competition faced by the Corporation in Canada and elsewhere for desirable mining property

interests, suitable prospects for drilling operations and necessary mining equipment, and many of these companies have greater financial resources, operational experience and/or more advanced properties than the Corporation. As a result of this competition, the majority of which is with companies with greater financial resources than the Corporation, the Corporation may be unable to acquire attractive properties in the future on terms it considers acceptable. The Corporation also competes with other resource companies, many of whom have greater financial resources and/or more advanced properties, in attracting equity and other capital necessary for the Corporation to advance the exploration and development of its mineral properties.

The ability of the Corporation to acquire additional properties depends on, among other things, its available working capital, its ability to explore and develop its existing properties, its ability to attract and retain highly-skilled employees, and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Corporation may affect the marketability of minerals mined or discovered by the Corporation. Mineral prices have historically been subject to fluctuations and are affected by numerous factors beyond the control of the Corporation.

In addition and as described in this AIF, the Corporation is subject to certain covenants in the Arrangement Agreement that affect its ability to acquire and explore additional properties in a prescribed AOI in Nevada. The management, employees and directors of Pilot Gold have significant expertise, experience and history working in the State of Nevada. These covenants and restrictions will prevent Pilot Gold from entering into, or undertaking activities in this AOI for a specified period of time which may reduce the Corporation's potential and ability to benefit from and maximize the collective experience of its management, employees and directors.

### **Specialized Skill and Knowledge**

Various aspects of the Corporation's business require specialized skills and knowledge. Such skills and knowledge include the areas of permitting, geology, drilling, metallurgy, logistical planning and implementation of exploration programs as well as finance and accounting. The Corporation has found that it can locate and retain such employees and consultants and believes it will continue to be able to do so; however, no assurances can be made in that regard.

### **Acquisitions and Integration**

From time to time, it can be expected that the Corporation will examine opportunities to acquire additional exploration and/or mining assets and businesses. Any acquisition that the Corporation may choose to complete may be of a significant size, may change the scale of the Corporation's business and operations, and may expose the Corporation to new geographic, political, operating, financial and geological risks. The Corporation's success in its acquisition activities depends upon its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Corporation. Any acquisitions would be accompanied by risks. If the Corporation chooses to raise debt capital to finance any such acquisitions, the Corporation's leverage will be increased. If the Corporation chooses to use equity as consideration for such acquisitions, existing shareholders may suffer dilution. Alternatively, the Corporation may choose to finance any such acquisitions with its existing resources. There can be no assurance that the Corporation would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

### **Influence of Third Party Stakeholders**

Some of the lands in which Pilot Gold holds an interest, or the exploration equipment and roads or other means of access which Pilot Gold intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups or companies. If such third parties assert any claims, Pilot Gold's work programs may be delayed even if such claims are without merit. Such delays may result in significant financial loss and loss of opportunity for Pilot Gold.

## **Future Sales of Common Shares by Existing Shareholders**

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Corporation's ability to raise capital through future sales of Common Shares. In particular, Newmont and Teck indirectly own approximately 16.16% and 5.25% respectively of the issued and outstanding Common Shares. If either Newmont or Teck decide to liquidate all or a significant portion of their position, it could adversely affect the price of the Common Shares.

## **Risk of Litigation**

Pilot Gold may become involved in disputes with third parties in the future which may result in litigation. The results of litigation cannot be predicted with certainty and defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. If Pilot Gold is unable to resolve these disputes favourably or if the cost of the resolution is substantial, such events may have a material adverse impact on the ability of Pilot Gold to carry out its business plan.

## **Conflicts of Interest**

Certain of the directors and officers of the Corporation also serve as directors and/or officers of Oxygen, a company from whom the Corporation receives management and technical services, as well as other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Corporation should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the CBCA and other applicable laws.

## **Passive Foreign Investment Corporation ("PFIC")**

Pilot Gold was classified as a PFIC within the meaning of Section 1291 through 1298 of the US Internal Revenue Code of 1986, as amended, for the 2011 tax year, and may again be classified as a PFIC for the 2012 tax year. A US shareholder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to special US federal income taxation rules, which may have adverse tax consequences to such shareholder. Additionally, a United States shareholder may be eligible to make certain elections under two alternative tax regimes. A US shareholder should consult its own US tax advisor with respect to an investment in the Common Shares and to ascertain which elections, if any, might be beneficial to the United States shareholder's own facts and circumstances.

## **Key Executives**

The Corporation is dependent on the services and technical expertise of several key executives, including the directors of the Corporation and a small number of highly skilled and experienced executives and personnel. Many of these key executives are employed directly by Oxygen, and provide services through a management services arrangement. Due to the relatively small size of the Corporation, the loss of any of these individuals or the termination of the agreement with Oxygen, may adversely affect the Corporation's ability to attract and retain additional highly skilled employees and may impact its business and future operations.

## **Internal Controls**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to

the reliability of financial reporting and financial statement preparation. Although Pilot Gold has a very limited history of operations, the Corporation has undertaken to put into place a system of internal controls appropriate for its size, and reflective of its level of operations. The Corporation's certifying officers have assessed internal control over financial reporting to be effective as at December 31, 2012.

### **Credit Risk**

Credit risk arises from cash and cash equivalents held with banks and financial institutions, and amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

### **Liquidity Risk**

Pilot Gold has no debt, and at the date of this AIF, approximately \$36 million in cash and short term deposits primarily held with large Canadian, US and Turkish commercial banks and approximately \$0.80 million of available for sale investments<sup>8</sup>.

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Corporation's objective in managing liquidity risk will be to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time. The total cost and planned timing of acquisitions and/or other development or construction projects is not currently determinable and it is not currently known precisely when the Corporation will require external financing in future periods.

### **Currency Rate Risk**

The Corporation's reporting currency is the United States dollar, which is exposed to fluctuations against other currencies. The Corporation's most recent equity financing was undertaken, and funds were received in Canadian dollars. The Corporation's primary operations are located in the United States and Turkey and many of its expenditures and obligations are denominated in United States dollars, and Turkish lira. It can be anticipated that obligations will also arise in Euros and other currencies should the Corporation expand its operations into additional countries. The Corporation maintains its principal office in Canada, maintains cash accounts in United States dollars, Turkish lira, and Canadian dollars and has monetary assets and liabilities in United States dollars, Canadian dollars, and Turkish lira. As such, the Corporation's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Corporation. The Corporation has not undertaken to mitigate transactional volatility in the United States dollar, Turkish lira, or the Canadian dollar at this time. The Corporation may, however, enter into foreign currency forward contracts in order to match or partially offset existing currency exposures.

### **Dividend Policy**

No dividends on the Common Shares have been paid by the Corporation to date. Payment of any future dividends will be at the discretion of the Corporation's board of directors (the "**Board**") after taking into account many factors, including the Corporation's operating results, financial condition and current and anticipated cash needs. At this time, the Corporation has no source of cash flow and anticipates using all available cash resources towards its stated business objectives and retaining all earnings, if any, to finance its business operations.

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<sup>8</sup> Fair value of Available for Sale investments include common shares and share purchase warrants of investment securities determined using the Black-Scholes equation.

## MINERAL PROPERTIES

As at March 27, 2013, the Corporation holds an interest in three mineral properties that are considered to be material within the meaning of applicable Canadian securities laws: (i) TV Tower, (ii) Halilağa, and (iii) Kinsley; to be material for the purposes of NI 43-101. These properties are discussed in detail below. The remaining properties are in a relatively early stage.

### TV Tower, Turkey

Except as otherwise stated herein, the following disclosure relating to TV Tower is based on information derived from the updated technical report entitled “Updated Technical Report on the TV Tower Exploration Property, Çanakkale, Western Turkey”, effective July 15, 2012, and dated August 3, 2012, prepared Paul Gribble, (the “**TV Tower Technical Report**”). C.Eng., FIMMM, UK Manager, Geology, Tetra Tech Wardrop (“Tetra Tech”) is the designated Qualified Person for the TV Tower Technical Report upon which the Technical Information reproduced in this AIF is based. See in this AIF, “*Interests of Experts*”.

Readers are directed to and encouraged to review the TV Tower Technical Report, which can be reviewed in its entirety under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) and which qualifies the following disclosure. The following summary is not exhaustive. The TV Tower Technical Report is intended to be read as a whole, and sections should not be read or relied upon out of context. The TV Tower Technical Report contains the expression of the professional opinion of the Qualified Person based upon information available at the time of preparation of the TV Tower Technical Report. The following disclosure, which is derived from the TV Tower Technical Report, is subject to the assumptions and qualifications contained in such report.

The TV Tower Technical Report supports Pilot Gold’s assumption of operatorship at TV Tower, and earn-in option for control of TV Tower. As described in this AIF, in June 2012 Pilot Gold became project Operator of TV Tower further to having signed an earn-in agreement that will, subject to Pilot Gold meeting certain earn-in obligations, result in a transfer of shares equal to an additional 20% interest in Orta Truva, the Turkish joint stock company that holds TV Tower to a subsidiary of Pilot Gold, effectively providing Pilot Gold a 60% interest in TV Tower. Pilot Gold will have control over the budget and operational/program execution throughout the earn-in period. The earn-in obligations are to be discharged over a three year period and include prescribed annual exploration expenditure amounts on TV Tower. As initial consideration, Pilot Gold issued Common Shares and Teck Warrants to TMST. Pilot Gold must also issue additional Common Shares on each of the first and second anniversaries of the date the related agreement was signed, should Pilot Gold elect to continue with the earn-in.

### Property Description and Location

TV Tower is located in Çanakkale Province on the Biga Peninsula of North-Western Turkey. TV Tower consists of 7,108.96 ha. of mineral tenure in eight contiguous licences. One of the licences is at the Operation-stage, one is pending conversion to the Operation-stage (Operation-pending), and the remaining six licences are in the exploration stage.

TV Tower is a 40%-60% joint venture between Pilot Gold and TMST. Seven of the licences relating to TV Tower are held by Orta Truva, a Turkish joint stock company. One licence relating to TV Tower is held by TMST for the benefit of Orta Truva pending conversion to the Operation-stage.

As described in this AIF, on June 20, 2012, Pilot Gold entered into a share-purchase and joint venture agreement with Teck, the parent company to TMST, pursuant to which, Pilot Gold would have the right to acquire a further 20% of Orta Truva, and thus indirectly, a further 20% in TV Tower. Through the three year period over which Pilot Gold will have the right to earn-in to the additional 20%, Pilot Gold will be the Operator of TV Tower. At the date of the TV Tower Technical Report, Pilot Gold has commenced undertaking the TV Tower Expenditure Requirement.

According to the General Directorate-Mining Affairs, the State will receive 4% of NSR (known as the State's rights) for precious metals in the fourth Group minerals (in other words, non-ferrous minerals, excluding gems). Each year the licence holder pays the royalty on the last day of June.

The author of the TV Tower Technical Report is not aware that the property is subject to environmental liabilities other than those attached to drill site permits that have been, or may be issued in the future.

Other than standard drilling and forestry permits and the impending EIA for Licence No. 20050783, the author of the TV Tower Technical Report is not aware of any other permits that must be acquired to conduct work proposed on the property. All permits are in place to carry out the 2012 exploration program.

### **Accessibility, Climate, Local Resources Infrastructure and Physiography**

TV Tower is located 27 km SE of the city of Çanakkale and 2.6 km N of the village of Kuşçayırı on the Biga Peninsula in NW Turkey. Access to TV Tower and the defined targets is afforded by a series of local improved and unimproved gravel and dirt forestry roads.

TV Tower is located in an area of steep-sided hills and ridges. The highest elevations on the property are ~ 700 m. Exploration areas require significant road construction for drilling. Most of the property has been logged in the past, such that vegetation includes immature pine trees and heavy brush, particularly on north-facing slopes. Deciduous trees are present in areas with year-round streams.

The Biga Peninsula has fertile soils and a Mediterranean climate with mild, wet winters and hot, dry summers. Temperatures range from 15 to 35°C in the summer and -10 to 10°C in the winter months. The annual rainfall is approximately 30 cm, generally falling as mixed rain and snow in late fall and winter. Year-round access to the properties for field exploration is unrestricted due to weather; however, snow during winter may restrict vehicle movement for short periods.

The region is well-serviced with electricity, transmission lines and generating facilities, the most significant being a large coal-fired power plant outside the Town of Çan (37 km to the E). Population and agricultural activity is concentrated in the valleys, while most areas of active exploration are located in highlands which are predominantly forested. Local labour is employed from nearby villages, although no villages lie within the exploration licences.

There is no exploration infrastructure located on the property, with the exception of dirt roads used for logging. There are a number of streams and water springs located at the base of many of the hills that would be suitable sources of water for drilling.

### **History**

Limited historical exploration work has been completed within the TV Tower licence areas. There are numerous small, ancient, possibly Roman workings, located throughout the property. These workings include prospect pits, small stopes and ore piles and are widespread in and around mineralized areas of the Biga Peninsula. A series of holes were drilled in the Sarp target area in the northeastern part of TV Tower, but further details of this exploration work or results from the drilling are not known. The Government General Directorate of Mineral Research and Exploration of Turkey ("MTA") conducted a regional-scale exploration program over the Biga Peninsula between 1988 and 1991. Results from this work were not available to the author of the TV Tower Technical Report. In 1996 and 1997, TMST collected 36 rock samples from silicified and argillic altered outcrops along with six silt samples. The highest-grade rock samples returned 1900 ppb and 510 ppb Au at Sarp. The highest value returned from the silt samples was 241 ppb Au from the SE portion of the property. These anomalous results highlighted the potential of the area. The author of the TV Tower Technical Report is not aware of any previous mineral resource or reserve estimates or mineral production from the property.

## Geological Setting

TV Tower lies within the central part of the Biga Peninsula, the geology of which is complex and characterized by various lithological associations made up of:

1. Paleozoic and early Mesozoic basement metamorphic rocks.
2. Permian and Mesozoic sedimentary and ophiolitic rocks.
3. Tertiary volcanic and intrusive rocks
4. Neogene sedimentary rocks.

Older rocks are affected by several collisional orogenic events. Tertiary rocks record mainly brittle extensional and transtensional deformation.

TV Tower hosts metamorphic basement rocks at low elevations in the western and central areas, overlain by interlayered Tertiary calc-alkaline volcanic and volcanoclastic rocks. They are variably altered, brecciated and mineralized and display a range of intensities of brittle deformation.

## Exploration

TMST and Pilot Gold's predecessor, Fronteer, undertook surface exploration programs from 2007 through 2011, including:

- Extensive grid-based soil sampling, totalling over 4,460 samples.
- Prospecting and rock sampling, totalling over 1,780 samples.
- Geological mapping over approximately 60% of the property.
- Ground magnetics (35 line-km) and IP (77.4 line-km), over established targets.
- PIMA Hyperspectral analysis of over 4,000 rock and core samples.

The results of these investigations showed the presence of widespread Au and Cu geochemical anomalies and geophysical anomalies on the property, produced the first geological map of the property, and led to designation of at least seven high-priority targets, of which four have been tested by drilling.

TMST and Pilot Gold have continued this program in 2012, with an emphasis on target identification and definition. As of the effective date of the TV Tower Technical Report, Pilot Gold had collected over 444 rock and 1,089 soil samples, and has identified or refined several new or existing targets.

## Mineralization

TV Tower is interpreted to contain multiple zones of Au mineralization nested within a large, highly-altered volcanic center or centers. Many of these target areas have widespread epithermal alteration with supporting geophysical and geochemical signatures typical of those seen at other HS and LS Au (Kirazlı, Ağıdağ) and porphyry Cu-Au deposits (Halılağa) within the Biga Peninsula.

The targets defined to date on the TV Tower property are classified as either LS epithermal Au-Ag, HS epithermal Au-Ag ± Cu or Cu-Au porphyry mineralization.

Targets are defined by surface geochemistry, alteration and IP chargeability highs, and include the following:

### Küçükdağ (KCD) Target

Pilot Gold's current interpretation is that the main zone of mineralization at KCD is hosted in sub-vertical, hydrothermal, near-surface breccias which crosscut a sub-horizontal volcanic stratigraphy. Mineralization is characterized by a high sulphidation epithermal gold-pyrite-enargite assemblage and associated silicification and advanced argillic alteration. The mineralized zone trends W-NW/ E-SE. Au-Cu mineralization in the main zone is associated with hydrothermal breccias. Ag-rich, relatively strata-bound zone extends to the NE margin of the mineralization with polymict grading to crackle breccias. A total of 43 diamond drill holes totalling 8,610.3 m were drilled at

Küçükdağ in late 2010 and 2011. The discovery hole, KCD-2, returned 136.2 m grading 4.3 g/t Au, 0.68% Cu and 15.8 ppm Ag from a silica-sulphide-cemented breccia zone.

#### Kayalı/Nacak Targets

At Kayalı, structure-related silicification and brecciation host Au vuggy silica and advanced argillic alteration characteristic of a HS Au system. The mineralized zone is interpreted as a NW-SE trending steep structural zone or rib cutting silicified volcanoclastic and other units (ledge). Au-bearing intervals mainly coincide with highly oxidized, intensely silicified and either fractured or locally brecciated intervals in lithic tuffs outcropping on the main ridge of the TV Tower property. In addition to Au mineralization, a supergene chalcocite enrichment zone exists at some 150 to 200-m depth in the eastern portion of main silicified zone. The Nacak target is located to the NE of Kayalı, and consists of a HS epithermal target and a porphyry target. A total of 37 diamond drill holes totalling 7,977 m were drilled at Kayalı and Nacak in 2010 and 2011. The discovery hole, KYD-1, returned 114.5 m averaging 0.87 g/t Au from a silicified, brecciated and oxidized volcanoclastic unit.

#### Sarp/Columbaz Target

The Sarp/Columbaz target, located in the east-central part of the TV Tower property, was defined by extensive silicification, advanced argillic alteration, anomalous surface geochemistry and a strong IP chargeability high. 11 diamond drill holes totalling 2,112.1 m were drilled at Sarp in 2010 and 2011. The Sarp/Columbaz area was originally explored by TMST as a HS epithermal target. Pilot Gold has recognized the presence of high grade Au and Ag in LS epithermal quartz veins at this target and will be testing this alternative model in 2012.

#### Other Targets

Other targets exist on the property that have not been drill tested, including the Kestanecik LS epithermal Au-Ag target, the Nacak Cu-Au porphyry target, the Gümüşlük Au-Cu target and the Tesbihçukuru HS epithermal Au target. As mapping and sampling progress, other targets are being discovered.

#### **Drilling**

All recent drilling on TV Tower was carried out in two separate campaigns between August 2010 and December 2011. All drilling through this period was carried out by TMST. The main objective of the 2010 and 2011 drilling programs was to test coincident IP/MAG geophysical anomalies and anomalous Au values in rock and soil samples at the Küçükdağ, Kayalı/Nacak and Sarp/Columbaz targets.

Between August 2010 and early January 2011, a total of 19 diamond core holes were drilled (including two abandoned) for a total of 4,183.60 m. From March 2011 through the effective date of the TV Tower Technical Report, 83 diamond core holes were drilled of which 74 were completed for 15,446.6 m.

Drill results to date on the Küçükdağ target have been very encouraging. KCD-02 and KCD-19, drilled into the sub-vertical breccia zone, returned 4.26 g/t Au over 136.20 m (drilled), including 12.76 g/t Au over 15.90 m, and 3.80 g/t Au over 131.80 m (drilled), including 9.54 g/t Au over 45.00 m respectively. KCD-16, drilled into the stratiform Ag zone, returned 51.94 g/t Ag over 74.5 m (drilled).

At the Kayalı target, drilling has supported Au grades returned from surface channel sampling, with KYD-01 returning 15.4 m (drilled) at 2.85 g/t Au, and KYD-02 returning 22.5 m (drilled) at 1.98 g/t Au. Other holes have returned shorter lengths at grades exceeding 1 g/t Au.

## **Sampling and Analysis**

All drill samples collected were subjected to quality control procedures that ensured best practice in the handling, sampling, analysis and storage of the drill core. The author of the TV Tower Technical Report considers the adequacy of sampling, security and analytical procedures carried out by TMST to be satisfactory.

Drill holes were collared in HQ diameter core (63.5 mm). The holes were reduced to NQ (47.6 mm) when and where problems were encountered due to bad ground conditions such as clay-rich fault zones. Core was placed in plastic boxes with depth markers every drill run (up to 3 m).

Boxes were securely sealed and brought to the core facility at TMST's Etili camp and secure core logging and storage facility once a day by the drilling company. Reflex survey tests were taken at 50 to 100 m intervals down-hole to provide measurements of drill hole deviation. All drill holes were sampled and assayed continuously by staff of TMST on behalf of Orta Truva, with the exception of obviously non-mineralized intervals in drill holes KCD-03, KCD-01 and KYD-07. Sample intervals were selected on a geological basis and generally average < 1.0 m in length and up to 1.5 m.

Most of the diamond drill holes were completed using HQ size core and the average recovery was 86%. The majority of core loss was due to fault gouge zones. QA/QC protocols generally conform to industry standards and no concerns were raised.

## **Security of Samples**

Samples were transported to Acme Analytical Laboratories Ltd. ("ACME") in Ankara for sample preparation, including crushing and preparation of a 1000 gram pulp. After samples were processed a 100-g pulp packet was forwarded to ACME in Vancouver for geochemical analysis by ICP-MS and gold by fire assay, with the remaining "master pulp" material for each sample remaining in Ankara and later transferred to the Etili camp for final storage. Notification of receipt of sample shipments by the laboratory is confirmed by electronic mail. No problems were encountered during the transport throughout the program.

## **Mineral Resource and Mineral Reserve Estimates**

No mineral resource or mineral reserve estimates have been completed at this early stage in the project.

## **Exploration and Development**

TV Tower hosts significant epithermal mineralization and alteration in a highly prospective geographic region. The most advanced target is Küçükdağ. Tetra Tech recommends increasing the drill density at this target to increase confidence in the geological model and continuity and distribution of mineralization pursuant to producing a Mineral Resource Estimate at the end of 2012. The Kayalı and Sarp targets both merit further drilling, as preliminary drilling, surface sampling, geophysics and recent geological mapping and interpretations are encouraging. Further drilling, infill soil sampling, structural mapping and IP will aid in consolidating understanding of the current targets. Additional detailed mapping should be continued to evaluate the other targets and assess the potential of the licence area.

The TV Tower licences offer further potential for Au-bearing epithermal mineralization with limited drilling to date at Sarp and Nacak. The property also hosts additional early-stage targets such as Kestanecik.

## Recommendations

The following recommendations have been proposed by Pilot Gold for their first year program as Operator at TV Tower; these have been reviewed and are supported by Tetra Tech:

- Detailed geological and structural mapping.
- Geochemical sampling including infill soil geochemistry, detailed rock sampling and channel sampling over selected targets.
- IP surveying on 125 m-spaced lines over high priority targets (total 30 line-km).
- Airborne magnetic surveying over the entire property (total 791 line-km).
- Commencement of an EIA Report on the operation-stage and pending operation-stage licences.
- Commence environmental baseline study work.
- 16,000 m of diamond core drilling, distributed thus:
  - Küçükdağ: 10,000 m
  - Kayalı: 2,250 m
  - Sarp: 2,250 m
  - Other Targets: 1,000 m

The total budget for program outlined above is estimated by the authors of the TV Tower Technical Report at \$5,340,000 (inclusive of approximately 3% contingency) as detailed in the table below. In accordance with the TV Tower Agreement, Pilot Gold's share of the 2012 budget would be 100% of the proposed budget to comply with the earn-in agreement.

### Budget proposed in TV Tower Technical Report for 2012

Item	Estimated Cost (US\$)
Wages	410,000
Environmental	20,000
Metallurgy	50,000
Geology	300,000
Drilling	2,700,000
Field Support	310,000
Reclamation, Community Relations & Land Acquisitions	185,000
Geophysics	425,000
Assaying & Geochemistry	655,000
Resource Estimation	30,000
Administrative	105,000
<i>Subtotal</i>	<i>5,190,000</i>
Contingency (~3%)	150,000
<b>Total</b>	<b>5,340,000</b>

### Actual expenditures through 2012

During 2012, the exploration program at TV Tower included property-wide airborne geophysics and surface mapping and extensive soil and rock geochemical sampling. From January 1, 2012 to December 31, 2012, the Corporation incurred \$4.77 million in direct expenditures at TV Tower compared to a budget of \$4.13 million. Total expenditures were varied from both the Corporation's budget and the recommended budget outlined in the TV Tower Technical Report as a reflection of the timing of signing the TV Tower Agreement. Where the TV Tower Technical Report contemplated a full year, and the Corporation's budget contemplated a period of approximately nine-months as operator, the agreement was signed later than originally anticipated.

## ***Recent Developments<sup>9</sup>***

The following disclosure relating to TV Tower is based on information derived from press releases issued by the Corporation dated September 19, 2012, November 14, 2012, December 03, 2012, December 18, 2012, January 09, 2013, January 15, 2013, January 22, 2013, January 28, 2013, February 04, 2013, February 28, 2013, March 19, 2013 as well as non-material activities and results.

Since the Corporation became project Operator of TV Tower in late June 2012, the Corporation has undertaken significant work on TV Tower, including regional grid-based soil sampling, prospecting and rock sampling, geological mapping, airborne geophysical surveys and diamond drilling at KCD.

Soil and rock sampling was conducted property-wide, including collection and analysis of 2,641 soil, 745 rock and 17 silt samples. This effort resulted in discovery/ definition and/or refinement of several new targets. These targets include the Kestanecik and Sarp/Columbaz low sulphidation epithermal gold-silver targets, Kartaldağ West high/low sulphidation gold, and Gümüşlük listwanite gold targets. The existing Kayali high sulphidation epithermal gold oxide target was reinterpreted as a structural rib. The Columbaz and Kayali targets are slated for drill testing in Q2 2013, with the Kartaldağ West and Gümüşlük targets slated for drill testing toward year end.

A detailed airborne-electromagnetic and -magnetic survey was carried out over the entire property in October, 2012. This survey identified potentially significant structures and buried intrusions which should aid in future target definition.

A 14,441 m, 70-hole drill program was carried out from August 2012 through early February 2013, utilizing three diamond core drills. All holes were drilled at KCD with the goal of achieving a drill density sufficient for resource estimation. High and moderate-grade gold, silver and/or copper mineralization were encountered in most drill holes over an area measuring approximately 300 x 600 m. Gold mineralization is hosted in a zone that strikes west-northwest and dips to the north-northeast. Styles of gold mineralization include breccia- vein- and vuggy silica-hosted types, accompanied by trace to high-grade silver and copper. The zone of gold mineralization is overlain by a thick zone of silver-only or silver-copper mineralization. The gold and silver zones are exposed on the surface on the south and east sides of the zones, and open laterally to the west-northwest and down-dip to the north.

Significant drill intercepts included:

- KCD-39: 5.94 g/t Au, 12.64 g/t Ag, 0.53% Cu over 137.1 m, including 18.8 g/t Au over 27 m: Starting in breccia identified in discovery hole KCD-002, the hole quickly transitioned into volcaniclastic rocks and encountered new mineralization in a stratiform vuggy silica zone, signifying that mineralization could be traced well beyond the boundary of the breccia.
- KCD-50: 227 g/t Au over 12.0 m: Collared 70 metres northwest of KCD-39, the hole intercepted shallowly dipping veins bearing visible gold. The results, in conjunction with observations from other nearby holes, showed the presence of widespread, vein-hosted gold mineralization.
- KCD-104: 69.0 g/t Ag over 94.0 m, including 255 g/t Ag over 18.1 m: The most westerly hole of the silver blanket also returned some of the strongest grades. The silver zone remains open to the west and north.

Significant structural and stratigraphic complexities, as well as complex distribution and styles of mineralization and localized high gold grades, were encountered in the gold zone. Therefore, the average density of drill intercepts was reduced from 50-metre centres (anticipated in the original drill

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<sup>9</sup> Discussion detailed under heading “*Mineral Properties – TV Tower, Turkey: Recent Developments*” in this AIF supplements and updates the disclosure summarizing the TV Tower Technical Report.

plan) to 20- to 30-metre centres in order to adequately test the distribution and controls on mineralization. The gold zone is still open down-dip to the north and to the northwest. The silver zone is largely separate from the gold zone, and its distribution appears to be largely focused on an interval of fluvial-lacustrine strata overlying the gold zone. The silver zone is open to the north and west, with some of the thickest and highest-grade intercepts returned from holes drilled on the western edge of the zone.

Notwithstanding the recommendations of the TV Tower Technical Report, the Corporation did not endeavour to undertake a Mineral Resource Estimate in 2012 given the later than anticipated start to the drill program, and the relatively nascent understanding of the size and scale of mineralization at KCD. The late start to the program also precluded drilling at the Kayali and Columbaz targets in 2012. As indicated above, this activity has been deferred to 2013.

The Corporation completed the \$5 million first-year committed TV Tower Expenditure Requirement in January 2013, and issued 1,637,500 Common Shares to TMST in connection with accomplishing this first milestone on March 19, 2013.

### **Halilağa, Turkey**

Except as otherwise stated herein, the following disclosure relating to Halilağa is based on information derived from the updated technical report entitled “*Preliminary Economic Assessment Technical Report for the Halilağa Project, Turkey*”, effective August 27, 2012, and dated October 10, 2012, co-authored by Gordon Doerksen, P.Eng., James Gray, P.Geo., Garth Kirkham, P.Geo., Dino Pilotto, P.Eng., Maritz Rykaart, P.Eng., Kevin Scott, P.Eng. (the “**Halilağa PEA**”). See in this AIF, “*Interests of Experts*”. The Halilağa PEA was commissioned by Truva Bakır, the Joint Venture holding company that holds Halilağa for the respective 60% and 40% interests of TMST and Pilot Gold.

The Halilağa PEA is based upon the mineral resource estimate first presented in the mineral resource estimate in the Gray Kirkham Report. The purpose of Halilağa PEA is to present the “first time” findings of a preliminary economic assessment of Halilağa. The contents of Halilağa PEA reflect various technical and economic conditions at the time of writing. Given the nature of the mining business, these conditions can change significantly over relatively short periods of time. Consequently, actual results may be significantly more or less favourable.

The Halilağa PEA is considered preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Mineral Resources that are not Mineral Reserves have not yet demonstrated economic viability. Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration or Mineral Reserves once economic considerations are applied. Therefore there is no certainty that the production profile concluded in the Halilağa PEA will be realized.

The reader is cautioned that the preliminary economic assessment summarized in the Halilağa PEA is only intended to provide an initial, high-level review of Halilağa. Further studies, including engineering and economics are required (typically a preliminary feasibility study, or “**PFS**”) with regards to infrastructure and operational methodologies. The Halilağa PEA mine plan and economic model include the use of a significant portion of inferred resources which are considered to be too speculative to be used in an economic analysis except as permitted by NI 43-101 for use in PEAs as mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no guarantee that inferred resources can be converted to indicated or measured resources nor is there any guarantee that Halilağa economics described in the Halilağa PEA would be achieved.

Readers are directed to and encouraged to review the Halilağa PEA, which can be reviewed in its entirety under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and which qualifies the following disclosure. The following summary is not exhaustive. The Halilağa PEA is intended to be read as a whole, and sections should not be read or relied upon out of context. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Halilağa PEA. The Halilağa PEA contains the expression of the professional opinions of the individual Qualified Persons based upon information available at the time of preparation of the Halilağa PEA. The following disclosure, which is derived from the Halilağa PEA, is subject to the assumptions and qualifications contained in such report.

### **Project Description and Location**

Halilağa is located about 40 km southeast of Çanakkale between the villages of Halilağa and Muratlar in the south-central part of the Biga Peninsula in Northwestern Turkey. The main area of interest is the Kestane porphyry copper-gold zone located at 483200E, 4419200N UTM Central meridian 27 (ED50 datum).

In 2002, Halilağa was acquired at auction by Teck Cominco Arama ve Madencilik Sanayi Ticaret A. Ş. (now TMST). In 2004, TMST and Fronteer Gold Inc. ("Fronteer", fka Fronteer Development Group Inc.), a predecessor company to Pilot Gold, entered into an option agreement that covered several properties in the Biga Peninsula (including Halilağa) that enabled Fronteer to acquire 100% interest in the properties subject to certain earn-back rights by TMST; Fronteer was required to spend \$2.0 million on exploration over four years, with a first-year firm commitment of \$0.2 million.

After the initial program by Fronteer, TMST decided to earn-back into Halilağa on November 30, 2006. Subsequently, TMST earned a 60% interest in Halilağa by investing \$2.5 million during 2007. On December 31, 2009, TMST declined to earn an additional 10% interest in Halilağa.

Truva Bakır, owns, or has beneficial interest in, the licenses that comprise Halilağa. Pilot Gold has a 40% interest and TMST has a 60% interest in Truva Bakır. Fronteer's interest in Truva Bakır, and thus, Halilağa was transferred to Pilot Gold in April 2011.

Halilağa consists of 19 licenses covering 9,299.79 ha. Eighteen licenses are directly held by Truva Bakır, and one license is held by TMST for the benefit of Truva Bakır. Three of the licenses are "Exploration-type", Four are "Operation-type", and the remaining twelve licenses have pending operation licenses (Operation-pending). The main license hosting the Central Zone at the Kestane porphyry has been converted to an Operation-type license.

Table i: Halılađa Tenure Summary, Canakkale Province

TO	ACQ DATE	DUE DATE	AREA (ha)	REGISTRATION NO	LICENSE NO	LICENCE TYPE	OWNER
Bayramic	10/7/2003	10/7/2013	428.99	2399031	IR-7468	Operation	Teck
Bayramiç	5/21/2009	5/21/2019	1,994.47	3290089	81802	Operation	Truva Bakir
Bayramic	4/8/2005	4/8/2010	605.32	3052748	20050053	Operation Pending	Truva Bakir
Bayramic	3/2/2012	3/2/2022	829.10	1098491	20054260	Operation	Truva Bakir
Bayramic	3/8/2006	3/9/2011	131.39	2389904	20061699	Operation Pending	Truva Bakir
Bayramic	3/8/2006	3/9/2011	433.61	2428284	20061700	Operation Pending	Truva Bakir
Çan	3/8/2006	3/8/2011	823.24	3074271	20061704	Operation Pending	Truva Bakir
Çan	3/21/2012	3/21/2022	1,328.73	3080113	20064172	Operation	Truva Bakir
Çan	7/13/2007	7/13/2012	250.00	3129124	200707000	Operation Pending	Truva Bakir
Bayramic	11/13/2007	11/13/2012	75.15	3146203	200710080	Operation Pending	Truva Bakir
Bayramic	11/13/2007	11/13/2012	686.20	3146197	200710081	Operation Pending	Truva Bakir
Bayramic	11/13/2007	11/13/2012	404.10	3146206	200710082	Operation Pending	Truva Bakir
Bayramic	11/13/2007	11/13/2012	128.09	3146212	200710083	Operation Pending	Truva Bakir
Bayramic	11/13/2007	11/13/2012	58.05	3146215	200710084	Operation Pending	Truva Bakir
Bayramic	11/13/2007	11/13/2012	146.64	3146209	200710087	Operation Pending	Truva Bakir
Çan	3/7/2008	3/7/2013	8.80	3167539	200801694	Operation Pending	Truva Bakir
Bayramic	3/7/2008	3/7/2013	18.80	3167537	200801695	Exploration	Truva Bakir
Çan	5/3/2012	5/3/2019	769.94	3270271	201200524	Exploration	Truva Bakir
Bayramic	5/3/2012	5/3/2019	179.17	3255378	201200525	Exploration	Truva Bakir

According to Turkish mining law, the property boundaries are defined by the coordinate descriptions on the original license application and awarded to the applicant by the government. The licenses that define Halilağa are expressed according to the UTM northern Zone 35 coordinate system and European Datum 1950.

The Government of Turkey would normally receive a 2% NSR (known as the State's rights) for precious metals and copper. Because Halilağa is proposed to use copper flotation, the copper NSR is reduced to 1%<sup>10</sup>. Halilağa is located on State-owned forestry land, therefore an additional 30% is added to the royalty payment, increasing the gold royalty to 2.6% and the copper royalty to 1.3%. Each year the license holder pays the royalty on the last day of June.

Truva Bakır's project activities are required to follow the mining codes as set out within Turkey's state and local environmental regulations. Truva Bakır must protect the environment from spills; capture and dispose of hazardous material including aviation fuel; reclaim disturbed ground; cap and plug drill holes; and remove all refuse.

The authors of Halilağa PEA are not aware that the properties are subject to any environmental liabilities other than those attached to drill site permits that have been, or may be, issued. They note further that all of the necessary forest and environmental permits were obtained for 2011, including permission for timbering, road construction, drill site construction, and drilling. As described in more detail at "*Environmental Impact Assessment report – Update*" in this AIF, In December 2011, Truva Bakır submitted an EIA report to the Turkish Ministry of Environment and Urban Planning (the "**Ministry**") in connection with an application to renew the principal licenses that comprise Halilağa. The license and EIA contemplate a small-scale copper-gold test mining scenario as part of an ongoing effort to advance understanding of Halilağa.

SRK became aware, through Pilot Gold, that in August 2012, Truva Bakır was informed that the Ministry of Environment and Urbanism in Turkey (the "**Ministry**") had been served a legal petition by certain claimants in Turkey to annul the Ministry's approval of the EIA.

The petition filed with the Çanakkale Administrative Court (the "**Court**") names the Ministry as the respondent and does not name Truva Bakır or its shareholders. The petition also requests suspension of any activities contemplated in the EIA by way of an interim decision to be granted by the Court. Truva Bakır was advised at the time that the Ministry was expected to respond to the petition in the 4th quarter of 2012.

Pilot Gold believes the petition is without merit, and even if the petition is successful, and the EIA is annulled, the ability to continue planned 2013 exploration activities at Halilağa is unaffected. Should the EIA be annulled, Truva Bakır would revisit the EIA process, and resubmit an updated EIA to address identified issues, and update for the results of ongoing economic and environmental studies, including those contemplated in the Halilağa PEA. Truva Bakır has also been advised that the petition does not challenge or impact the underlying tenure on the licenses that comprise Halilağa.

### **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

Year-round access to Halilağa for field exploration is facilitated by well maintained, paved roads, although snow during winter may temporarily restrict vehicle movement. The Biga Peninsula has fertile soil and a Mediterranean climate with mild, wet winters and hot, dry summers. Temperatures range from 15° to 35° Celsius in the summer season and -20° to -10° Celsius in the winter months. The annual rainfall is approximately 30 cm, generally falling as mixed rain and snow in late fall and winter.

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<sup>10</sup> The NSR on gold is 2% and precious metals is 4%. The NSR on (non-gold) precious metals is reduced by 50% as long as the material is processed in Turkey.

The region is well-serviced with electricity transmission lines and generating facilities with the most significant being a large coal-fired power plant outside the town of Çan. This power station currently has insufficient capacity to power Halılağa, however, there is an existing 154 kV power transmission line owned by the Turkish Electrical Transmission Corporation that runs through Halılağa site and would cross the proposed open pit. Further study is recommended for the pre-feasibility stage to determine the best strategy for tie-in to the regional electrical power grid. There is no exploration infrastructure (for example, buildings, core storage, core logging facilities, and camp accommodations) located within the property limits.

Population and agricultural activity is concentrated in the valleys, while most areas of active exploration are located in highlands which are predominantly forested and owned by the Turkish government. The labour force for Halılağa is planned to be sourced largely, from nearby villages.

The central area of Halılağa contains a 4-km-long, E-W-trending topographic high, with the Kestane porphyry located on the northern flank of the hill. The highest elevations on the property are approximately 600 m with the Kestane Zone occurring at an elevation of approximately 350 m. Vegetation is made up of plants able to withstand a relatively dry climate including scrub oak and various low-lying shrubs as well as pine trees. Various grasses also grow in the area and provide grazing for livestock. Vegetation in higher elevation is predominantly coniferous trees; various crops and grasses predominate in areas developed for farming.

## **History**

Historic exploration activities were focussed primarily on the Halılağa, Halılağa North and Pirentepe properties. Pirentepe and Halılağa North are now within the Halılağa project interest and are owned by Truva Bakır.

The MTA conducted a regional scale exploration program over the Biga Peninsula between 1988 and 1991. MTA drilled two diamond drill holes totalling 302 m to test a geochemical anomaly identified by rock chip sampling at Halılağa North. MJTC-16 intersected narrow intervals of gold mineralization and returned 0.58 g/t Au over 13.85 m. MJTC-17 did not intersect any significant mineralization.

In 1997, Cominco collected several rock chip samples from silicified outcrops at Halılağa North and at Kumluggedik Hill area, where numerous gold anomalies have been detected. The highest-grade sample from Halılağa North contained 1.17 g/t Au and the highest grade sample from Kumluggedik contained 2.2 g/t Au. In 1998, a total of 293 soil samples were collected from Kunk-Kumluggedik lithocap by Cominco. The most anomalous gold in these soil samples highlights the area east of Kumluggedik and Güvemtaşlı Hills.

Since 2000 and prior to current ownership, Cominco conducted reconnaissance soil sampling and rock chip sampling. A total of 107 samples were collected over five N-S soil lines.

There are historical adits and a small pit on the property; however, the background and production history on these workings are undocumented and unknown, and would not significantly affect future development. The authors of Halılağa PEA are not aware of any previous mineral resource estimates, reserve estimates or mineral production from the property.

## **Geological Setting**

The geology of the Biga Peninsula is complex and characterized by various lithological associations made up of: basement metamorphic rocks; ophiolitic rocks, Tertiary (Eocene) volcanogenic units, Neogene sedimentary rocks, and collisional to extensional Tertiary granitoids.

The Halılağa district is mainly underlain by volcano-sedimentary basement cover sequences of the Oligo-Miocene age. The basement consists of schists and carbonates, which outcrop to the southeast of the Bakırlık area. The granodioritic batholith intrudes the basement rocks, which includes carbonates, and generates metasomatism and skarnification. The Kestane porphyry was

emplaced into the volcano-sedimentary cover sequence and produced hornfelsed halos adjacent to the stock. The mineralized intrusion is thought to be part of a suite of 26 million year old granites and granodiorites.

## **Exploration**

Since acquisition in 2002, exploration activities performed by TMST and Truva Bakır have primarily centred on the Halılağa and Pirentepe areas. Between 2002 and 2004 there was no activity on the property.

In 2005-2006, Fronteer/TMST conducted an exploration program consisting of geological mapping, surface geochemical sampling, a pole-dipole IP survey and a ground magnetics survey. The soil and rock chip sample results highlighted the porphyry-related mineralization of the Central Zone at Kestane. Rock chip sampling of oxidized and leached outcrops returned 19 samples (out of 40 collected) with gold values greater than 1.0 g/t. Forty-three line km of IP Chargeability/Resistivity and 44 line km of ground magnetic surveying were completed. The most significant feature generated by the surveys was a coincident high chargeability and high magnetic anomaly associated with the Kestane Central Zone.

In 2007, geological mapping of the Central Zone, to the northwest and to the southeast which includes the Bakırlık Hill area, was completed by TMST at a scale of 1/10,000. A total of 3650 soil, 172 rock, and 58 silt orientation samples were collected from this area.

In 2008, a total of 566 rock samples were collected. The 2008 rock geochem highlighted three new targets: Kunk North, Kumlugedik Hill and Madendere. In 2009 and 2010, a total of 36 rock chip samples were collected during the 2009 field season. Significant highlights of this program include rock chip sampling results from Kizilciktasi (0.1-0.5 g/t Au) and confirmation of anomalous gold in rock-saw samples from north of Kunk Hill (> 0.5 g/t Au).

## **Mineralization**

Halılağa is interpreted to host a single widespread mineralized system containing porphyry copper-gold mineralization, skarn, and related high-sulphidation gold mineralization. The Halılağa alteration system covers an area of more than 4 km x 2 km and displays all porphyry-related alteration assemblages, including epithermal and skarn systems. The Kestane porphyry outcrops show potassic alteration overprinted by phyllic alteration. The highest gold and copper grades in the drill core are associated with early biotite + magnetite + chalcopyrite associated with A- and B- type quartz veins. At the Kestane porphyry, most quartz veins are B-type that average 5% of the rock by volume, but locally up to 20% are A-type veinlets that are rare or difficult to recognize in the outcrop. Chalcopyrite and pyrite are the dominant sulfides in potassic-altered rocks. Magnetite is abundant (5-8%) in zones of high copper and gold grades. At higher elevations to the south of Kestane, the Kunk-Kumlugedik hilltops are characterized by silicification surrounded by argillic and further propylitic alteration. Skarn-related alteration is located around the Bakırlık and Bostanlıkbası areas.

The geology of Halılağa area is highly influenced by structures which relate to, or which are part of, the North Anatolian Fault System. The general architecture of the faults appears controlled by major ENE-WSW strike-slip structures which could be part of a transtensional tectonic regime. Local transpression has been interpreted in the Kestane area producing the exhumation of the porphyry and basement units.

## **Drilling**

In 2006-2007, a total of 23 holes (including five abandoned holes) totalling 6,346 m were completed. Most of the holes targeted the Kestane porphyry and intersected porphyry-style copper-gold mineralization with economic grades, as shown by discovery drill hole HD-01, which intersected

1.03 g/t Au and 1.03% Cu over 105.4 m. A 25 metre-thick chalcocite blanket averaging approximately 2% Cu was also intersected close to the surface in holes HD-01, HD-02, HD-04, and HD-14.

In 2008, the Bakırlık skarn zone (4 km ESE of Kestane) was the major focus of the drilling program. A total of 20 diamond holes totalling 4,051 m were completed during that period. Holes HD-21 and HD-25 intersected narrow zones of skarn mineralization with high grade copper + gold ± silver values.

In 2009, a total of 18 holes (including four abandoned holes), totalling 5,670 m (excluding the 247 metre of hole HD-42D, a deviated hole) were completed at Kestane.

In 2010, the program was designed to continue grid-drilling the Kestane Central Zone (the main area of porphyry copper-gold mineralization). A total of 25 holes (20 diamond and five RC) totalling 9,076.6 m (including 14 abandoned holes) were completed.

In addition to drilling, IP geophysical surveys were carried out in 2009 and 2010 that highlighted deep chargeability targets 1 km west of Kestane, and also a chargeability target at Madenderesi.

The 2011 program focused on extending the mineralization and acquiring data sufficient for producing a NI 43-101 resource estimate. Significant intersections were encountered, including a zone of significant grade corresponding to the near-surface chalcocite blanket encountered in 2007 drilling. A total of 44 holes (including four abandoned holes) totalling 19,599 m were completed. A series of north-south geological sections were constructed every 100 m through the deposit. Sectional interpretations now show two E-W-trending normal faults bounding the porphyry mineralization to the north and south, creating a mineralized horst at the centre; another NW-SE-trending, east-dipping normal fault bounds the top of the horst.

### **Sampling and Analysis**

Collars were set up under the direct supervision of Truva Bakır staff and were drilled with HQ and PQ diameter core. The holes were reduced to NQ when and if problems were encountered due to difficult ground conditions and/or thick fault zones. Core was placed in plastic boxes with depth markers for every drill run of up to 3 m. At Halılağa, core recoveries are considered by the authors to be good and within tolerance to include in a resource estimate.

All drilling samples were subjected to quality control procedures that ensured best practice in the handling, sampling, analysis, and storage of the drill core. All drill holes (except abandoned holes in cover rock) were sampled and assayed continuously. Sample intervals were selected on a geological basis and were typically 2.0 m in length. Core was cut length-wise with half the core placed in individually sealed cloth bags and submitted for assaying, and the other half was kept in the core box.

Most of the diamond drill holes were completed using HQ size core and recovery was not an issue, except for fault zones.

Boxes were securely sealed and brought by truck to the core facility at the Etili camp once a day by either the drilling company or Truva Bakır staff. Reflex survey tests were taken at 50 m intervals down-hole to provide control on drill hole orientation.

At the core handling facility, drill holes were logged by Truva Bakır geologists recording observations using the Anaconda method and then entered into the database using Acquire® software. Prior to logging, the geologist and the field technicians performed the following tasks:

- Inspected core boxes;
- Recorded missing boxes and footage errors;
- Replaced footage markers with clean, clear markers;
- Digitally photographed all boxes;

- Recorded rock quality designation (“**RQD**”) and core loss; and
- Logged core; information included engineering comments regarding the competency of core and a fracture analyses that included quantitative measurements of primary fractures, gouge material, veins, and dominant fracture patterns.

Specific gravity (“**SG**”) measurements from drill cores were routinely carried out for both oxide and sulphide mineralization.

RC samples were collected and split using a 24-slot rotary splitter at the drill site and then sealed in plastic bags. Samples were collected continuously at 1.0 m-1.5 m intervals. The splitter was cleaned between each sample with a compressed air hose. The RC drill samples were taken and kept under constant supervision by Truva Bakır personnel.

Sample preparation and analysis of core from the first 35 drill holes at Halilağa was conducted by ALS Minerals (“**ALS**”). In addition, samples from three early reverse circulation holes were similarly prepared and analyzed by ALS. Since October 18, 2009, or from drill hole HD-36 onward, the drill core samples were prepared and analyzed by ACME.

QA/QC measures used at Halilağa were employed at all stages of work in the core shed, the sample preparation facility, and in the analytical laboratory. Evaluation of QA/QC results was done systematically and promptly to ensure that only the best quality data was entered into Halilağa database. Umpire, or external check, assays have been carried out as a further means of data verification. At all times this work, whether in the field, the lab, or the exploration office, was consistent with best practices currently in use in the mineral exploration industry.

There are no known factors related to drilling and sampling that would materially impact the accuracy and reliability of the results. Recoveries are generally high although issues in some holes have been identified and the authors of the Halilağa PEA are satisfied that the holes with low recoveries have satisfactory results and can be included in the database.

### **Security of Samples**

Garth Kirkham, P.Geo., visited the property between August 13 and 16, 2011. The tour of the offices, core logging and storage facilities showed a clean, well-organized, professional environment. On-site staff led Kirkham through the chain of custody and methods used at each stage of the logging and sampling process. All methods and processes are to North American, industry standards and no issues were identified with the exception of the suspension of the measurement of SGs at the designated density measurement stations. This oversight has since been rectified.

### **Mineral Resource and Mineral Reserve Estimates**

The estimated Halilağa Mineral Resource is presented in Table ii. This resource is the first reported for Halilağa. Porphyry deposits are generally well suited to geostatistical estimation (ordinary kriging); however, current drill spacing at Halilağa is not sufficiently dense to allow robust variogram modelling and a geometric estimation approach has been chosen. The estimation approach, described in the Halilağa PEA, is suited to this early stage project.

For the main sulphide resource, a cut-off of 0.2 percent Copper Equivalent (“**CuEq**”) was felt to be reasonable based on a production rate of 50,000 to 70,000 t/d from a pit feeding a mill and flotation plant where total operating costs (“**OPEX**”) would be in the range of \$10-12 /t. Due to the differing metallurgical characteristics and anticipated metal extraction methods, the oxide resource is tabulated separately. Although the gold resource is extractable, it is not expected that the base metals within the oxide zone would be recoverable. The cut-off of 0.2 g/t gold is judged as reasonable based on other heap leach gold projects including Alamos Gold’s nearby Aği Daği Project.

*Table ii: Halilağa Estimated Mineral Resources*

Resources	Tonnes (1,000s)	In Situ Grade			
		Cu (%)	Au (g/t)	Mo (%)	CuEq (%)
<b>Sulphide Resource<sup>(1)</sup></b>					
Indicated	168,167	0.30	0.31	0.006	0.45
Inferred	198,662	0.23	0.26	0.007	0.36
<b>Oxide Resource<sup>(2)</sup></b>					
Inferred	4,914		0.60		

Strip Ratio: 2.5:1

(1) at a 0.2% CuEq cut-off grade.

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

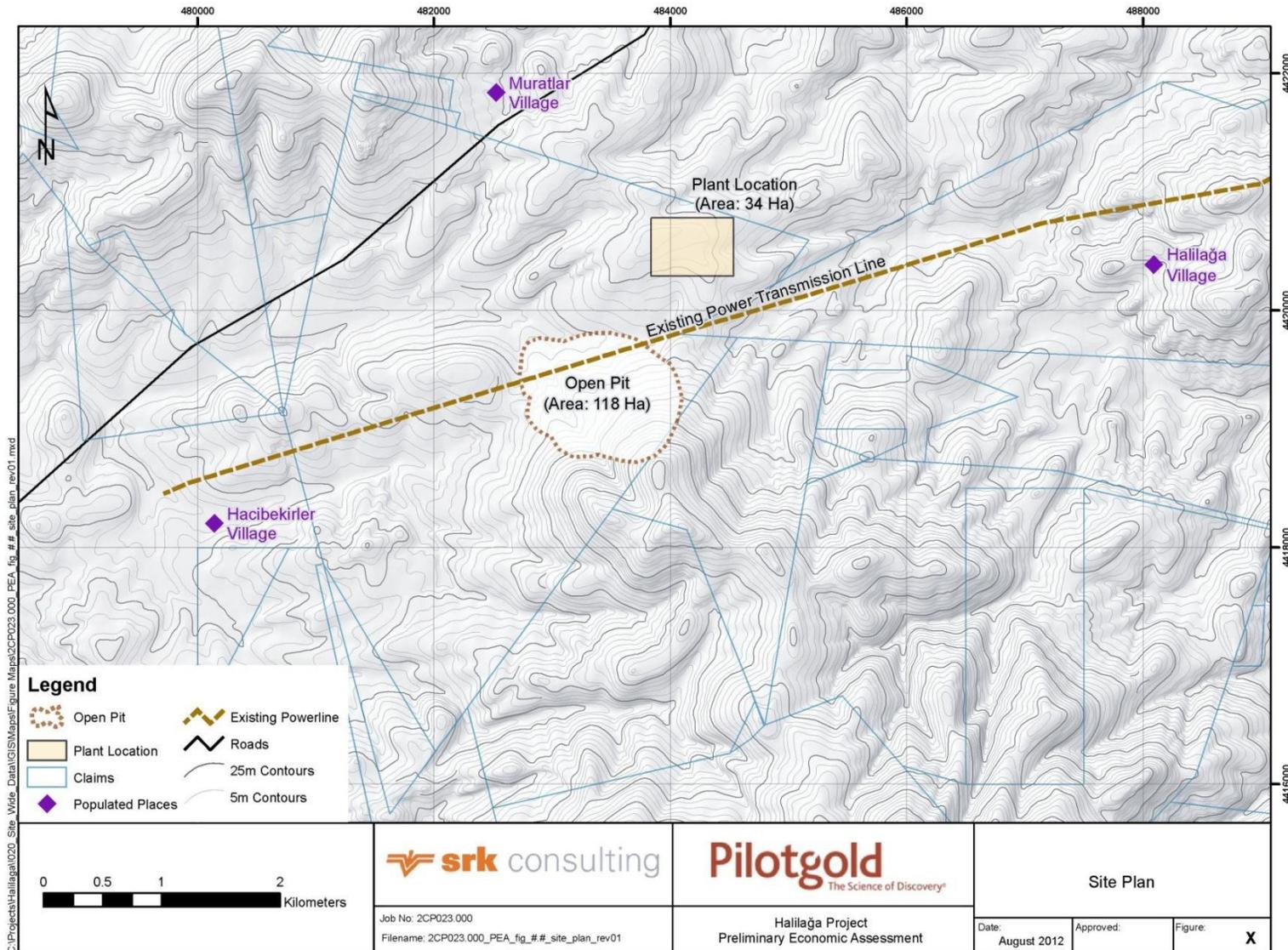
Inferred resources were used in the LOM plan with inferred resources representing 44% of the material planned for processing. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources would be converted into mineral reserves. Mineral reserves can only be estimated as a result of an economic evaluation as part of a PFS or a feasibility study (“**FS**”) of a mineral project. Accordingly, at the present level of development, there are no mineral reserves at Halilağa.

### **Mining Operations**

It is proposed that the Halilağa deposit is amenable to be developed as an open pit mine. Mining of the deposit is planned to produce a total of 243.3 Mt of processing plant feed and 234 Mt of waste (0.96:1 overall strip ratio) over a fourteen year mine production life. In addition, it is anticipated that there would be a five year feasibility, permitting and pre-production construction period as well as a reclamation period. The current LOM plan focuses on achieving consistent plant feed production rates, and mining of higher grade material early in schedule, as well as balancing grade and strip ratios.

Figure i illustrates the proposed overall site layout for Halilağa, including the open pit and proposed plant site locations.

Figure i: Halilağa Site Plan (SRK, 2012)



The mine design process for the deposit commenced with the development of CAE Mining NPV Scheduler (“NPVS”) OP optimization input parameters. These parameters included estimates of metal price, mining dilution, process recovery, offsite costs, geotechnical constraints (slope angles) and royalties (see Table iii).

*Table iii: Mine Planning Optimization Input Parameters*

<b>Item</b>	<b>Unit</b>	<b>Values</b>
<i>Metal Prices</i>		
Gold	\$/oz.	1,200
Copper	\$/lb.	2.90
<i>Recovery to Cu Concentrate</i>		
Gold	%	60.8
Copper	%	85.6
<i>Cu Concentrate Grade (“conc.”)</i>		
Gold	g/t	var.w/Au and Cu grade
Copper	%	30.0
Moisture content	%	8.0
<i>Smelter Payables</i>		
Gold in Cu conc	%	96
Gold deduction in Cu conc.	g/t in conc.	1
Copper in Cu conc	%	96
<i>TCRC</i>		
Cu conc treatment	\$/dmt conc.	75.00
Cu refining charge	\$/lb. pay Cu	0.075
Au refining charge	\$/oz. pay Au	7.00
Transport, marketing, ins., etc.		
Ocean freight to Europe	\$/wmt conc.	30.00
Truck freight to Port	\$/wmt conc.	20.00
Port charges	\$/wmt conc.	6.00
Marine/transportation insurance	%	0.054
Transport, marketing, ins, etc.	\$/wmt conc.	56.00
Transport, marketing, ins, etc.	\$/dmt conc.	60.87
<i>Other Parameters</i>		
Grade factor (variable)	%	95
Royalties: Au / Cu	%	2
<i>Operating Costs</i>		
O/P Waste mining Cost	\$/waste tonne	1.86
OP Mineralized material Mining Cost	\$/ore tonne	1.69
OP Average Mining Cost	\$/total tonne	1.77
OP Processing and G&A Cost	\$/milled tonne	5.11
Pit Slope Angles	overall degrees	38 to 48
Dilution	%	5.0
Mining recovery	%	100
Strip ratio (est.)	t:t	0.90

Item	Unit	Values
Internal NSR cut-off	\$/t	5.19
External NSR cut-off (est.)	\$/t	9.08
Processing rate	t/day milled	50,000
Processing rate	t/year milled	18,250,000

The resource model was based on a 20 m x 20 m x 10 m block size. The OP mineable resources are reported at an internal cut-off value of \$5.19/t based on input parameters above.

NPVS software was used to determine the optimal mining shells with the assumed overall slope angles above. Preliminary phases were selected and preliminary mine planning and scheduling was then conducted on these selected optimal shells. The mineable resources for the Halilağa deposit are presented in Table iv.

Both Indicated and Inferred resources were used in the LOM plan of which Indicated resources represent 56% (137 Mt) of the material planned to be processed. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources would be converted into mineral reserves. Mineral reserves can only be estimated as a result of an economic evaluation as part of a PFS or a FS of a mineral project. Accordingly, at the present level of development there are no mineral reserves at Halilağa.

*Table iv: PEA Proposed Mining Plan*

Description	Unit	Value
Mine Production Life	yr.	14
Process Feed Material	Mt	243
Diluted Copper grade (mill head grade)	%	0.28
Contained copper	Mlbs.	1,516
Diluted Gold grade (mill head grade)	g/t	0.30
Contained gold	koz.	2,317
Waste	Mt	234
<b>Total material</b>	<b>Mt</b>	<b>477</b>
Strip ratio	t:t	0.96

The mining sequence was divided into a number of stages designed to maximize grade, reduce pre-stripping requirements in the early years and, maintain the plant at full production capacity. The LOM production schedule is shown in Table v.

A total of 243.3 Mt of mineralized material is proposed to be processed.

*Table v: LOM Production Schedule*

Description	Unit	Year														Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Mineralized material mined	Mt	14.0	18.3	18.3	18.3	18.3	18.3	18.2	18.2	18.3	18.2	18.3	18.3	18.2	10.3	243.3
Gold feed grade	g/t	0.49	0.38	0.41	0.28	0.35	0.19	0.23	0.27	0.24	0.21	0.29	0.34	0.27	0.19	0.30
Contained gold	koz.	220	222	243	167	203	112	137	157	140	124	169	200	161	64	2,317
Copper feed grade	%	0.83	0.37	0.34	0.29	0.29	0.17	0.20	0.24	0.23	0.21	0.19	0.24	0.25	0.21	0.28
Contained copper	Mlbs.	256	149	139	115	115	68	80	96	92	85	76	97	99	48	1,516
Waste mined	Mt	10.1	9.6	21.4	24.0	22.8	22.4	22.8	23.3	23.7	24.0	23.5	6.4	0.0	0.0	234.0
Strip ratio	t:t	0.72	0.53	1.17	1.31	1.25	1.23	1.25	1.28	1.30	1.32	1.29	0.35	0.00	0.00	0.96
Total material mined	Mt	24.1	27.9	39.6	42.2	41.0	40.7	41.0	41.6	41.9	42.2	41.8	25.5	17.7	10.0	477.3
Oxide material mined*	Mt	4.96	0.00	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.04

\*included in waste total

## ***Waste Management***

Waste rock from mining operations would be deposited in engineered waste rock facilities adjacent to the deposit. The two waste rock facilities planned are planned adjacent to the open pit and would be designed to hold a total of 234 Mt of material

A tailings management facility (“**TMF**”) is planned to be located within 10 km from the mill. The 60% solids tailings is planned to be sub-aerially deposited, initially behind an earth fill starter dam, and then would be raised using cyclone technology.

Several options were investigated for the TMF. The preferred TMF spans a total footprint of 475 ha. The 565 m long, 55.5 m high (El. 255 m) tailings starter dam would have a design capacity of 20.4 Mm<sup>3</sup> which is equivalent to one year of tailings deposition at a processing rate of 50,000 t/d, assuming 20% cyclone underflow.

The dam would be constructed as a rock fill structure with upstream and downstream slopes of 2.5H:1V and 3H:1V respectively. The dam is planned to have a crest of 10 m and would be about 314 m wide at its widest point along its base. An upstream geosynthetic liner would provide primary water containment. This liner would be keyed to a 3 m wide grout curtain extending about 21 m below ground.

The dam would continuously be raised using cyclone tailings. About 20% of underflow tailings would be required to construct the compacted 5H:1V downstream slope of the embankment with an expected loose density of about 1.6 t/m<sup>3</sup>. Compaction is planned to be attained by using a dozer to spread the tailings into uniform lifts before passing over it with a vibratory drum compactor. The final height of the cyclone dam would be about 110 m which includes a final freeboard height of 2 m. The total crest length would be about 2,000 m.

## ***Mineral Processing and Metallurgical Testing***

Preliminary metallurgical test work was conducted in 2007 and 2011, which focused on developing a preliminary understanding of ore sample hardness and flotation response. The results show that the Halilağa mineralized material is of moderate competency and hardness, and amenable to grinding in a conventional SAG-ball milling circuit with pebble crushing. In addition, locked-cycle flotation tests showed that 85% of the feed copper reported to the final concentrate, which results in a grade of 30% copper. Approximately, 61% of the feed gold reported to the final concentrate with a gold grade of 21 g/t. The mineralogy is fine grained and test work indicated a requirement to re-grind to a fine particle size of approximately 20 micrometres to achieve adequate liberation for flotation. A copper recovery versus copper feed grade relationship has also been estimated based on preliminary variability testing.

The Halilağa process plant and associated service facilities are envisioned to process 50,000 t/d of Run of Mine (“**ROM**”) material and to produce copper concentrate and tailings. The proposed process includes crushing and grinding of the ROM material, rougher and cleaner flotation, regrinding, and dewatering of copper sulphide minerals. The copper concentrate would be trucked from the site to the Port of Bandirma, located 135 km by road to the Northeast of the Halilağa site, while the flotation tailings would be thickened before placement in the TMF.

### *Project Cost Estimates*

The capital cost ("CAPEX") estimate for Halilaža is shown in Table vi. A contingency of 25% was used for all items except mining equipment, which was assigned a contingency of 5%. Property acquisition costs are not included in the capital estimate. Working CAPEX was included in the year -1 processing costs.

*Table vi: Capital Cost Estimate*

<b>Description</b>	<b>Estimate (M\$)</b>
Primary mining equipment fleet	171.8
Support equipment	8.3
Misc.	7.1
Spare parts	9.4
Topsoil stripping and mining preparation	11.7
Crushing	50.2
Process Plant	199.9
Concentrate Loadout	1.7
Tailings Management Facility	105.2
Utilities	38.8
On-site Infrastructure	33.3
Off-site Infrastructure	13.8
Indirect Costs	148.7
Owner's Costs	41.9
Sustaining	51.6
Closure	75.0
CAPEX w/o Contingency	<b>968.3</b>
Contingency	200.4
<b>TOTAL CAPITAL COST</b>	<b>1,168.7</b>

Project costs were estimated from a combination of sources including first principles, reference projects, vendor's quotes, cost service publications and the experiences of SRK and Ausenco Solutions Canada Inc.

OPEX for Halilaža are summarized in Table vii. The OP mining OPEX assume owner-operated mining including technical/supervisory support staff. Diesel fuel was estimated to cost \$1.86/litre (exclusive of VAT) and power was estimated to cost \$0.14/kWh.

*Table vii Operating Costs*

Item	Unit Cost Estimate		Total LOM Cost (M\$)
	(\$/t mined)	(\$/t milled)	
Mining	1.74	3.40	828
Processing		4.69	1,141
Tailings Management		0.23	56
Environment and water treatment		0.05	12
G&A		0.42	102
<b>Total</b>	<b>1.74</b>	<b>8.79</b>	<b>2,139</b>

***Economic Analysis and Results***

A simplified economic model was developed to determine the pre-tax and after tax NPV, Payback Period and IRR for Halilağa.

Three metal price scenarios were used and for each case, the copper and gold prices were held constant through Halilağa life. The metal prices used were as shown in Table viii.

*Table viii: Metal Price Assumptions for the Three Economic Cases*

Case	Copper Price (\$/lb.)	Gold Price (\$/oz.)	Comments
Case A	2.90	1,200	Approximate metal prices as per recent SEDAR postings. This is the base case used for OP optimization.
Case B	3.30	1,350	Approximate London Metal Exchange fixed 3-year average to the end of April, 2012. SRK considers this to be an optimistic case.
Case C	3.70	1,500	Approximate London Metal Exchange fixed 2-year average to the end of April, 2012. SRK considers this to be a very optimistic case.

Common assumptions to all three cases include:

- 7% discount rate for net present value calculation;
- 100% equity financing;
- VAT recovery;
- 20% corporate income tax;
- No tax incentives for large projects from the Turkish government;
- No withholding tax;
- 1.3% royalty on payable copper and 2.6% royalty on payable gold; and
- Mineable tonnes and grade in the LOM mine schedule based on OP optimization conducted using Case A metal prices.

Using the pit design developed for the Halilağa PEA LOM plan, and a discount rate of 7%, the after-tax break-even metal prices for Halilağa are 19% lower than those used in Case A. i.e. if metal prices fall by 19% from the base case to approximately \$972/oz. Au and \$2.35/lb. Cu, Halilağa shows an after-tax NPV 7% of \$0 and an IRR of 7%. Table ix presents a summary of the key economic results.

*Table ix: Key Economic Results*

<b>Parameter</b>	<b>Unit</b>	<b>Pre-tax Results</b>	<b>After-tax Results</b>
<b>Case A (\$2.90/lb. Cu and \$1,200/oz. Au)</b>			
NPV <sub>0%</sub>	M\$	1,418	1,115
NPV <sub>7%</sub>	M\$	675	474
IRR	%	26	20
Payback period	Production years	2.1	2.7
<b>Case B (\$3.30/lb. Cu and \$1,350/oz. Au)</b>			
NPV <sub>0%</sub>	M\$	2,099	1,660
NPV <sub>7%</sub>	M\$	1,081	799
IRR	%	35	27
Payback period	Production years	1.5	2.1
<b>Case C (\$3.70/lb. Cu and \$1,500/oz. Au)</b>			
NPV <sub>0%</sub>	M\$	2,779	2,204
NPV <sub>7%</sub>	M\$	1,487	1,124
IRR	%	43	34
Payback period	Production years	1.2	1.6

It must be noted that the economic analysis in Halilaža PEA provides only a preliminary overview of Halilaža's economics based on broad, factored assumptions. The mineral resources used in the LOM plan and economic analysis include 44% Inferred mineral resources. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them to be categorized as mineral reserves, and there is no certainty that the inferred resources will be upgraded to a higher resource category. Based on this, there is no certainty that the results of this preliminary assessment will be realized.

### **Exploration and Development**

Industry standard mining, processing, construction methods and economic evaluation practices were used to assess Halilaža. There was adequate geological and other pertinent data available to generate a PEA.

Based on current knowledge and assumptions, the results of this study show that Halilaža has positive economics (within the very preliminary parameters of a PEA) and could be advanced to the next level of study by conducting the work indicated in the recommendations section of the Halilaža PEA. While a significant amount of information is still required for a complete assessment of Halilaža, at this point, there do not appear to be any fatal flaws.

The study has achieved its original objective of providing a preliminary review of the potential economic viability of Halilaža.

## ***Risks and Opportunities***

As with almost all mining ventures, there are a large number of risks and opportunities that can affect the outcome of Halilaža. Most of these risks and opportunities are based on uncertainty, such as lack of scientific information (test results, drill results, etc.) or the lack of control over external factors (metal price, exchange rates, etc.).

Subsequent higher-level engineering studies would be required to further refine these risks and opportunities, identify new risks and opportunities, and define strategies for risk mitigation or opportunity implementation.

The main preliminary risks identified for Halilaža are, summarized as follows:

- Permit acquisition and stakeholder support;
- Reduced metal prices;
- Geological interpretation and mineral resource classification (44% of the resources used in the mine plan are Inferred);
- Increased OPEX and/or CAPEX;
- Geotechnical and hydrogeological considerations;
- Metal recovery and mineral processing assumptions, including deleterious elements; and
- Water supply and the right to use it.

The following opportunities may improve Halilaža's economics:

- The potential to increase resources;
- The potential to upgrade the resource classification of the deposit;
- Contractor mining to reduce initial CAPEX;
- Staged development to reduce initial CAPEX;
- The potential to acquire less expensive power to reduce OPEX;
- Processing of the oxide material (currently treated as waste);
- Improved metal prices; and
- Tax and investment incentives potentially available to Halilaža.

## ***Recommendations***

SRK believes Halilaža should be taken to the next level of engineering study and economic assessment, typically a PFS. It is estimated that a PFS, along with all of the accompanying engineering and field work would cost approximately \$5 million (exclusive of the recommended additional geology and drilling program outlined below).

To enable a comprehensive and professional PFS study, the mineral resource estimate would ideally have a much higher percentage of Indicated resources in relation to total resources and mineralization. The recommendations to attempt to achieve this are:

- Geology/Mineral Resources Program Outline;

- To increase confidence and upgrade resource classifications, the present drilling density should increase to approximately 50 metre spacing with 12,000 metre of diamond drilling in 30 holes;
- Conduct additional drilling oriented on an azimuth of 000 (due north) to extend the south-dipping mineralization (approximately 20 drill holes);
- Perform geostatistical evaluation in support of future resource estimates;
- Initiate a geotechnical study to determine potential pit slope parameters which includes five PQ drill holes to a depth of 400 m for a total of 2,000 m;
- Collect advanced metallurgical test samples which would include four PQ drill holes to a depth of 300 m for a total of 1,200 m;
- Social baseline and stakeholder engagement;
- Submit an EIA report and other permits and license approval applications as necessary and consult with community groups thereon;
- Continue environmental baseline studies; and
- Perform initial condemnation drilling at potential plant site, waste storage, and tailings impoundment areas (900 m in three drill holes).

(Cost estimate: \$4.3 million, prior to the start of the PFS)

### ***Recent Developments<sup>11</sup>***

The Corporation and TMST are continuing the exploration program at Halilağa, including undertaking metallurgical, economic and engineering studies and looking at multiple ways to refine estimates and assumptions relating to potential costs and recoveries included in the Halilağa PEA.

The simplified economic model that underlies the Halilağa PEA illustrates the concept of a straight-forward open-pit mining operation at the Kestane copper-gold porphyry. The Corporation expects to continue discussions with Teck on strategic next steps for the project, and have proposed undertaking tax, economic, metallurgical, hydrological environmental and engineering studies while continuing property exploration.

The first round of assays from 2012 (not included in the Halilağa PEA) returned broad intervals of continuous copper-gold mineralization in all holes, including 0.64 g/t gold and 0.52% copper over 134.90 metres in HD-115. Of the eight holes completed in Phase One, six were infill holes within the defined resource while the remaining two, HD-108 and HD-110, were drilled beyond the resource area, and at least 100 metres from the nearest previously reported drill holes. All Phase One drill holes intersected copper-gold porphyry-style mineralization, including notable high-grade intervals in holes HD-108, HD-109 and HD-115. Although the 2012 plan had called for 8,750 metres, only 7,484 metres comprising 24 drill holes of infill and exploration core drilling were completed as Teck and Pilot Gold directed effort instead to assessing and undertaking strategic next-steps following the release of the Halilağa PEA.

Budgeted expenditures for 2012 were \$4.87 million, with Pilot Gold's share totalling \$1.95 million. The Corporation's share of actual expenditures through the end of 2012 was \$1.63 million.

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<sup>11</sup> Discussion detailed under heading "*Mineral Properties – Halilağa, Turkey: Recent Developments*" in this AIF supplements and updates the disclosure summarizing the Halilağa PEA.

## *Environmental Impact Assessment report – Update*

In accordance with requirements of Turkish Mining Law, and in connection with an application to renew the principal licenses that comprise Halilağa on February 14, 2012, TMST, as project Operator prepared and submitted an EIA report to the Ministry in connection with an application to advance the principal licenses that comprise Halilağa. The EIA report contemplates a small-scale copper-gold test-mining scenario as part of an ongoing effort to advance understanding of Halilağa, but does not contemplate the current exploration program. On March 20, 2012 TMST notified Pilot Gold that the EIA report had been accepted by the Ministry. An approval letter was received from the undersecretary of the Turkish Minister of Environment further to a review by the Turkish Mining Bureau committee. On May 16, 2012, TMST received a renewed operations license, renewing the exploration permit at Halilağa. Shortly thereafter, TMST informed Pilot Gold that a variety of the necessary operating permits had also been received to keep the operation licenses covering the resource area in good standing. On receipt of the approved EIA report Truva Bakır applied for a GSM permit from the Governor. The GSM permit is the final permit required to obtain a copper-gold Operations Permit, allowing copper-gold related activity beyond exploration at Halilağa to continue. Receipt of the GSM permit from the Governor is pending. It is the Corporation's understanding that a decision on issuance of the GSM permit is being deferred until there is initial resolution of the challenge lodged against the Ministry for its approval of the EIA as described herein. Although there is no known history of a GSM permit being denied, or revoked by the Governor, should TMST fail to receive this permit, it will restrict the ability to progress beyond the exploration stage at Halilağa, as it relates to copper-gold.

In August 2012, Truva Bakır was informed that the Ministry had been served a legal petition by certain claimants in Turkey to annul the Ministry's approval of the EIA report. The petition filed with the Court names the Ministry as the respondent and does not name Truva Bakır or its shareholders. The petition also requests suspension of any activities contemplated in the EIA by way of an interim decision from the Court. The Ministry has responded to the petition by way of written submission to the Court. Truva Bakır has been officially recognized by the Court as a party impacted by the process. The Court has recently appointed experts as part of the initial discovery process, and has determined to formally commence proceedings upon receipt of the expert's report. As at the date of this AIF, the experts had not yet completed a field visit to Halilağa; a field visit is dependent upon an improvement in weather conditions.

As of the date of this AIF, the claimants had made no further submission to the Court, nor lodged any rebuttal or response to the Ministry's initial report defending its process and the approval of the EIA. The allotted timeframe in which the claimants can submit a response without a Court-approved extension has expired. The mandate of the Court-appointed experts will be limited to those submissions formally made to the Court.

Pilot Gold believes the petition is without merit, and even if successful and the EIA is annulled, the ability to continue the planned 2013 exploration program at Halilağa will be unaffected. Should the EIA be annulled, Truva Bakır would revisit the EIA process and submit an updated EIA to address identified issues. Truva Bakır has also been advised that the petition does not challenge or impact the underlying tenure on the licenses that comprise Halilağa. In the event that a different or larger project is contemplated it would then require a separate EIA and be subject to the Turkish process for public disclosure.

The Corporation and TMST are continuing the exploration program at Halilağa and continue to update economic assessments in regard to the project.

## Kinsley, Nevada

Except as otherwise stated herein, the following disclosure relating to Kinsley is based on information derived from the technical report entitled *“Technical Report on the Kinsley Project, Elko County, Nevada, USA”*, effective February 15, 2012, dated March 26, 2012, co-authored by Michael M. Gustin, C.P.G., Moira Smith, Ph.D., P.Geo., and Kent Samuelson (the **“Kinsley Technical Report”**). Michael M. Gustin, of Mine Development Associates (**“MDA”**) and Moira Smith, Chief Geologist for Pilot USA, are each a designated Qualified Person for the Kinsley Technical Report upon which the Technical Information reproduced in this AIF is based. See in this AIF, *“Interests of Experts”*. The Kinsley Technical Report was commissioned by Pilot USA, a wholly owned subsidiary of Pilot Gold, as a “first time” technical report on the property.

Readers are directed to and encouraged to review the Kinsley Technical Report, which can be reviewed in its entirety under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) and which qualifies the following disclosure. The following summary is not exhaustive. The Kinsley Technical Report is intended to be read as a whole, and sections should not be read or relied upon out of context. The Kinsley Technical Report contains the expression of the professional opinion of the Qualified Person based upon information available at the time of preparation of the Kinsley Technical Report. The following disclosure, which is derived from the Kinsley Technical Report, is subject to the assumptions and qualifications contained in such report.

### Project Description and Location

Pilot Gold holds its interest in Kinsley through its wholly owned subsidiary Pilot USA. Pilot USA’s interest in the Kinsley is derived from the purchase of the Kinsley Option Agreement from Animas in September 2011.

At the date of the Kinsley Technical Report, Kinsley was comprised of two non-contiguous blocks totaling 272 unpatented federal lode mining claims that cover an approximate area of 2,196 hectares. Nevada Sunrise LLC (**“Nevada Sunrise”**), a private Nevada-based company is the owner of record of the southern claim block, comprising at the time, 137 “ACE” claims, three “SOZA” claims, and four “Trust” claims; the northern block includes 128 claims owned by Pilot USA.

Pursuant to the Assignment Agreement on September 20, 2011, Pilot USA purchased the Kinsley Option Agreement for the Kinsley Mountain property from Animas. The Kinsley Option Agreement was formerly between Animas and Nevada Sunrise. The Kinsley Option Agreement covers the “SOZA” and “Trust” claims, as well as the original 134 ACE claims staked between 2000 and 2004, and subsequently, 3 “ACE” claims located in December 2011 to cover internal fractions, which together comprise the southern claim block. All claims staked subsequent to signing of the agreement, and falling within a five km AOI around the southern claim block as well as the original 128 claims staked by Pilot Gold become subject to the terms of the Kinsley Option Agreement.

The Corporation subsequently staked 108 unpatented lode mining claims on BLM-administered land over highly prospective land, most of which were held prior to that date by another company<sup>12</sup>. 14 claims were staked in August 2012 to secure ground for potential well locations. The New Claims were filed with the BLM and Elko County, Nevada in the first week of October 2012. These New Claims are largely located between two previously separate claim blocks at Kinsley, creating a contiguous property and consolidating access to the main mineralized trends to the North. The remaining newly staked claims were filed with the BLM and Elko County in December 2012. The additional ground brings the total to 380 claims (approximately 3,096 hectares). The Corporation has commenced mapping, rock and soil sampling on the newly added ground.

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<sup>12</sup> Refer to October 9, 2012 press release as to 41 of these additional claims (the **“New Claims”**). The rest have been staked as matter of course by the Corporation.

The lessor, being Kinsley Gold LLC upon formal transfer of the interest in the lease, is required to make advance royalty payments to Nevada Sunrise in accordance with an underlying lease agreement, beginning with a payment of \$0.05 million per year through 2016 and increasing incrementally thereafter up to a maximum of \$0.2 million per year in 2020 and beyond. A contract initiation payment of \$0.05 million was paid to Nevada Sunrise in 2011. A maximum 4% NSR is payable through the lease to Nevada Sunrise and may be reduced to 2% through a series of payments at Pilot Gold's election.

Production from Kinsley would also be subject to the State of Nevada Net Proceeds of Mine Tax, which is limited to 5% of the production net proceeds (similar to a 5% net profits tax). This tax is levied by the State of Nevada on all mine production in the state.

The Corporation is currently operating under BLM Notice of Intent # NVN-090386. The NOI authorizes disturbance of up to 1.02 acres (0.41 ha) and can be amended to permit up to a total of 5.00 acres (2.00 ha). At the effective date of the Kinsley Technical Report, Pilot Gold has provided the BLM with a \$0.25 million statewide bond to satisfy the \$7,241 reclamation bond requirement, and a total of 0.80 acre (0.32 ha.) was disturbed by drilling activities in late 2011. The remaining acreage will be sufficient to cover drilling activities currently planned for 2012. The authors of the Kinsley Technical Report noted that in order to carry out anticipated drilling activities in 2013, Pilot Gold will submit a PoO to the BLM in early 2012.

Subsequent to the date of the Kinsley Technical Report, the NOI was amended to authorize disturbance of up to 4.13 acres (1.67 hectares); the reclamation bond requirement increased to \$14,728, accordingly. The PoO was submitted to the BLM in June 2012, and a draft Environmental Assessment ("EA") was prepared by the BLM in February 2013. BLM approvals of the PoO and EA are anticipated in the third quarter of 2013. In 2012, the statewide bond was reduced to \$0.20 million.

Environmental liabilities at Kinsley are limited to the reclamation of disturbed areas resulting from exploration work conducted by Pilot USA since acquisition of the property interest in 2011.

Initial meetings with Pilot Gold and the Elko office of the BLM indicated no immediate concerns regarding historic or prehistoric cultural sites. No wildlife concerns were identified at the date of the Kinsley Technical Report, possibly due to a general lack of surface water in the immediate area. Wild horses are commonly seen in the Antelope Valley area east of the Kinsley Mountains. Subsequently, and further to having completed a cultural resources study within the boundary of the PoO, five sites were identified on the property, around which Pilot Gold must not drill or construct new roads within 50 m.

Several stipulations have been recommended by the BLM and attached to the Decision Record regarding Pilot Gold's NOI. Most notably is a request that Pilot Gold avoid activities that would lead to noxious weed infestations. Pilot Gold must also conduct nesting surveys prior to commencing exploration activities, as well as on a periodic basis during the nesting season (April 1 to July 31). Pilot Gold is to report any observation of an active nest by a sensitive raptor and/or migratory bird of concern to the BLM Wells Field Office so that BLM can advise Pilot Gold of measures to mitigate potential adverse effects.

### **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

Kinsley is located in the Kinsley Mountains in Elko County, northeastern Nevada, approximately 150 km north-northeast of Ely, Nevada and 83 km south-southwest of West

Wendover, Nevada. The approximate geographic centre of the Kinsley property is 40° 09' N latitude and 114° 20' W longitude.

Access to Kinsley is via paved U.S. Highway Alternate 93 approximately 65 km southwest of the town of West Wendover, Nevada, or approximately 135 km on the same highway north-northeast of the town of Ely, Nevada, then proceeding via an unmaintained improved gravel road to the project site.

Climate is typical for the high-desert regions of northeastern Nevada with hot, dry summers and cold, snowy winters. Summer high temperatures range from 30° to 38°C, with winter low temperatures typically -20° to -10°C and winter high temperatures of 0° to 5°C. Most of the precipitation in the region falls as snow in the winter months, with lesser precipitation as rain in the spring and thunderstorms during the late summer. Winter storms can deposit up to a meter of snow at higher elevations at Kinsley Mountain, with higher elevations of the property typically snow-covered from late November through March.

In the absence of all-weather road access to drill sites, a typical exploration operating season at Kinsley is from mid-April through mid-November. Improved road access and road maintenance/snow removal equipment could extend the exploration operating season through the winter months, subject to recommended winter operating procedures in the Elko District of the BLM.

Kinsley lies in the Basin and Range physiographic province of Nevada and western Utah. The project site is located in moderate to steep terrain of the central and northern portions of the Kinsley Mountains. The Kinsley Mountains are a 12-km-long, north-northeast-trending ridge that extends north from the Antelope Range. Elevations range from 1,750 m in valley bottoms to 2,400 m at Antelope Mountain south of the project.

The lower slopes of the project are covered by grasses and sagebrush that progress up-slope to piñon and juniper woodlands typical of high-desert mountain vegetation in northeast Nevada. To the date of the Kinsley Technical Report, the majority of exploration activities at Kinsley have been conducted in disturbed areas at the former mine site along the eastern slope of the central part of the range. The previously explored and mined areas lie on moderate to steep slopes that require road construction to develop drill sites and access.

Drilling contractors, heavy-equipment contractors, and field technical personnel to support continued exploration activities are all available from service companies and contractors in Elko, Ely, and West Wendover, Nevada. Should an economic gold deposit be delineated at Kinsley, experienced mining personnel and equipment suppliers are available in Salt Lake City and Elko, as well as elsewhere in Nevada.

The nearest major power grid is a 25 Kilovolt distribution line located approximately 8.5 km west-northwest of Kinsley near Boone Spring on Highway Alternate 93, which ultimately delivers electric power to the Victoria mine in the Dolly Varden Mountains approximately 27 km northwest of Kinsley. The Griggs substation, a higher-voltage 69 Kilovolt substation and line, is located near Lages Station, approximately 26 km southwest of Kinsley Mountain. Power to the area is provided by Mt. Wheeler Power, a local electric power co-op headquartered in Ely, Nevada.

Water for drilling at Kinsley Mountain is a rare commodity. An existing well, currently not operational and with ownership issues that currently preclude its use, is located just off the existing mine access road in Antelope Valley east of the reclaimed heap-leach pad. Otherwise, surface water is available through a local rancher from a reservoir located approximately 18 km south of the project.

## History

The south end of the Kinsley Mountains was the site of sporadic base and precious metal exploration and production that began as early as 1862 and continued into the 1960s. U.S. Minerals Exploration Co. discovered sediment-hosted gold mineralization at the Kinsley property in 1984 through rock-chip sampling of jasperoid in Cambrian strata in an area with no historic workings. Evidence of extensive previous mineral exploration and mining activities persists.

Following the initial gold discovery, Cominco American Resources, Inc. (“Cominco”) and Hecla Mining Company completed a number of drilling programs on the property. Alta Gold Company (“Alta”) purchased the property in 1994 and started open-pit mining in 1995, producing about 135,000 to 138,000 ounces of gold through 1999 (depending on source). The mine closed when Alta declared bankruptcy during a period of very low gold prices.

The mine produced oxidized disseminated gold ore for heap-leach recovery from seven shallow pits and processed the ore on a heap-leach pad. From topographically lowest to highest, and from east to west, these pits include the Access, Lower Main, Emancipation, Main, Upper Main, Ridge, and Upper pits. The pits are aligned northwesterly, apparently along a northwest-trending fault zone. A crushing plant, heap-leach pad, and recovery facility were located at the base of the eastern slope of the Kinsley Mountains below the mining facilities immediately east of the project claims. A haul road connected the operations.

The BLM reclaimed the site using the Alta reclamation bond as well as federal monies. Reclamation included partial backfilling of a number of the open pits, re-contouring of other mining and exploration disturbances such as exploration drill roads, haul roads, and waste dumps, and re-vegetation of these reclaimed areas. The large heap-leach pad at the base of the range on the eastern slope was also decommissioned, re-contoured, and re-vegetated.

Since the mine’s closure, relatively little exploration activity has transpired on the property. Nevada Sunrise staked the property in 2000 and, over the next decade, undertook rock-chip sampling and review of the existing drill-hole database. Lateegra Resources Corp. optioned the property in 2002, carried out geophysical studies, produced a technical report, and dropped the project in 2003. In 2004, Pan American Gold Corp. drilled three relatively deep holes around the margins of the deposit and completed several geophysical surveys. Animas optioned the property in 2010 and carried out geologic mapping, geochemical sampling, and a gravity survey.

## Geological Setting

The Kinsley Mountains are underlain primarily by shelf and platform limestone, dolostone, and shale ranging from Middle Cambrian to Late Ordovician in age. Geological formations exposed on the claims include an unnamed Middle Cambrian limestone; the Middle Cambrian Lamb Dolomite, Big Horse Limestone, and Candland Shale; the Upper Cambrian Notch Peak Limestone and Notch Peak Dolomite; and the Ordovician Pogonip Group limestone, shale, and dolomite. On a regional scale, strata become younger to the north. A low-angle fault locally juxtaposes this sequence with overlying quartzite and dolostone suspected to be Late Ordovician to Silurian in age. The south end of the range is intruded by a small Tertiary stock with a hornfelsic aureole. Tertiary volcanic rocks are exposed in pediment areas on either side of the range. Strata were subjected to ductile contractional deformation in mid-Mesozoic time and Tertiary low- and high-angle extensional faulting. Low-angle faults bound most major lithologic breaks, and in some cases cut out entire formations. North-to-northeast-striking faults are cut by northwest-trending structures.

## Exploration

Pilot Gold acquired the Kinsley Option Agreement from Animas in September 2011 and immediately initiated an exploration program that included:

- detailed geologic pit mapping;
- compilation of geological and drilling data for the entire Kinsley property;
- claim staking on the north end of the range;
- reconnaissance sampling of the new claims;
- creation of a three-dimensional model that incorporates the historic drill data and surface geology (an ongoing process); and
- drilling of six core holes near two of Alta's open pits.

## Mineralization

Gold mineralization drilled and exploited to date is hosted primarily in the Big Horse Limestone, Candland Shale, and Notch Peak Limestone. The gold is accompanied by very fine-grained disseminations of arsenical pyrite (or oxidized equivalents) in variably silicified or jasperoidal shale, limestone, and dissolution-cavity fill. Mineralization appears to have both stratigraphic and structural controls. Gold correlates with arsenic, antimony, and thallium.

Near-surface mineralization is strongly oxidized, and higher-grade unoxidized mineralization has been intersected in drilling below and adjacent to the mined pits.

The styles of alteration, mineralization, and geochemistry at Kinsley are similar to those of sediment-hosted gold deposits located in the Carlin and Cortez trends of Nevada that lie approximately 150 to 200 km to the west of the project. The geological setting of mineralization at Kinsley is similar to the Long Canyon deposit, located 90 km to the north of Kinsley.

## Drilling

Available records indicate that an estimated 1,164 holes totaling 78,364 m have been drilled by five operators, including Pilot Gold, within the Kinsley Mountains since 1984. The vast majority of these are reverse circulation ("RC") holes drilled within and along the northwest-trending mine trend. Pilot Gold's project database includes 1,143 holes that appear to have reasonable location information and data, of which 1,059 are within the current property boundary. Of these, most appear to have accurate collar locations based on comparisons with reasonably accurate topographic maps that include historic drill roads. The project database uses UTM Zone 11 coordinates with NAD 83 datum expressed in metres. Since much of the drilling targeted shallow oxidized zones, the average depth of the drill holes is less than 67 m. 30 historic holes from the current project database were drilled to depths below 150 m, only two of which penetrated to depths greater than 300 m. Including Pilot Gold's six-hole core drilling program in 2011, approximately 250 of the holes drilled at Kinsley have potentially significant, unmined gold intercepts. These holes include both oxidized and unoxidized intervals.

The Pilot Gold 2011 core-drilling program was designed to begin the process of verifying historic RC drill data near the margins of the open pits, as well as to obtain subsurface geologic information.

Pilot Gold drilled six core holes at Kinsley in late 2011 for a total of 1,267 m. The drilling contractor was Major Drilling America, Inc. ("**Major Drilling**") of Salt Lake City, Utah and Elko, Nevada. All holes were drilled with HQ-size core (6.4-centimeter diameter). One drill hole, PK003C, required completion of the drill hole with smaller NQ core (4.8-centimeter diameter) from 261 m to total depth at 283 m due to stuck HQ rods in broken ground. Subsequent to drilling, drill holes were abandoned according to Nevada state regulations. Drill collars were marked in the field

after completion with a cement plug, wire, and metal tag. The core was initially quick-logged on site at Kinsley Mountain and, after delivery to Pilot Gold’s Elko warehouse, it was logged directly into digital files by a Pilot Gold geologist. The digital logs included fields for rock type, color, alteration, mineralization, and structural data, with a separate log for breccia descriptions. RQD was also captured in the logs. The core was photographed both wet and dry for archival and geotechnical purposes. The logs captured data largely in numerical or letter code format. Completed logs were imported into an Access database. The core was then cut in Pilot Gold’s Elko warehouse, sampled, and delivered to ALS for sample preparation in Elko.

Results of this drilling are summarized in Table 2. In combination with the historic data, this drilling indicates that significant oxidized and unoxidized gold mineralization remains at Kinsley.

**Table 2: Significant Results from Pilot Gold’s 2011 Drilling Program**

Hole ID		From (m)	To (m)	Length (m)	g Au/t	g Ag/t
PK001C		88.5	105.3	16.8	1.64	3.3
PK002C	<i>incl</i>	111.7	120.4	8.7	6.23	2.1
	and	117.3	120.4	3	12.05	3.5
PK003C		131.7	135.0	3.4	0.33	1.9
	<i>incl</i>	102.7	110.2	7.5	6.75	1.4
PK004C		107.0	110.2	3.2	13.52	2.3
	<i>incl</i>	42.7	61.1	18.4	5.91	2.5
PK005C		45.7	53.5	7.8	11.93	4.2
	and	148.0	152.1	4.1	0.54	2.1
PK006C		36.9	39.6	2.7	0.65	0.2
	and	159.6	165.0	5.5	0.58	1.6
	and	166.7	167.6	0.9	0.06	2790.0
PK006C		53.0	63.4	10.4	0.95	2.8

### Sampling and Analysis

The following section summarizes the extent of MDA’s knowledge regarding the sample preparation, analysis, security, and QA/QC protocols used in the various drilling and surface-sampling programs at Kinsley Mountain. The commercial analytical laboratories known to have been used by the exploration and mining companies that operated at Kinsley Mountain, as well as the sample preparation and analytical procedures known to have been used by these laboratories to obtain the gold assays, are, or were at the time, well recognized and widely used in the minerals industry. It is important to note, however, that the Alta drill samples, which comprise approximately half of the Kinsley database, were analyzed at their own laboratory, and it is possible that some of Cominco’s drill samples were analyzed at Cominco’s in-house laboratory. Of further note is the fact that it is possible that some of the Alta analytical results in the project database may have been derived from cyanide-leach analyses, which often yield partial gold determinations, as opposed to fire-assaying methods, which are assumed to be total-gold analyses.

### Security of Samples

Little is known of the sample security and chain-of-custody of the drill samples from the historic exploration programs. While important information regarding Cominco’s QA/QC programs has been found, more data compilation is possible, and efforts to locate such data from the other historic operators should continue. The predominant sample length for the drill intervals is five feet (1.524 m) or less, which is significantly less than the thickness of the bulk-tonnage style of mineralization at Kinsley Mountain.

In 2011, drill core was collected at the drill site by Pilot Gold personnel. After quick logging of the drill core at Kinsley, the core was transported by Pilot Gold geologists to a secure logging and core cutting facility attached to Pilot Gold's Elko office. Core was cut and sampled by a contractor from Rangefront Geological Consulting of Elko, Nevada. Samples were picked up from the core-cutting facility by ALS and transported to their Elko preparation facility. Pulps were sent directly from the Elko laboratory to Reno and Vancouver for assaying and geochemical analysis, respectively.

All drill core was sampled except for backfill and pad-fill material. Sampled intervals were identified based on geological considerations and varied from approximately 1 to 2 m, averaging 1.4 m. All core was photographed wet and dry. Rangefront Geological Consulting personnel then cut the core into halves using diamond saws and sampled the core at the core-cutting facility at the Pilot Gold office. Half-core samples were sent for assaying, with the remaining half stored in the Pilot Gold Elko office. For samples where field duplicates were taken, both the originals and the field duplicates were ¼-core samples. Pilot Gold employs a blind numbering system for both core and RC sampling, such that the hole number and down-hole footage are not known to the laboratory. After cutting, samples were retrieved from the cutting facility by ALS personnel and transported to their Elko, Nevada preparation facility.

The primary assay laboratory for Pilot Gold is ALS. The ALS Vancouver analytical facility is certified to ISO 9001:2008 standards and has received ISO/IEC 17025:2005 accreditation from the Standards Council of Canada ("SCC") for all methods used to analyze samples from Kinsley, including ICP-MS. The ALS Reno lab, which was responsible for fire assaying of all samples from Kinsley, is certified to ISO 9001:2008 standards and has received ISO/IEC 17025:2005 accreditation from the SCC for this method. ALS was chosen as Pilot Gold's primary laboratory based on a rigorous audit of all Nevada assay laboratory facilities by consultant Barry Smee in 2008 for Fronteer (Pilot Gold is a product of the 2011 acquisition of Fronteer by Newmont).

All data from logging and assaying are verified on site and uploaded to a database maintained at the Pilot Gold Elko server.

The QA/QC program instituted by Pilot Gold for Kinsley 2011 drilling program included analyses of standards, blanks, field duplicates, and duplicate pulps. Future programs will employ check assaying by Inspectorate America Corp. ("Inspectorate") of Sparks, Nevada. Inspectorate was selected as Pilot Gold's secondary laboratory under advisement from consultant Barry Smee. The QA/QC program was designed to ensure that at least one standard, blank, or field duplicate was inserted into the drill-sample stream for every 30 drill samples, which is the number of samples in each ALS analytical batch. All holes drilled by Pilot Gold at Kinsley were subject to this QA/QC program.

Although the quantity of QA/QC data compiled to date is small, due to the limited amount of drilling completed, Pilot Gold has implemented a rigorous QA/QC program at Kinsley Mountain that will continue to be employed in future drilling programs, although MDA recommends that preparation duplicates are added to the QA/QC protocols

### **Mineral Resource and Mineral Reserve Estimates**

There are no current NI 43-101-compliant resources or reserves at Kinsley. The historic estimates summarized below were prepared prior to the adoption of NI 43-101 reporting standards.

Work sufficient to categorize the historical estimates as current mineral resources has not been completed, and Pilot Gold is not treating these historical estimates as current mineral resources<sup>13</sup>.

In June 1994, Alta reported estimated “mineable reserves” in the Upper, Main, Ridge, and West Ridge deposits of approximately 3.5 million tons averaging 0.045 oz. Au/ton, with a stripping ratio of 2.75:1 and an estimated gold recovery of 74%. Also prior to the initiation of production, Alta estimated “geologic reserves” in July 1994 of approximately 5.6 million tons averaging 0.039 oz. Au/ton at a cut-off of 0.015 oz. Au/ton for the Kinsley deposits.

Actual production from the property appears to have been about 4.7 million tons averaging 0.039 oz. Au/ton (4.26 million tonnes averaging 1.34 g Au/t), with 134,777 ounces of gold reportedly produced (total production of 138,151 ounces has also been reported). The Kinsley mine produced more tons and ounces than had been originally planned, but at a lower grade, with realized gold recoveries being close to what was estimated.

At the end of production, an Alta mine geologist at Kinsley, who now works on the project with Pilot Gold, carried out a hand-calculated estimate of approximate “drill indicated resources” at Kinsley Mountain, including exploration targets. The estimate included 785,808 tons averaging 0.037 oz. Au/ton, for a total of 28,799 ounces, from oxidized mineralization within the main northwesterly trending mine area, and 590,022 tons averaging 0.024 oz. Au/ton, for a total of 14,227 ounces, from oxidized mineralization in “off-trend” targets, mostly to the southwest. Unoxidized/refractory mineralization on the main trend was estimated at 994,162 tons averaging 0.072 oz. Au/ton, for a total of 71,904 ounces (*the reader of this AIF is directed to footnote 6 below, related to historic resources*).

Cominco and Alta completed metallurgical work in the 1980s and 1990s, including bottle roll, column leach, and “preg-robbing” testing on samples from the Main, Upper, Ridge, Access, and Emancipation zones. Of 52 tests conducted by McClelland Laboratories, Inc. (“**McClelland**”) for both operators, the average extraction of all tests from within the “reserve” outlined by Cominco and Alta was 80%. Extractions from the Main deposit were somewhat higher than those from the Ridge and Upper deposits. Alta concluded that mineralization at Kinsley was generally readily amenable to recovery by cyanidation, with rapid recovery rates. Extractions did not appear to be significantly influenced by crush size or the duration of tests but did appear to be somewhat grade dependent.

McClelland also conducted bottle-roll tests on both mixed oxide and carbonaceous drill cuttings from the Emancipation pit area. Extracted gold from thiosulfate bottle-roll tests on the

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<sup>13</sup> Historical Mineral Resource: Kinsley Mountain - The reader is cautioned that the discussion relating to Kinsley contains information regarding historical mineral resources and reserves derived from historical information (and described herein as a “historic reserve”, a “geologic reserve”, “mineable reserves” and as “drill indicated resources”) prepared before the development of NI 43-101 guidelines and, accordingly, such information should not be relied upon. A Qualified Person has not done sufficient work to classify the information or historical resource as comprising current mineral resources or mineral reserves at Kinsley. The Corporation has not audited any of the data underlying the historic resources and historic reserves, nor attempted to classify the historic results according to NI 43-101 standards or the CIM Standards. The reader should not rely on such historic information. The information regarding the historical mineral resources and reserves are contained in this AIF because the information and historical resources and reserves are considered relevant and of historical significance. Details relating to the estimates that comprise the historic resources and historic reserves to the extent available, including discussion as to the sources and dates of the underlying estimates, and the extent of any known key assumptions, parameters and methods used to prepare the estimates, are included in the NI 43-101 technical report entitled “*Technical Report on the Kinsley Project, Elko County, Nevada, U.S.A.*”, effective February 15, 2012, dated March 26, 2012. Neither Michael M. Gustin, C.P.G., Ph.D., P. Geo., of Mine Development Associates, Reno, Nevada, Moira Smith, Ph.D., P. Geo., of Pilot Gold, nor Kent Samuelson, of Pilot Gold, co-authors of the Kinsley Technical Report, nor the Corporation, have treated the historical resources or historic reserves as either current mineral resources or mineral reserves.

two composites were 0.6% and 1.2% of the head-grade values, respectively. McClelland concluded that the precious metals are locked within either sulfide minerals or silicate matrix and are not available for direct leaching.

Kappes, Cassidy & Associates conducted bottle-roll tests on two composites from the same holes at the Emancipation area, including mixed oxide and unoxidized intervals. The apparent mixed oxide interval yielded 40% extraction for the direct-leach test and 45% for the CIL/cyanide-leach test. The second composite with unoxidized material from the two drill holes reported 0% extraction.

Actual gold recovery at the Kinsley Mountain mine from 1995 through 1997 has been estimated to be 73%.

### **Exploration and Development**

Pilot Gold has identified a number of exploration targets at Kinsley, the most obvious of which includes relatively shallow, unmined oxidized, unoxidized, and mixed mineralization within the northwest-trending Kinsley Mountain mine area. These targets are based on a significant number of historic drill intercepts, some of which are supported by the results of Pilot Gold's 2011 core-drilling program. Additional exploration targets have also been developed, most of which have not been drill tested, including:

- (1) Limestone units below the Lamb Dolomite, which lies immediately below the host rocks of the presently defined mineralization, in a setting analogous to the geologic setting at the Long Canyon gold deposit;
- (2) North- and northeast-trending high-angle structures that extend north of the mine area and host geochemically anomalous jasperoids, especially where they cut favorable stratigraphy;
- (3) Northwest-trending structures that are parallel to, and north of, the Kinsley mine trend, particularly where these structures cut the north- and northeast-trending structures; and
- (4) The base of the Pogonip Group, which outcrops immediately north of the mine area and hosts mineralization at Long Canyon.

Kinsley clearly warrants additional exploration expenditures for a program that is recommended to include further reconnaissance-scale prospecting, geological mapping, geochemical sampling, drill-testing of existing and newly defined targets, and metallurgical testing that emphasizes unoxidized mineralization. The program should culminate with the estimation of project mineral-resources.

### **Recommendations**

At the date of the Kinsley Technical Report, upcoming 2012 exploration at Kinsley is recommended to include the following:

- 2,000 m of Core and 10,000 m of RC drilling in the southeast portion of the mine area, with the goal of validating historic drill data, infill drilling the area north of the Main pit, and step-out drilling of known zones of mineralization;
- Reconnaissance work within the northern claim block, including geologic mapping and geochemical sampling, and drill testing of defined targets;
- Construction of three-dimensional geological and mineralization models;
- Metallurgical testing of unoxidized and mixed oxidized/unoxidized mineralization;
- Mineral Resource estimation; and
- Biological and cultural studies pursuant to the submission of a PoO, which will allow for more comprehensive drilling on the property in subsequent exploration programs.

## Proposed Kinsley budget for 2012

The technical portions of the recommended 2012 program in the Kinsley Technical Report were estimated to cost \$2.3 million.

Through December 31, 2012, the Corporation had capitalized \$3.67 million in expenditures at Kinsley, including values attributable to stock-based compensation, share issuances and other non-cash items directly relating to the advancement of the property. Pilot Gold had established a budget for 2012 of \$2.87 million. Because of the Corporation's initial success at Kinsley, management accelerated exploration and increased the level of activity on the property, and as a result, exceeded the 2012 budget.

### ***Recent Developments<sup>14</sup>***

The following disclosure relating to Kinsley is based on information derived from press releases issued by the Corporation dated: May 10, 2012, July 16, 2012, August 27, 2012, September 5, 2012, and October 9, 2012.

The Corporation undertook a 12,000 metre exploration program in 2012, as well as extensive geochemistry and geological mapping program in the area surrounding the historic mine pits. The Corporation also submitted a PoO to the BLM to allow for property-wide drilling in 2013. A related environmental assessment was also submitted; both are pending approval.

On May 10, 2012 the Corporation reported the completion of the initial earn-in to 51% at Kinsley, and the election to increase Pilot Gold's interest to 65% by incurring an additional \$3,000,000 in exploration expenditures within 5 years.

On October 9, 2012, the Corporation reported the results of the final holes in its 2012 drilling program at Kinsley, focused on the western side of Kinsley Mountain targeting a recently-discovered north-south-trending zone of gold mineralization located more than 600 m from the historic workings.

Over the course of the 2012 drill program, 11,864 m of infill and step-out core and RC drilling were completed to define and expand the mineralized zones identified by previous operators. In conjunction with drilling, a comprehensive regional effort to identify new targets was completed, encompassing the original 144 claims, the 128 claims staked by the Corporation to the north in a largely unexplored area and a portion of the additional 108 claims staked through the remainder of the year. Through this work, a new mineralized zone was intersected in drilling (Candland Canyon) and the Western Flank Zone has been expanded to now cover an area 600 m by 100 m. Drill highlights from the 2012 program include:

- 9.50 g/t gold over 4.6 m in hole PK067, including 20.5 g/t gold over 1.5 m
- 6.03 g/t gold over 13.7 m in hole PK061, including 15.18 g/t gold over 4.6 m
- 5.48 g/t gold over 20.4 m in hole PK014C, including 16.43 g/t gold over 5.5 m
- 2.30 g/t gold over 19.8 m in hole PK057
- 2.48 g/t gold over 6.1 m in hole PK066

A three-dimensional model of geology and mineralization was created in order to aid in the selection of new, high-grade drill targets. Surface soil and rock samples show anomalous pathfinder geochemistry extending seven kilometres to the north of the historic open pits, consistent with the presence of a large mineralized system.

In February 2013, the Corporation earned-in to a 65% interest pursuant to satisfaction of minimum expenditure requirements and exploration success on the property.

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<sup>14</sup> Discussion detailed under heading "*Mineral Properties – Kinsley, Nevada: Recent Developments*" in this AIF supplements and updates the disclosure summarizing the Kinsley Technical Report.

## Other Exploration Properties

Pilot Gold's portfolio of properties in the United States and Turkey includes an interest in several exploration properties. Although the majority of these were acquired either shortly before, or pursuant to the Frontier Arrangement, the Corporation continued to stake new claims and acquire new property rights through 2012 as part of a continuing effort to prioritize and align our portfolio.

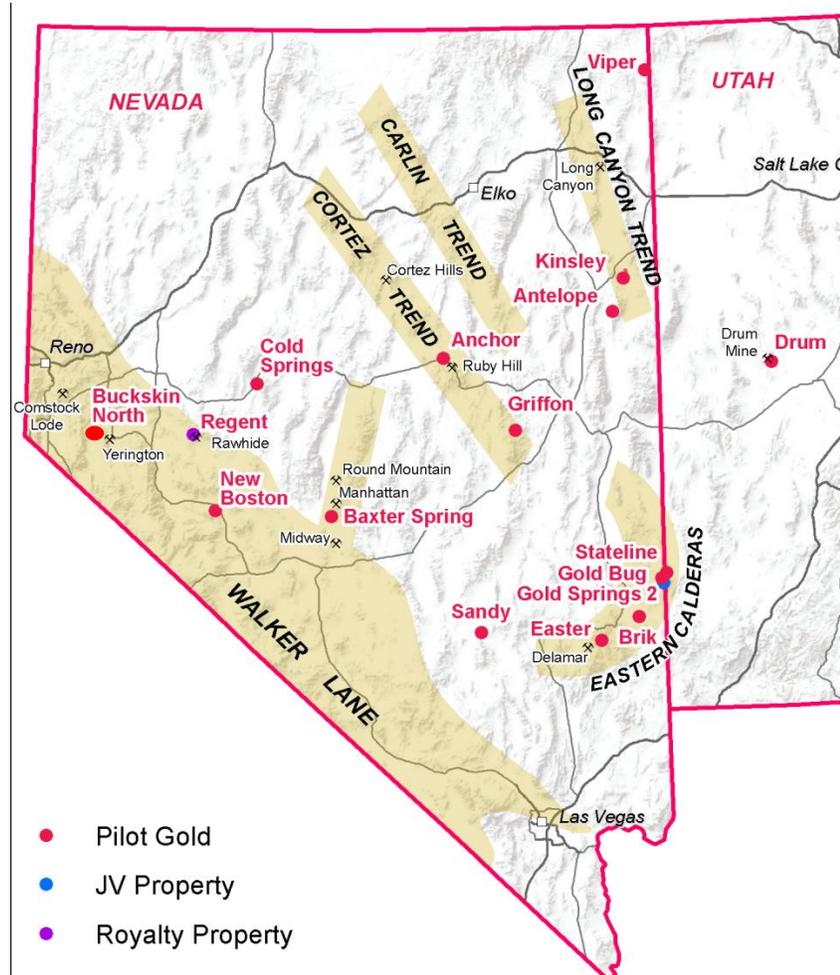
As at the date of this AIF, the Corporation has an interest in the following additional exploration properties:

### Sediment-hosted properties

Griffon  
Antelope  
Sandy  
Anchor<sup>15</sup>  
Drum  
Buckskin North

### Volcanic-hosted properties

Brik  
Cold Springs  
New Boston  
Viper  
Easter<sup>16</sup>  
Baxter Spring  
Stateline



<sup>15</sup> The Corporation is currently negotiating an agreement to award an earn-in option to the Anchor project to a third party. If consummated, the third-party would be provided the right to earn and purchase from Pilot USA up to a 65% interest in the Anchor property, subject to an NSR. Completion of the transaction is subject to a due diligence period, the approval of the third-party's Board of Directors, the satisfaction of other conditions precedent and the drafting of definitive transaction documentation

<sup>16</sup> In September 2012, La Quinta Resources Corporation ("La Quinta") advised the Corporation that it had terminated its earn-in option to the Easter property. As a part of the termination agreement, La Quinta has transferred the property title, related mineral claims and those claims it had staked within the defined AOI to Pilot USA.

## Royalty and Production Interests

### *Regent (Nevada, USA)*

The Corporation holds a net proceeds royalty (“NPR”) of 15% on the Regent property, and under certain conditions, is entitled to a sliding scale gold equivalent bonus payment should RMC take Regent into production. Regent is located 2.5 km northwest of the Denton-Rawhide Mine, operated by RMC. The Denton-Rawhide Mine began operations in 1990. According to RMC, gold and silver production is ongoing, as RMC has expanded the heap leach pads and is currently expanding operations.

The NPR is calculated on net profits from Regent, after RMC recovers \$3,000,000 in upfront cash payments to Pilot Gold and its development costs to take Regent to production.

A gold equivalent bonus payment is also payable to Pilot Gold for any gold-equivalent ounces from Regent placed on the RMC leach pad in excess of 115,000 ounces based on the following:

<b>Gold price/oz.</b>	<b>Gold Bonus payable price/oz.</b>
\$1,800 or more	\$29.050
\$1,700 to \$1,800	\$23.275
\$1,600 to \$1,700	\$17.500
\$1,500 to \$1,600	\$11.550
\$1,400 to \$1,500	\$ 5.775
Less than \$1,400	\$ 0.000

There are no current NI 43-101-compliant resources or reserves at Regent. There is no certainty that any amount relating to the NPR or gold bonus payment will be realized.

### *Rae-Wallace properties (Peru)*

The Corporation holds a 2% NSR on all of the Peruvian exploration properties owned by Rae-Wallace, except the ‘Liscay Project’.

### *Aktarma (Turkey)*

The Corporation holds a 2% NSR on the Aktarma property, owned by GRCL.

### *Ispir (Turkey)*

The Corporation holds a 2% NSR on the Ispir property, owned by GRCL.

There is no certainty that any amount relating to the NSRs on the Rae-Wallace (Peru), Aktarma or Ispir properties will be realized.

## SHAREHOLDER INFORMATION

### Dividends

There are no restrictions that prevent the Corporation from paying dividends. However, the Corporation has not paid any dividends on its Common Shares since incorporation. At present, all available funds are invested to finance the growth of the Corporation and the exploration and development of its mineral properties. Any decision to pay dividends on its Common Shares in the future will be made by the Board from time to time, in its discretion, on the basis of many factors, including Pilot Gold's earnings, operating results, financial condition and anticipated cash needs and other conditions existing at such time.

### Description of Capital Structure

The Corporation is authorized to issue an unlimited number of Common Shares. There are 86,847,833 Common Shares issued and outstanding as of March 27, 2013. Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Corporation, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares are entitled to receive on a pro rata basis such dividends on such Common Shares, if any, as and when declared by the Board at its discretion from funds legally available therefor, and, upon the liquidation, dissolution or winding up of the Corporation, are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption, retraction, surrender or conversion or exchange rights, nor do they contain any sinking or purchase fund provisions.

As described elsewhere in this AIF, pursuant to the TV Tower Agreement and the Arrangement Agreement, the Corporation has granted Teck and Newmont (or their respective affiliates) the right to maintain their pro rata interests in the Corporation through the subscription for and purchase (directly or through an affiliate) of additional Common Shares issued in connection with a prospectus or financing at the same price and on the same terms at which those additional Common Shares are offered for sale to other purchasers.

See also in this AIF under heading, “*Rights and Obligations of Newmont Regarding Common Shares*” and under heading “*Area of Interest and Limitations on the Business*”.

### *Standstill Provisions of the Fronteer Arrangement*

Pursuant to the Fronteer Arrangement, Newmont has covenanted in favour of Pilot Gold that, prior to the second anniversary of the FA Effective Date, it and its affiliates will not, without the express advance written approval of the Board, acquire or propose to acquire or otherwise obtain or propose to obtain a right to acquire or to control any securities of Pilot Gold in excess of a 19.9% interest in the then outstanding Common Shares, which covenant survives the termination of the Fronteer Arrangement. However, this covenant will cease to apply if Pilot Gold publicly announces its intention to agree to certain merger, amalgamation, arrangement, or sale of assets or enters into an agreement to support or recommend certain take-over bid transactions.

### *Anti-Dilution Participation Rights*

Each of Teck and Newmont hold respective anti-dilution participation rights:

#### Newmont

Pursuant to the Arrangement Agreement, if at any time prior to the second anniversary of the FA Effective Date, the Corporation proposes to issue or sell Common Shares or securities convertible into Common Shares (collectively, the “**Additional Pilot Gold Securities**”), other than (i) under any stock option plan of Pilot Gold, (ii) on the exercise or conversion of convertible securities, or (iii) for property other than money, Newmont has the right (directly or through an affiliate) (the “**Newmont Participation Right**”) to subscribe for and purchase (directly or through an affiliate) Additional Pilot Gold Securities at the same price and on the same terms at which such Additional Pilot Gold Securities are offered for sale to other purchasers, up to the lesser of 19.9% of the outstanding Common Shares and its pro rata interest in Pilot Gold in each case, prior to giving effect to the issuance or sale of such Additional Pilot Gold Securities. Newmont is required to advise Pilot Gold within five business days after receiving notice of a Newmont Participation Right of the number of Additional Pilot Gold Securities, if any, that it intends to subscribe for and purchase pursuant to a Participation Right.

Further to having determined not to exercise the Newmont Participation Right in connection with the 2011 Bought-Deal, as well as a result of the dilutive impact of the Common Shares issued to date in connection with the Kinsley Option Agreement and the TV Tower Agreement, Newmont was consequently diluted to a 16.15% interest. Newmont exercised its anti-dilution participation rights concurrent with the 2012 Bought-Deal, consequentially maintaining its 16.15% interest in Common Shares. Newmont’s interest was subsequently diluted to 15.84%.

#### Teck

Pursuant to the TV Tower Agreement, if at any time prior to termination of the TV Tower Agreement, the Corporation proposes to issue or sell Additional Pilot Gold Securities, TMST has the right (the “**TMST Participation Right**”, and together with the Newmont Participation Right, the “**Participation Rights**”) to subscribe for and purchase (directly or through an affiliate) Additional Pilot Gold Securities at the same price and on the same terms at which such Additional Pilot Gold Securities are offered for sale to other purchasers, such that TMST is able to maintain its then current shareholding of Common Shares as a percentage of the Company’s then outstanding Common Shares after giving effect to such offering.

Teck exercised its anti-dilution participation rights concurrent with the 2012 Bought-Deal, consequentially maintaining its interest in the Common Shares. As at December 31, 2012 Teck, through its Turkish subsidiary, TMST held a 5.25% undiluted ownership interest in the Corporation. TMST’s interest increased to 7.20% on March 19, 2013.

#### **Market for Securities**

As of the date of this AIF, the Common Shares are listed for trading on the TSX under the symbol: “PLG”, and the Share Purchase Warrants are listed for trading on the TSX under the symbol: “PLG.WT”.

#### **Registrar and Transfer Agent**

The Corporation’s transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., and the Share Purchase Warrants is Computershare Trust Company of Canada (“**Computershare**”), located at 510 Burrard Street, 2<sup>nd</sup> Floor, Vancouver, BC.

## Consolidated Capitalization

The following represents the Corporation's capital structure:

*i) Common Shares*

Designation of security	Number of Common Shares Authorized	Outstanding on December 31, 2012	Outstanding on March 27, 2013
Common Shares	Unlimited	85,210,333	86,847,833

In order to maintain the TV Tower Agreement in good standing, the Corporation must issue 1,637,500 Common Shares to TMST on the earlier of i) each of the first and second anniversaries of the date the TV Tower Agreement was signed, and ii) the date at which the Corporation provides notice to TMST of having met the TV Tower Expenditure Requirement for that particular year. Further to having completed the \$5 million first-year committed TV Tower Expenditure Requirement in January 2013, the Corporation issued 1,637,500 Common Shares to TMST on March 19, 2013.

Pursuant to the terms of the Assignment Agreement the Corporation is committed to issue 25,000 Common Shares to Animas on September 20, 2013 as the final instalment of consideration payable to acquire the option on Kinsley Mountain.

Pursuant to an agreement to earn-in to a 60% interest in Griffon signed February 8, 2012, and to keep that agreement in good standing, the Corporation is committed to issue an aggregate of 120,000 Common Shares in equal installments over three years beginning the later of the 2<sup>nd</sup> anniversary of having signed the agreement and the receipt of first phase drilling permits (not to exceed 36 months).

*ii) Teck Warrants and Share Purchase Warrants*

The Corporation issued 3,000,000 Teck Warrants to TMST pursuant to the TV Tower Agreement. Each Teck Warrant is exercisable for a period of three years from June 29, 2012, the date of issue, for one Common Share at an exercise price of C\$3.00.

The Corporation has also issued 11,362,524 Share Purchase Warrants pursuant to the 2012 Offering. Each Share Purchase Warrant entitles the holder to acquire one Common Share at a price of C\$2.20 until October 31, 2014. The Share Purchase Warrants were issued under a warrant indenture (the "**Warrant Indenture**") between the Fund and Computershare dated November 1, 2012. The Warrant Indenture also includes customary adjustment provisions relating to the number of securities issuable and exercise price per security in the event of material transactions or events that would affect the Common Shares specifically (such as a subdivision or consolidation of Common Shares, the issuance of other securities convertible into Common Shares or payment of an in-kind dividend or distribution) or would be a fundamental change to Pilot Gold (including a reclassification of Common Shares or completion of a material corporate transaction). The Share Purchase Warrants are listed on the TSX under the symbol "PLG.WT".

Holders of the Teck Warrants and Share Purchase Warrants do not, as such, have any voting right or other right attaching to the Common Shares until the particular warrants are properly exercised and Common Shares issuable upon exercise of the Teck Warrants or Share Purchase Warrants are issued.

## Trading Activity and Volume in 2012

### *Common Shares*

The following table sets forth, for the periods indicated, the reported high and low daily trading prices and the aggregate volume of trading of the Common Shares on the TSX during the year ended December 31, 2012.

<b>Period</b>	<b>Volume</b>	<b>High (C\$)</b>	<b>Low (C\$)</b>
January 2012	2,141,353	\$ 1.55	\$ 1.17
February 2012	3,179,735	\$ 1.92	\$ 1.34
March 2012	1,269,014	\$ 1.88	\$ 1.60
April 2012	766,148	\$ 1.78	\$ 1.19
May 2012	1,248,407	\$ 1.37	\$ 0.81
June 2012	1,106,459	\$ 1.18	\$ 0.89
July 2012	1,031,883	\$ 1.18	\$ 0.95
August 2012	845,170	\$ 1.14	\$ 0.92
September 2012	7,216,340	\$ 1.83	\$ 1.00
October 2012	5,529,854	\$ 1.94	\$ 1.56
November 2012	9,380,981	\$ 2.05	\$ 1.53
December 2012	5,679,310	\$ 2.14	\$ 1.80

Source: *TMX Datalinx*

### *Share Purchase Warrants*

The Company began trading the Share Purchase Warrants on the TSX on November 1, 2012. The following table sets forth, for the periods indicated, the reported high and low daily trading prices and the aggregate volume of trading of the Share Purchase Warrants on the TSX during the period November 1, 2012 ended December 31, 2012.

<b>Period</b>	<b>Volume</b>	<b>High (C\$)</b>	<b>Low (C\$)</b>
November 2012	3,211,800	\$ 0.57	\$ 0.23
December 2012	231,650	\$ 0.69	\$ 0.46

Source: *TMX Datalinx*

## Prior Sales

### *Non-trading securities – Options*

The Corporation issued the following Options during fiscal 2012:

Date of Grant	Number of Stock Options Issued	Exercise Price (C\$)	Expiry Date
26-Jun-12	1,238,500	\$1.08	25-Jun-17
26-Jun-12	220,000	\$1.08	25-Jun-22
26-June-12	200,000	\$2.93	25-Jun-22
30-Jul-12	30,000	\$1.01	29-Jul-17
2-Nov-12	135,000	\$1.65	1-Nov-17

A further 1,590,000 Options were issued in the period subsequent to December 31, 2012 to the date of this AIF.

As at March 27, 2013, there were 7,120,000 Common Shares issuable upon the exercise of outstanding Options at a weighted average exercise price of C\$2.61 per Common Share.

### *Non-trading securities – Teck Warrants*

On June 29, 2012, pursuant to the TV Tower Agreement, the Corporation issued 3,000,000 Teck Warrants, each exercisable for a period of three years from June 29, 2012, the date of issue, and each exercisable for one Common Share at an exercise price of C\$3.00.

## Principal Shareholders of Pilot Gold

To the knowledge of Pilot Gold's directors and officers, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares other than<sup>17</sup>:

<u>Name</u>	<u>Number of Common Shares</u>	<u>Percentage of Common Shares</u>
Newmont Holdings ULC <sup>18</sup>	13,759,170	15.84%

Newmont Holdings ULC also holds 1,834,741 Share Purchase Warrants, that if exercised, in aggregate with its existing shareholding, represents 15.50% of the Corporation's issued and outstanding capital calculated on a partially diluted basis.

## Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

There are no securities of the Corporation currently held in escrow or subject to a pooling agreement or subject to any other contractual restriction on transfer.

<sup>17</sup> Information as to holdings of Common Shares has been taken from insider reports or other disclosure documents electronically filed with regulators and publicly available through the Internet at the website for the Canadian System for Electronic Disclosure by Insiders ("SEDI") at [www.sedi.ca](http://www.sedi.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

<sup>18</sup> Newmont Holdings ULC is a subsidiary of Newmont; shares are held directly by Newmont Holdings ULC, and were acquired pursuant to the Fronteer Arrangement, and pursuant to the Newmont Subscription.

## GOVERNANCE

### Directors and Officers of the Corporation

#### Directors

As of March 27, 2013, the name, province or state and country of residence, position or office held with the Corporation and principal occupation for the immediately preceding five years of each of the directors and executive officers of the Corporation are as follows, with all companies listed still carrying on business as of the date hereof unless otherwise noted:

Name, Province/State of Residence	Office held with Corporation and Principal Occupation for Five Preceding Years	Director Since
Mark O'Dea <sup>(2)(3)</sup> British Columbia, Canada	<i>Chairman and Director</i> President and Director, Oxygen (February 2012 to present) Executive Chairman, True Gold Mining Inc. (formerly, Riverstone Resources Inc.) (“ <b>True Gold</b> ”) <sup>(1)(7)</sup> Chairman and CEO, Blue Gold Mining Inc. (“ <b>Blue Gold</b> ”) <sup>(7)(12)</sup> (September 2011 to December 2012) President and Chief Executive Officer, Fronteer <sup>(7)(8)</sup> (2001 to April 2011) President and Chief Executive Officer, Aurora Energy Resources Inc. (“ <b>Aurora</b> ”) <sup>(9)</sup> (June 2005 to April 2009)	April 2011
Matthew Lennox-King <sup>(3)(6)</sup> British Columbia, Canada	<i>President, Chief Executive Officer and Director</i> Senior Geologist, Fronteer <sup>(7)(8)</sup> (May 2008 to April 2011) Manager-CMB Project, Aurora <sup>(9)</sup> (April 2006 to April 2008) Project Geologist, Fronteer <sup>(7)(8)</sup> (January 2004 to March 2006)	November 2010
John Dorward <sup>(4)</sup> Ontario, Canada	<i>Director</i> President, CEO and Director, Roxgold Inc. (“ <b>Roxgold</b> ”) <sup>(7)</sup> (September 2012 to present) Vice-President, Business Development, Fronteer <sup>(7)(8)</sup> (November 2009 to April 2011) Non-Executive Director, Navarre Minerals Limited (“ <b>Navarre</b> ”) <sup>(7)</sup> (November 2008 to present) Chief Financial Officer, Mineral Deposits Limited (“ <b>MDL</b> ”) <sup>(10)</sup> (November 2006 to June 2009)	April 2011
Donald McInnes <sup>(2)(4)(5)</sup> British Columbia, Canada	<i>Director</i> Director, True Gold <sup>(1)(7)</sup> (December 2012 to present) President and CEO, True North Nickel Inc. <sup>(1)(7)</sup> (February 2012 to present) Executive Vice Chairman, Alterra Power Corp. (“ <b>Alterra</b> ”) <sup>(11)</sup> (March 2011 to Present) Vice Chairman, Blue Gold <sup>(7)(12)</sup> (September 2011 to December 2012) Director, Fronteer <sup>(7)(8)</sup> (2001 to April 2011) Vice Chairman and Chief Executive Officer, and former President, Plutonic Power Corporation (“ <b>Plutonic</b> ”) <sup>(12)</sup> (June 1999 to March 2011)	April 2011

Name, Province/State of Residence	Office held with Corporation and Principal Occupation for Five Preceding Years	Director Since
Robert Pease <sup>(3)(5)</sup> British Columbia, Canada	<p><i>Director</i></p> <p>President and CEO of Sabina Gold &amp; Silver Corp.<sup>(7)</sup> (October to present)</p> <p>Chairman of Crazy Horse Resources Incorporated<sup>(7)</sup> (July 2011 to November 2011)</p> <p>Director and Advisor of Richfield Ventures Corp.<sup>(7)(13)</sup> (September 2010 to June 2011)</p> <p>Director, President and Chief Executive Officer of Terrane Metals Corp.<sup>(7)(14)</sup> (April 2006 to October 2010)</p>	April 2011
Sean Tetzlaff <sup>(2)(4)(5)</sup> British Columbia, Canada	<p><i>Director</i></p> <p>Director and Vice-President, Oxygen (February 2012 to present)</p> <p>Chief Financial Officer and Corporate Secretary, True North Nickel Inc.<sup>(1)(7)</sup> (February 2012 to present)</p> <p>Chief Financial Officer and Corporate Secretary, Blue Gold<sup>(7)(12)</sup> (December 2011 to December 2012)</p> <p>Chief Financial Officer, Vice-President, Finance and Corporate Secretary, Fronteer<sup>(7)(8)</sup> (January 2005 to April 2011)</p> <p>Chief Financial Officer, Vice-President, Finance, and Corporate Secretary, Aurora<sup>(9)</sup> (March 2006 to February 2008)</p>	February 2011
Vance Spalding <sup>(19)</sup> Nevada, United States	<p><i>Vice-President, Exploration</i> (August 2012 to present)</p> <p>Exploration Manager, Pilot Gold (April 2011 to August 2012)</p> <p>Exploration Manager, Fronteer<sup>(7)(8)</sup> (March 2009 to April 2011)</p> <p>Project manager, Centerra Gold Inc.<sup>(18)</sup> (1997 to March 2009)</p>	N/A
Alexander Holmes British Columbia, Canada	<p><i>Vice-President, Business Development</i> (December 2011 to present)</p> <p>Vice-President, Business Development, True Gold<sup>(1)(7)</sup> (December 2012 to present)</p> <p>Vice-President, Business Development, Blue Gold<sup>(7)(12)</sup> (December 2011 to December 2012)</p> <p>Vice President, Investment Banking for NCP Northland Capital Partners Inc.<sup>(15)</sup> (2010 to 2011)</p> <p>Vice President of PI Financial Corp.<sup>(15)</sup> (2003-2010)</p>	N/A
Jim Lincoln Montana, United States	<p><i>Vice-President, Operations</i> (March 2012 to present)</p> <p>Vice President, Operations of Fronteer<sup>(7)(8)</sup> (2006 to April 2011)</p> <p>Chief Operating Officer of Aurora<sup>(9)</sup> (2006 to 2008)</p>	N/A

Name, Province/State of Residence	Office held with Corporation and Principal Occupation for Five Preceding Years	Director Since
Patrick Reid British Columbia, Canada	<i>Vice-President, Corporate Affairs (April 2011 to present)</i> Senior Director, Institutional Marketing of Fronteer <sup>(7)(8)</sup> (2010 to 2011) Senior Vice President and Partner of AGF Investments Inc. <sup>(16)</sup> (2004 to 2010)	N/A
John Wenger British Columbia, Canada	<i>Chief Financial, Officer and Corporate Secretary (April 2011 to present)</i> Audit and Assurance staff/manager, Ernst & Young LLP <sup>(17)</sup> (2003 to February 2011)	N/A

Notes:

- (1) Receives management and technical services from Oxygen. Each of Messrs. Holmes, Lincoln, and Reid provide services to the Corporation pursuant to the agreement with Oxygen. Office held with True Gold and with Pilot Gold provided pursuant to the agreement with Oxygen.
- (2) Member of the Compensation Committee.
- (3) Member of the Health, Safety and Sustainability Committee.
- (4) Member of the Audit Committee.
- (5) Member of the Corporate Governance and Nominating Committee.
- (6) Mr. Lennox-King is also a director of PHI, and PII, each a wholly owned subsidiary of the Corporation, and of Truva Bakır and Orta Truva, each indirectly owned 40% by the Corporation.
- (7) A mineral property exploration and development company.
- (8) Acquired by Newmont; subsequently dissolved on May 3, 2011.
- (9) A uranium exploration and development company; acquired by Newmont in April 2011 and subsequently renamed.
- (10) An Australian heavy mineral sands mining and exporting company.
- (11) A global renewable energy company; acquired by Alterra.
- (12) Acquired by True Gold in December 2012.
- (13) Acquired by New Gold Inc.
- (14) Acquired by Thompson Creek Metals Company.
- (15) A securities and investment company.
- (16) A global investment management services firm.
- (17) A global accounting, assurance and advisory firm.
- (18) A gold mining company focused on operating, developing, exploring and acquiring gold properties primarily in Asia, the former Soviet Union and other emerging markets worldwide.
- (19) Mr. Spalding is also a director of Pilot USA, a wholly owned subsidiary of the Corporation.

The term of office of each of the Corporation's directors expires at the Corporation's next annual general meeting at which directors are elected for the upcoming year or until his successor is duly elected or earlier in accordance with the by-laws of the Corporation. The next annual meeting of the Corporation is scheduled to be held on May 9, 2013.

## Aggregate Ownership of Securities

As at December 31, 2012, the directors and executive officers of the Corporation, as a group, beneficially owned, or exercised control or direction over, directly or indirectly, an aggregate of 2,332,899 Common Shares representing approximately 2.69% of the issued and outstanding Common Shares as of such date. On a fully-diluted basis, assuming the exercise of all Options, Share Purchase Warrants and Teck Warrants, the directors and executive officers of the Corporation, as a group beneficially owned, or exercised control or direction over, directly or indirectly, an aggregate of 7,015,899 Common Shares representing approximately 8.08% of the issued and outstanding Common Shares as of such date.

## Promoters

Each of Mark O'Dea, Chairman of the Board, Sean Tetzlaff, Chairman of the audit committee of the Board (the "**Audit Committee**"), John Dorward, director, and Matthew Lennox-King, director, President and Chief Executive Officer were involved in the founding and organizing of Pilot Gold, and, accordingly, are considered "Promoters" pursuant to applicable Canadian securities laws.

The following table illustrates the number of Common Shares and Share Purchase Warrants and the percentage interest of the issued and outstanding, beneficially owned, or controlled and directed by each of the Promoters as at the date of this AIF:

	Common Shares	%	Share Purchase Warrants	%
Dr. O'Dea	1,172,639	1.35%	50,000	0.35%
Mr. Lennox-King	208,184	0.24%	22,500	0.16%
Mr. Dorward	99,800	0.11%	-	-%
Mr. Tetzlaff <sup>(1)</sup>	387,765	0.45%	42,000	0.29%

For 2013, Dr. O'Dea, and Messrs. Tetzlaff and Dorward will receive fees in the amount of \$100,000, \$30,000 and \$25,000, respectively, from the Corporation as compensation for their service on the Board. These amounts are unchanged from the fees paid in the year ended December 31, 2012. In 2013, Mr. Lennox-King will receive a base salary of \$225,000 and may receive additional bonus compensation, as determined by the Board, for his service as President and Chief Executive Officer of Pilot Gold. Mr. Lennox-King does not receive any additional compensation for his service as a director of the Corporation. Mr. Lennox-King is also a member of the Corporation's extended benefits plan for executives of the Corporation. The extended benefits plan for executives includes premiums paid by the Corporation related to extended medical and dental coverage, premiums paid for participation in the provincial medical services plan of British Columbia, and premiums providing each with \$500,000 in life insurance coverage. For fiscal 2012, the Corporation paid premiums associated with certain levels of directors' and officers' insurance for each of Dr. O'Dea, and Messrs. Tetzlaff, Dorward and Lennox-King on the same basis as is provided for those other directors and officers of the Corporation. Each of Dr. O'Dea, and Messrs. Tetzlaff, Dorward and Lennox-King are also eligible participants under the Corporation's stock option plan and may receive grants of stock options from time to time, as determined by the Board. As at the date of this AIF, Dr. O'Dea, and Messrs. Tetzlaff, Dorward and Lennox-King respectively hold 800,000, 550,000, 550,000 and 975,000 Options.

<sup>(1)</sup> 33,300 of these shares are owned by Mr. Tetzlaff's spouse.

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of Pilot Gold is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director, chief financial officer or chief executive officer of any company that:

was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (any such order, an "Order") that was issued while that person was acting in that capacity; or

was subject to an Order that was issued after that person ceased to act in such capacity and which Order resulted from an event that occurred while that person was acting in that capacity; and

No director, or executive officer of the Corporation or shareholder:

- (a) is, at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets; and

No director or executive officer of the Corporation holding a sufficient number of securities of the Corporation to affect, materially, the control of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

The information contained in this AIF as to ownership of securities of the Corporation, corporate cease trade orders, bankruptcies, penalties or sanctions, and existing or potential conflicts of interest, not being within the knowledge of the Corporation, has been provided by each director and executive officer of the Corporation individually.

## Legal Proceedings and Regulatory Actions

The Corporation is not currently, and has not at any time during its 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. The Corporation is not aware of any such proceedings or actions threatened or known to be contemplated.

## Conflicts of Interest

Except as disclosed herein, to the knowledge of management of the Corporation, there are no existing or potential material conflicts of interest between the Corporation or any of its subsidiaries and any director or officer of the Corporation. Directors and officers of the Corporation may serve as directors and/or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Corporation or any of its subsidiaries may participate, the directors of the Corporation may have a conflict of interest in negotiating and conducting terms in respect of such participation. If such conflict of interest arises at a meeting of the Board, a director who has such a conflict is required to disclose such conflict and abstain from voting for or against the approval of such participation or such terms. See “*Risk Factors*” in this AIF.

## Interests of Experts

The Corporation relies on experts to audit the annual consolidated financial statements, prepare mineral resource estimates on certain of the Corporation’s mineral properties, and to prepare the related technical reports.

PricewaterhouseCoopers LLP, Chartered Accountants (“**PwC**”), are the Corporation’s auditors and have prepared an opinion with respect to the Corporation’s consolidated financial statements as at and for the year ended December 31, 2012. PwC report that they are independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Each of the following authors of the respective Technical Reports referenced in this AIF is a Qualified Person:

Technical Report	Qualified Person
TV Tower Technical Report	Paul Gribble, C.Eng., FIMMM,
Kinsley Technical Report <sup>20</sup>	Michael Gustin, CPG, Moira Smith, Ph.D., P.Geo.
Halilağa PEA	Gordon Doerksen, P.Eng., James Gray, P.Geo., Garth Kirkham, P.Geo., Dino Pilotto, P.Eng., Maritz Rykaart, P.Eng., Kevin Scott, P.Eng.

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<sup>20</sup> Mr. Kent Samuelson is also a co-author of the technical report entitled “*Technical Report on the Kinsley Project, Elko County, Nevada, U.S.A.*”, dated March 26, 2012. Mr. Samuelson is not a Qualified Person.

In the case of the following news releases issued by the Corporation (available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com)), from which certain Technical Information contained in this AIF has been derived, each of the following employees of the Corporation is a Qualified Person:

News Release (date)	Qualified Person
July 16, 2012 August 27, 2012 September 5, 2012 September 19, 2012 October 9, 2012 December 3, 2012 December 18, 2012 January 9, 2013 January 15, 2013 January 22, 2013 January 28, 2013 February 4, 2013 February 27, 2013 March 19, 2013	Moirra Smith, Ph.D., P.Geo.
May 10, 2012	Ian Cunningham-Dunlop, P. Eng.
November 9, 2012	Vance Spalding, B.Sc., CPG

Other than as described below, based on information provided by the experts as at March 27, 2013, the experts named above did not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Corporation or one of its associates or affiliates, when the experts prepared their respective reports, and no securities or other property of the Corporation or one of its associates or affiliates were subsequently received or are to be received by such experts.

Neither Dr. Smith nor Mr. Spalding are independent of Pilot Gold by virtue of their employment with the Corporation. Dr. Smith is Chief Geologist of Pilot Gold and Mr. Spalding is the Corporation's Vice-President, Exploration. Each hold Common Shares and Options. As of the date hereof, the Common Shares and Options held by Dr. Smith and Mr. Spalding respectively, represent less than 1% of the issued and outstanding Common Shares.

At the time of the press release noted for which he was the Corporation's designated Qualified Person, Mr. Cunningham-Dunlop was an officer of Pilot Gold and held Common Shares and Options. As of the date hereof, the Common Shares and Options held by Mr. Cunningham-Dunlop represent less than 1% of the issued and outstanding Common Shares.

**Interests of Management and Others in Material Transactions**

Other than as disclosed elsewhere in this AIF, no director, executive officer, or shareholder beneficially owning or exercising control or direction over, directly or indirectly, more than 10% of the Common Shares, and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the most recently completed financial year or since the beginning of the Corporation's last completed fiscal year or in any proposed transaction which, in either such case, has materially affected or will materially affect the Corporation.

## Material Contracts

The only material contracts entered into by the Corporation, other than in the ordinary course of business, since the date of incorporation until the date hereof or before the most recently completed financial year of the Corporation but which are still in effect, are as follows:

1. Arrangement Agreement dated February 3, 2011, pursuant to which Newmont acquired all of the outstanding common shares of Fronteer by way of a plan of arrangement.
2. An agreement dated October 19, 2004 between Fronteer and TMST pursuant to which Fronteer, was granted an option to acquire a 100% interest in a group of properties known as the Biga Properties (which includes Halilağa and TV Tower) and TMST was granted certain back-in rights. Under the terms of the related agreement, TMST and Fronteer earned a 60% and 40% interest, respectively, in Halilağa and four other designated properties. Fronteer's rights in the agreement were acquired by the Corporation in connection with the acquisition of the shares of PII (formerly, FII), as described in this AIF.
3. The FII Share Purchase Agreement, dated April 4, 2011, pursuant to which FHI sold to PHI, all of the issued and outstanding shares of PII. As a result of such purchase, PHI indirectly acquired all of PII's 40% interest in the Turkish Properties and a 100% interest in three other prospective properties in Turkey.
4. An agreement dated April 4, 2011 between Fronteer and Pilot Gold pursuant to which Fronteer transferred to Pilot the following: (i) 2,000,000 common shares and 1,000,000 share purchase warrants of Rae-Wallace and an option agreement with Rae-Wallace pursuant to which Pilot Gold acquired the RW Option; (ii) C\$9,584,714; (iii) additional cash required by Pilot Gold to fund the purchase of the Additional Nevada Eagle Assets, the Viper Assets and the PII shares described herein; and (iv) additional assets of Fronteer, including an office lease in Vancouver, British Columbia, office equipment and furniture, and the fixed assets and technical information, reports, data and studies related to those exploration properties transferred to Pilot Gold in accordance with the Arrangement Agreement. In addition, Fronteer assigned to Pilot Gold the contracts entered into with respect to those assets acquired from Fronteer. In consideration for the foregoing, Pilot Gold issued Common Shares to Fronteer that resulted in Newmont holding an indirect 19.9% interest in Pilot Gold following the completion of the Fronteer Arrangement, and assumed certain liabilities relating to the assets acquired by Pilot Gold.
5. An agreement dated June 20, 2012 between Pilot Gold, PII, Agola, TMST and Orta Truva whereby the Corporation can increase its ownership interest in Orta Truva from 40% to 60%; the Corporation is empowered to make the majority of operational and financial decisions relating to TV Tower, and the terms of the joint venture relationship between the Corporation and TMST, are prescribed, superseding the memoranda of understanding Biga Agreements as related to Orta Truva and TV Tower.
6. The Warrant Indenture, dated November 1, 2012, between the Corporation and Computershare Providing for the Issue of Warrants, and Computershare as warrant agent to hold the rights, interests and benefits contained herein for and on behalf of those persons who from time to time become the holders of Warrants issued pursuant to the Warrant Indenture.

Copies of each of the material contracts described above have been filed with the applicable Canadian securities regulatory authorities and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Board Committees

The Board has four standing committees: (i) Audit; (ii) Compensation; (iii) Corporate Governance and Nominating; and (iv) Health, Safety and Sustainability. A Disclosure Committee has also been formed as a sub-committee of the Corporate Governance and Nominating Committee. Details as to composition and mandate of the Audit Committee are described in this AIF under heading “Information Concerning the Audit Committee and External Auditor”; detail related to the mandates and composition of the Compensation Committee, Corporate Governance and Nominating Committee, and the Health, Safety and Sustainability Committee are described in the Corporation’s Management Information Circular prepared in respect of the Annual General Meeting of the Shareholders of the Corporation to be held on May 9, 2013, and which will be filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### Information Concerning the Audit Committee and External Auditor

#### *Audit Committee Charter*

The Corporation’s Audit Committee has a written charter to follow in carrying out its audit and financial review functions (the “**Audit Committee Charter**”), a copy of which is attached to this AIF as Schedule “A”. The Audit Committee reviews all financial statements of the Corporation prior to their publication, reviews audits, considers the adequacy of audit procedures, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them and reviews fees for audit services. The Audit Committee meets separately (without management present) with the Corporation’s auditors to discuss the various aspects of the Corporation’s financial statements and the independent audit.

The Corporation has also adopted a code of ethics (the “**Code of Ethics**”) that applies to all personnel of the Corporation. A copy of the Code of Ethics is attached as Schedule “B” to this AIF. Employees of the Corporation are encouraged to report suspected violations of the Code of Ethics to the ‘Complaints Officer’. The Complaints Officer is the Chair of the Audit Committee.

#### *Audit Committee Oversight*

At no time during the fiscal year ended December 31, 2012 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

#### *Pre-Approval Policies and Procedure*

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as set out in the Audit Committee Charter attached as Schedule “A” hereto.

#### *Composition of the Audit Committee*

The Audit Committee was constituted on April 3, 2011 by resolution of the Board. The members of the Audit Committee are Sean Tetzlaff (Chair), Donald McInnes and John Dorward, each of whom is “independent” and “financially literate” for the purposes of National Instrument 52-110 – *Audit Committees*.

### *Relevant Education And Experience*

The following is a description of the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member:

#### Sean Tetzlaff

From December 2011 to December 2012 Mr. Tetzlaff was the Chief Financial Officer and Corporate Secretary of Blue Gold. From 2005 to April 2011 he served as Chief Financial Officer, Vice-President Finance and Corporate Secretary of Fronteer. In these capacities he had oversight of financial, legal and contractual matters for each company's respective operations and various international subsidiaries, and was responsible for the successful execution of numerous equity investments, asset divestitures and M&A transactions. Mr. Tetzlaff also served as Chief Financial Officer of Aurora from 2006 to 2008, helping that company grow from initial public offering through to the advancement of one of the world's largest undeveloped uranium deposits. Mr. Tetzlaff previously served as Senior Manager (2002 to 2004) and Manager (1999-2001) with the Tax group at KPMG LLP, and was Chief Financial Officer of Valerie Gold Resources Ltd. and Emgold Mining Corporation from 1996 to 1999. Mr. Tetzlaff earned a B.Comm from the University of British Columbia in 1991 and earned his Chartered Accountant designation from the Institute of Chartered Accountants of British Columbia in 1994.

#### John Dorward

Mr. Dorward has a background in finance, corporate transactions and investment banking having been Chief Financial Officer and bank lender to several mining companies. He is currently President and CEO of Roxgold (September 2012 to present), and sits as a non-executive director with Navarre (November 2008 to present), an exploration company listed on the ASX. Mr. Dorward was previously employed by Fronteer as Vice President, Business Development (2009 to April 2011) and was instrumental in the acquisition of AuEx Ventures Inc. by Fronteer, the sale of Fronteer's uranium assets to Paladin Energy Ltd., and ultimately the negotiation of Fronteer's acquisition by Newmont. Prior to his employment with Fronteer, Mr. Dorward was Chief Financial Officer of MDL (November 2006 to June 2009), and Chief Financial Officer and Company Secretary of Leviathan Resources Limited, a gold mining company listed on the ASX (October 2004 to November 2006). Mr. Dorward holds a B.Comm (Hons) from Melbourne University, and a Graduate Diploma in Applied Finance and Investment.

#### Donald McInnes

Mr. McInnes has over 20 years' experience in the mineral exploration industry. Since 1993, Mr. McInnes has been a founder, President and director of a number of publicly-traded mineral exploration companies. He is currently Executive Vice Chairman of Alterra (March 2011 to Present), a Director with True Gold (December 2012 to present), and Chairman of Blackstone Ventures Inc., an exploration and development-stage company focused on Scandinavian exploration (1993 to Present). Mr. McInnes is also Chair of the board of directors of Prostate Cancer Canada (February 2013 to Present), a director of the Clean Energy Association of British Columbia, and a Governor of the Business Council of British Columbia. He is a past-President and director of the Association for Mineral Exploration British Columbia and a past director of the Prospectors and Developers Association of Canada. Mr. McInnes was previously Vice Chairman of Blue Gold (September 2011 to December 2012), a director of Fronteer (2001 to April 2011) and was the founder of Kutcho Copper Corp. (formerly Western Keltic Mines Inc.), holding the position of President from 1993 to 2006, and Vice Chair and CEO of Plutonic from June 1999 to March 2011, a renewable power development company he founded with a portfolio of clean-energy projects, which merged with Alterra.

## Auditor

PwC has been the Corporation's external auditor since February 25, 2011. PwC conducts the annual audit of Pilot Gold's consolidated financial statements and on occasion, provides audit-related, tax and other services. PwC reports to the Audit Committee.

### External Auditor Service Fees

The following table shows the fees paid, net of administrative surcharge, by the Corporation to PwC for services in the year ended December 31, 2012 and 2011:

	Years ended December 31		
	2012	2011	
Audit fees	C\$88,850	C\$25,000	Total fees for audit services
Audit related fees	C\$80,680	C\$115,000	Fees for consulting on accounting matters, due diligence and technical guidance, review procedures on the Corporation's interim financial statements; the audit of IFRS opening balance sheet; and services in connection with the 2011 Bought-Deal and the 2012 Offering
Tax fees	C\$ -nil	C\$1,800	Total fees for tax advice, tax planning and tax compliance.
All other fees	C\$ -nil	C\$20,000	Fees for French translation
<b>Total</b>	<b>C\$169,530</b>	<b>C\$161,800</b>	

Audit fees paid increased \$63,850 from 2011 to 2012, reflecting the timing of invoices and payments where the majority of the fee related to the 2011 audit was paid in 2012.

In 2012, audit-related fees primarily related to fees paid for services in connection with the 2012 Offering (\$42,000) and fees in connection with interim reviews and related procedures. In 2011, audit-related fees primarily related to fees paid for services in connection with the 2011 Bought-Deal (\$50,000), interim reviews, and the audit of the Corporation's IFRS opening balance sheet.

### ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

Additional information, including particulars of directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Corporation's Information Circular prepared in respect of the Annual General Meeting of the Shareholders of the Corporation to be held on May 9, 2013.

Additional financial information is provided in Audited Financial Statements and the related MD&A.

A copy of such documents and of this AIF may be obtained upon request from the Corporate Secretary of the Corporation. The Corporation may require payment of a reasonable charge if the request is made by a person who is not a holder of securities of the Corporation.

Information on the Corporation's website is not part of this AIF, or incorporated by reference.

## SCHEDULE A – AUDIT COMMITTEE CHARTER

### Charter of the Audit Committee of the Board of Directors of Pilot Gold Inc.

The Corporation's audit committee will be governed by an audit committee charter, the text of which is set forth below.

#### PURPOSE

The Audit Committee (the “**Committee**”) is appointed by and reports to the board of directors (the “**Board**”) of Pilot Gold Inc. (the “**Corporation**”). The Committee assists the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The Committee's primary duties and responsibilities are to:

- conduct such reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel;
- (i) review the annual financial statements and management's discussion and analysis of the Corporation's financial position and operating results and report thereon to the Board for approval of same and (ii) review and approve the interim financial statements and management's discussion and analysis of the Corporation's financial position and operating results and report thereon to the Board;
- recommend to the Board for approval by shareholders, the Corporation's external auditors (the “**Independent Auditors**”);
- select and monitor the independence and performance of the Corporation's Independent Auditors, including attending private meetings with the Independent Auditors and reviewing and approving all renewals or dismissals of the Independent Auditors and their remuneration; and
- provide oversight of related party transactions entered into by the Corporation.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the Independent Auditors as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.

In fulfilling its responsibilities, the Committee will carry out the specific duties set out in this Charter.

## **AUTHORITY OF THE AUDIT COMMITTEE**

The Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

## **COMPOSITION AND MEETINGS**

The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including, without limitation, those of any stock exchange on which the Corporation's shares are listed, the *Canada Business Corporations Act*, the Ontario Securities Commission (the "OSC") and all applicable securities regulatory authorities.

The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.

The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair.

Each member of the Committee shall be "independent" and financially literate (as such terms are defined under applicable securities laws and exchange requirements for audit committee purposes). Each member of the Committee shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.

The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two of the members of the Committee present either in person or by telephone shall constitute a quorum.

If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.

If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference

telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries, and other persons, as it may see fit, from time to time, to attend at meetings of the Committee.

The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

## **CHAIR**

The Chair of the Committee:

- (a) provides leadership to the Committee with respect to its functions as described in this Charter and as otherwise may be appropriate, including overseeing the logistics of the operations of the Committee;
- (b) chairs meetings of the Committee, unless not present (including in camera sessions), and reports to the Board of Directors following each meeting of the Committee on the findings, activities and any recommendations of the Committee;
- (c) ensures that the Committee meets on a regular basis and at least four times per year;
- (d) in consultation with the Lead Director (if an individual other than the Chair) and the Committee members, establishes a calendar for holding meetings of the Committee;
- (e) establishes the agenda for each meeting of the Committee, with input from other Committee members, the Lead Director (if an individual other than the Chair) and any other parties, as applicable;
- (f) ensures that Committee materials are available to any Director on request;
- (g) acts as liaison and maintains communication with the Lead Director (if an individual other than the Chair) and the Board to optimize and coordinate input from Board members, and to optimize the effectiveness of the Committee. This includes reporting to the full Board on all proceedings and deliberations of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Committee considers advisable;

- (h) reports annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the objectives and responsibilities of the Board as a whole;
- (i) ensures that the members of the Committee understand and discharge their duties and obligations;
- (j) fosters ethical and responsible decision making by the Committee and its individual members;
- (k) ensures that resources and expertise are available to the Committee so that it may conduct its work effectively and efficiently and pre-approves work to be done for the Committee by consultants;
- (l) facilitates effective communication between members of the Committee and management;
- (m) attends each meeting of shareholders to respond to any questions from shareholders as may be put to the Chair; and
- (n) performs such other duties and responsibilities as may be delegated to the Chair by the Board from time to time.

## **RESPONSIBILITIES**

### ***A. Financial Accounting and Reporting Process and Internal Controls***

The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with applicable Canadian accounting standards and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. The Committee shall also review and approve the interim financial statements prior to their being filed with the appropriate regulatory authorities. The Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the Independent Auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.

The Committee shall review management's internal control report and the evaluation of such report by the Independent Auditors, together with management's response. The Committee shall assess the integrity of internal controls and financial reporting procedures and ensure implementation of such controls and procedures.

The Committee shall review the financial statements, management's discussion and analysis relating to annual and interim financial statements, annual and interim earnings press releases and any other public disclosure documents that are required to be reviewed by the Committee under any applicable laws before the Corporation publicly discloses this information.

The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of these procedures.

The Committee shall meet no less frequently than annually with the Independent Auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, deems appropriate.

The Committee shall inquire of management and the Independent Auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management has taken to minimize such risks.

The Committee shall review the post-audit or management letter containing the recommendations of the Independent Auditors and management's response and subsequent follow-up to any identified weaknesses.

The Committee shall oversee the Corporation's plans to adopt changes to accounting standards and related disclosure obligations.

The Committee shall ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel.

The Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The Committee shall provide oversight to related party transactions entered into by the Corporation.

### ***B. Independent Auditors***

The Committee shall be directly responsible for the selection, appointment, compensation and oversight of the Independent Auditors and the Independent Auditors shall report directly to the Committee.

The Committee shall ensure that in compliance with applicable law, the lead audit partner at the Independent Auditor is replaced every five years.

The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.

The Committee shall pre-approve all audit and non-audit services not prohibited by law to be provided by the Independent Auditors.

The Committee shall monitor and assess the relationship between management and the Independent Auditors and monitor, confirm, support and assure the independence and objectivity of the Independent Auditors. The Committee shall establish procedures to receive and respond to complaints with respect to accounting, internal accounting controls and auditing matters.

The Committee shall review the Independent Auditor's audit plan, including scope, procedures, timing and staffing of the audit.

The Committee shall review the results of the annual audit with the Independent Auditors, including matters related to the conduct of the audit, and receive and review the auditor's interim review reports.

The Committee shall obtain timely reports from the Independent Auditors describing critical accounting policies and practices, alternative treatments of information within applicable Canadian accounting principles that were discussed with management, their ramifications, and the Independent Auditors' preferred treatment and material written communications between the Corporation and the Independent Auditors.

The Committee shall review fees paid by the Corporation to the Independent Auditors and other professionals in respect of audit and non-audit services on an annual basis.

The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.

***C. Other Responsibilities***

The Committee shall:

- (a) perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate; and
- (b) review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board of Directors for approval.

*Enacted April 4, 2011 (amended October 13, 2011)*

## SCHEDULE B – CODE OF BUSINESS CONDUCT AND ETHICS

### Purpose

This Code of Business Conduct and Ethics (the "**Code**") of Pilot Gold Inc. ("**Pilot Gold**", or the "**Corporation**") and its subsidiaries and affiliates is intended to document the principles of conduct and ethics to be followed by the Corporation's directors, officers and employees (the "**Personnel**") and where practical, contractors and subcontractors of the Corporation. Its purpose is to:

- Reiterate Pilot Gold's commitment to full compliance by the Corporation, its subsidiaries and affiliates, and its officers, directors, employees and agents with Canada's Corruption of Foreign Public Officials Act ("**CFPOA**"), the U.S. Foreign Corrupt Practices Act ("**FCPA**"), and any local anti-bribery or anti-corruption laws that may be applicable;
- Promote fair dealing with the Corporation's customers, suppliers, competitors and other third parties;
- Promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Promote avoidance of conflicts of interest, including disclosure to an appropriate person of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
- Promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Corporation files with, or submits to, the relevant Canadian regulatory authorities and in other information disseminated to the public;
- Promote compliance with applicable governmental laws, rules and regulations as well as the rules of the Toronto Stock Exchange;
- Promote the prompt internal reporting to an appropriate person of violations of this Code;
- Promote accountability for adherence to this Code, the CFPOA and the FCPA;
- Provide guidance to Personnel to help them recognize and deal with ethical issues;
- Provide mechanisms to report unethical conduct; and
- Help foster a culture of honesty and accountability.

This Code is not intended to be a comprehensive guide to all of the Corporation's policies or to all its Personnel's responsibilities under applicable laws or regulations. It is intended to provide general parameters to help resolve the ethical and legal issues encountered when the Corporation conducts business.

The Corporation expects all of its Personnel to comply and act in accordance, at all times, with the principles stated above and the more detailed provisions provided hereinafter. Violation of the law, the Corporation's governance policies or this Code by Personnel is grounds for disciplinary action up to and including, but without limitation, immediate termination of employment or directorship.

### Definitions

Corruption is the misuse of public power for private profit, or the misuse of entrusted power for private gain. Bribery is the offer, promise, or payment of cash, gifts, or even excessive entertainment to, or an inducement of any kind offered or given to a person in a position of trust to influence that person's views or conduct or to obtain an improper advantage.

Bribery and corruption can take many forms, including the provision or acceptance of:

- Cash payments;
- Phony jobs or “consulting” relationships;
- Kickbacks;
- Political contributions;
- Charitable contributions;
- Social benefits; or
- Gifts, travel, hospitality, and reimbursement of expenses.

### **Basic Obligations**

Under the Corporation's ethical standards, Personnel share certain responsibilities. It is each such person's responsibility to (i) become familiar with, and conduct Corporation business in compliance with, applicable laws, rules and regulations and this Code; (ii) treat all Corporation employees, customers and business partners in an honest and fair manner; (iii) avoid situations where any Personnel's personal interests are, or *appear to be*, in conflict with the Corporation's interests; and (iv) safeguard and properly use the Corporation's proprietary and confidential information, assets and resources, as well as those of the Corporation's business partners.

### **Fair Dealing**

Personnel are required to deal honestly and fairly with the Corporation's customers, suppliers, competitors and other third parties. When dealing with customers and suppliers, the Corporation:

- prohibits offering, paying, promising or authorizing bribes, kickbacks or any other form of loan, reward, advantage of benefit, or other improper payment, direct or indirect, to any representative of government, labour union, customer or supplier in order to:
  - obtain a contract, some other commercial benefit or government action;
  - cause a person to act or fail to act in violation of a legal or official duty; or
  - cause a person to abuse or use his or her position to influence any acts or decisions of the foreign state or public international organization for which the official performs duties or functions;
- prohibits Personnel from *accepting* any bribe, kickback or improper payment from anyone;
- prohibits gifts of more than modest value to or from suppliers or customers;
- limits marketing and client entertainment expenditures to those that are necessary, prudent, job-related and consistent with the Corporation's policies;
- requires clear and precise communication in the Corporation's contracts, its advertising, its literature, and its other public statements and seeks to eliminate misstatements of fact or misleading impressions;
- reflects accurately on all invoices to customers the sale price and terms of sales for goods sold or services rendered; and
- prohibits Personnel from otherwise taking unfair advantage of the Corporation's customers or suppliers, or other third parties, through manipulation, concealment, abuse of privileged information or any other unfair-dealing practice.

## **Conflicts of Interest**

Personnel should not engage in any activity, practice or act which creates or gives the appearance of a conflict with the best interests of the Corporation or its partners. A conflict of interest occurs when any Personnel places or finds himself or herself in a position where his or her private interests create or give the appearance of a conflict with the best interests of the Corporation or have an adverse effect on such person's motivation or the proper performance of his or her job.

Examples of such conflicts could include, but are not limited to:

- accepting outside employment with, or accepting personal payments from, any organization which does business with the Corporation or is a competitor of the Corporation;
- competing with the Corporation for the purchase or sale of property, services or other interests or taking personal advantage of an opportunity in which the Corporation has an interest;
- having, or immediate family members having, financial interest in a firm which does business with the Corporation;
- seeking or accepting any personal loan or services from any entity with which the Corporation does business, except from financial institutions or service providers offering similar loans or services to third parties under similar terms in the ordinary course of their respective businesses;
- accepting any personal loan or guarantee of obligations from the Corporation, except to the extent such arrangements are legally permissible; and
- having a financial interest, including significant share ownership, in a transaction involving the Corporation or a customer, business partner or supplier.

Personnel must not place themselves or remain in a position in which such person's private interests conflict with the interests of the Corporation.

If the Corporation determines that any Personnel's outside work interferes with performance or his or her ability to meet the requirements of the Corporation, as they are modified from time to time, such person may be asked to terminate such outside work if he or she wishes to remain employed by the Corporation. To protect the interests of both the Personnel and the Corporation, any activity that involves a potential or apparent conflict of interest may be undertaken only after disclosure to the Corporation by such person and review and approval by management of the Corporation or another appropriate party.

## **Confidentiality Concerning Corporate Affairs**

Personnel must preserve and protect the confidentiality of information entrusted to them by the Corporation or its customers and suppliers and which they come into contact with in their work, except when disclosing information which is expressly approved by an officer of the Corporation with authority to give such approval, including if legally mandated. Confidential information encompasses proprietary information which is not in the public domain that could be of use to competitors, or that could harm the Corporation, its employees, its customers, suppliers or business partners if disclosed.

Personnel must also not use or disclose to the Corporation any proprietary information or trade secrets of any former employer or other person or entity with whom obligations of confidentiality exist. Similarly, this obligation to protect confidential information continues after leaving the Corporation.

## **Disclosure**

The Corporation is committed to providing full, fair, accurate, timely and understandable disclosure in reports and documents that the Corporation files with, or furnishes to, the Canadian regulatory authorities and in other public communications made by the Corporation. The goal of the Corporation's Timely Disclosure, Confidentiality and Insider Trading Policy (the "**Disclosure Policy**") is to raise awareness of the Corporation's approach to disclosure among the Personnel and those authorized to speak on behalf of the Corporation.

The Disclosure Policy extends to all Personnel and those authorized to speak on the Corporation's behalf. It covers disclosures in documents filed with, or furnished to, the securities regulators and written statements made in the Corporation's annual and quarterly reports, news releases, letters to shareholders, presentations by senior management, information contained on the Corporation's web site and other electronic communications. It extends to oral statements made in meetings and telephone conversations with members of the investment community (which includes analysts, investors, investment dealers, brokers, investment advisers and investment managers), interviews with the media as well as speeches, conference calls and posting to social media websites. As a prerequisite and condition of employment, all Personnel must sign an acknowledgment by which they agree to adhere to such Disclosure Policy, which is generally provided to the new hire prior to or immediately after his or her start date and is available on the Public folder of the Corporation's network or from the Chief Financial Officer.

## **Accuracy of Corporate Records**

The Corporation is required to record and publicly report all internal and external financial records in compliance with International Financial Reporting Standards ("**IFRS**"). The books and records of Pilot Gold and each of its subsidiaries and affiliates must correctly record both the amount and a written description of any transaction. Personnel must ensure that there is a reasonable relationship between the substance of a transaction and how it is described in the Corporation's books and records

Therefore, Personnel are responsible for ensuring the accuracy of all books and records within their control and complying with all Corporation policies and internal controls. All Corporation information must be reported accurately, whether in internal personnel, safety, or other records or in information the Corporation releases to the public or files with, or furnishes to, Canadian regulatory authorities.

## **Financial Reporting and Disclosure Controls**

The Corporation is required to file or furnish periodic and other reports with certain Canadian regulatory authorities and to make certain public communications. The

Corporation is required by such regulatory authorities to maintain effective "disclosure controls and procedures" so that financial and non-financial information is reported timely and accurately both to its senior management and in any public filings it makes. Personnel are expected, within the scope of their employment duties, to support the effectiveness of the Corporation's disclosure controls and procedures.

### **Compliance with All Laws, Rules and Regulations**

The Corporation is committed to compliance with all applicable laws, rules, and regulations, including laws and regulations applicable to the Corporation's securities and trading in such securities, as well as any rules promulgated by any exchange on which the Corporation's shares are listed or quoted for trading.

### **Health and Safety**

The Corporation is committed to making its work environment safe, secure and healthy for its Personnel and others. The Corporation complies with all applicable laws and regulations relating to safety and health in the workplace. The Corporation expects all Personnel to promote a positive working environment for all. Personnel are expected to consult and comply with all Corporation rules regarding workplace conduct and safety. Personnel should immediately report any unsafe or hazardous conditions or materials, injuries, and accidents connected with the Corporation's business and any activity that compromises corporate security to a senior officer of the Corporation. Personnel must not work under the influence of any substances that would impair the safety of others. All threats or acts of physical violence or intimidation are prohibited.

### **Protection and Proper Use of the Corporation's Assets**

All Personnel should protect the Corporation's assets and ensure their efficient use. Pilot Gold's assets must be protected from loss, damage, theft, misuse, and waste. The Corporation's assets include your time at work and work product, as well as Pilot Gold's equipment and vehicles, computers and software, trading and bank accounts, company information and the Corporation's reputation, trademarks and name. Pilot Gold's telephone, email, Internet and other electronic systems are primarily for business purposes. Personal communications using these systems should be kept to a minimum. Employees and directors should exercise prudence in incurring and approving business expenses, work to minimize such expenses and ensure that such expenses are reasonable and serve the Corporation's business interests.

### **Respect for the Corporation's Employees**

The Corporation's employment decisions will be based on reasons related to its business, such as job performance, individual skills and talents, and other business or related factors. The Corporate policy requires adherence to all federal, state, provincial or other local employment laws. In addition to any other requirements of applicable laws in a particular jurisdiction, the Corporate policy prohibits discrimination in any aspect of employment based on race, color, religion, sex, national origin, disability or age, within the meaning of applicable laws.

## **Abusive or Harassing Conduct Prohibited**

The Corporation prohibits abusive or harassing conduct by its Personnel towards others, such as unwelcome sexual advances, comments based on ethnicity, religion or race, or other non-business, personal comments or conduct that make others uncomfortable in their employment with the Corporation. The Corporation encourages and expects all Personnel to report harassment or other inappropriate conduct as soon as it occurs.

## **Privacy**

The Corporation, and companies and individuals authorized by the Corporation, collect and maintain personal information that relates to its Personnel, including compensation, medical and benefits information. The Corporation follows procedures to protect information wherever it is stored or processed, and access to the personal information of its employees is restricted. Personal information will only be released to outside parties in accordance with the Corporation's policies and applicable legal requirements. Personnel who have access to personal information must ensure that personal information is not disclosed in violation of the Corporation's policies or practices.

## **Duty to Report Suspected Code Violations**

The Corporation expects employees and directors to take all responsible steps to prevent a violation of this Code, to identify and raise potential issues before they lead to problems, and to seek additional guidance when necessary.

If any Personnel observe or become aware of an actual or potential violation of this Code or of any applicable law or regulation, whether committed by Corporation employees or by others associated with the Corporation, it is their responsibility to promptly report the circumstances as outlined herein and to cooperate with any investigation by the Corporation. This Code is designed to provide an atmosphere of open communication for compliance issues and to ensure that Personnel acting in good faith have the means to report actual or potential violations.

For assistance with compliance matters and to report actual or potential compliance infractions, Personnel should refer to the procedures outlined separately in "Procedures for Receipt of Complaints and Submissions Relating to Ethical Conduct and Accounting Matters" (attached hereto as Appendix 'A').

## **Relationship to Other Policies**

All Corporation policies apply to Personnel. If such person is a director, in addition to this Code, the Mandate of the Board and the Directors' Code of Ethics will guide him or her procedurally in his or her position as a director. If such person is a Senior Financial Officer, in addition to this Code, the Code of Ethics for Senior Financial Officers will guide him or her procedurally in his or her position as a senior financial officer. In addition, if any such person is a member of a committee of the Board, the applicable committee charter(s) should guide his or her conduct in carrying out his or her duties on such committee. In the event of any conflict between such policies and this Code, the terms of this Code shall govern.

## **Waivers and Amendments**

Only the Board may waive application of or amend any provision of this Code. A request for such a waiver should be submitted in writing to the Board, Attention: Chair of the Board, for the full Board's consideration. The Corporation will promptly disclose to the appropriate regulatory authorities in accordance with applicable Canadian securities laws and regulations and applicable exchange rules upon which the Corporation's securities are listed or quoted for trading all substantive amendments to the Code as well as all waivers of the Code granted to directors or officers by the Board.

## **No Rights Created**

This Code is a statement of the fundamental principles and key policies and procedures that govern the conduct of the Corporation's business. It is not intended to and does not, in any way, constitute an employment contract or an assurance of continued employment or create any rights in any employee, director, client, supplier, competitor, shareholder or any other person or entity.

Enacted April 4, 2011  
Revised March 27, 2013

## Schedule B - Appendix A

### Procedures for Receipt of Complaints and Submissions Relating to Ethical Conduct and Accounting Matters

Pilot Gold Inc. (the "**Corporation**") expects employees and directors to take all responsible steps to prevent violations of its Code of Business Conduct and Ethics (the "**Code**"), to identify and raise potential issues before they lead to problems, and to seek additional guidance when necessary.

These procedures are designed to provide an atmosphere of open communication for compliance issues and to ensure that Personnel acting in good faith have the means to report actual or potential violations.

#### Reporting Responsibility

If any of the Corporation's directors, officers and employees ("**Personnel**") observe or become aware of an actual or potential violation of the Code or of any applicable law or regulation (including securities laws and regulations), whether committed by Corporation employees or by others associated with the Corporation, it is their responsibility to promptly report the circumstances as outlined herein and to cooperate with any investigation by the Corporation.

It is also the responsibility of Personnel who have concerns regarding questionable accounting, internal financial controls or auditing matters to report such concerns in accordance with the procedures outlined herein.

Examples of issues to be reported are set out in Schedule "A" to this Policy.

#### No Retaliation and Acting in Good Faith

The Corporation prohibits Personnel from retaliating or taking adverse action against anyone for raising suspected conduct violations or helping to resolve a conduct concern. Any individual who has been found to have engaged in retaliation against a director, officer or employee of the Corporation for raising, in good faith, a conduct concern or for participating in the investigation of such a concern may be subject to discipline, up to and including termination of employment or other business relationship. If any individual believes that he or she has been subjected to such retaliation, that person is encouraged to report the situation as soon as possible to one of the people identified in the "Reporting Procedures" section below.

Anyone filing a complaint concerning a violation or suspected violation of the Code, or reporting concerns relating to accounting and auditing matters must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense, and may be subject to legal and civil action in addition to employment review.

## Reporting Procedures

For assistance with compliance matters and to report actual or potential compliance infractions, Personnel should contact the Chief Financial Officer of the Corporation.

Personnel may also submit reports of violations of this Code in writing on a confidential basis to the Chair of the Corporation's Corporate Governance and Nominating Committee (the "**Governance Committee**") in an envelope labeled with a legend such as "*To be opened by the Corporate Governance and Nominating Committee only, being submitted pursuant to the Code of Business Conduct and Ethics.*"

If such violations of the Code involve accounting matters, the Governance Committee shall refer such violations to the Complaints Officer designated by the Corporation's Audit Committee (the "**Audit Committee**") or, if not designated at such time, the Chair of the Audit Committee. Personnel may submit such confidential envelopes directly or via any officer of the Corporation, who shall pass it on forthwith to the Chair of the Corporate Governance and Nominating Committee.

Officers and directors who become aware of any violation of the Code shall promptly report them to the Chair of the Governance Committee openly or confidentially (in the manner described above) or the Chair of the Audit Committee in those instances described above.

## Complaints Officer

Management of the Corporation shall inform employees by e-mail that is disseminated to all employees at least annually, of the individual (the "**Complaints Officer**") designated from time to time by the **Audit Committee** to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters.

The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Audit Committee or the Chair of the Audit Committee.

The Corporation's Compliance Officer can be contacted as outlined below:

Tel: 1-604-632-4677

Fax: 1-604-632-4678

Mail: Suite 1650 – 1055 West Hastings Street, Vancouver, BC V6E 2E9, Canada

E-mail: stetzlaff@oxygen-capitalcorp.com

The Complaints Officer shall be informed that he or she must report to the Audit Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis at the quarterly meeting of the Audit Committee called to approve interim and annual financial statements of the Corporation.

## Handling of Reported Violations

Upon receipt of a report from the Complaints Officer, the Audit Committee shall discuss the report and take such steps as the Audit Committee may deem appropriate.

Following the receipt of any complaints submitted hereunder, the Corporate Governance and Nominating Committee or the Audit Committee, as applicable, will investigate each matter so reported and recommend corrective disciplinary actions to the Corporation's Board of Directors ("**Board**"), if appropriate, up to and including termination of employment.

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation

The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

Enacted June 13, 2011  
Revised March 27, 2013

## Schedule B - Appendix A1

### Examples of Matters to be Reported

- Fraud, Theft
- Accounting irregularities, Financial Statement Disclosure issues
- Non-compliance with Internal Accounting Controls
- Workplace violence
- Substance abuse
- Discrimination, Harassment
- Falsification of company Records
- Conflicts of Interest
- Release of proprietary information
- Safety/Security violations
- Malicious property damage
- Violations of securities laws (including insider trading)
- Breaches of other applicable laws (environmental, employment, health and safety laws)
- Ethics violations

**Receipt and Acknowledgement**

The undersigned hereby acknowledges having received and read a copy of the "Pilot Gold Inc. – Code of Business Conduct and Ethics" and agrees to adhere to its terms and its intent at all times.

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_