PILOT GOLD INC.
(AN EXPLORATION STAGE COMPANY)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2012

Pilotgold
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# MANAGEMENT'S DISCUSSION AND ANALYSIS
## Year ended December 31, 2012

This Management's Discussion and Analysis, dated as of March 27, 2013, is for the year ended December 31, 2012 (the "MD&A"), and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 of Pilot Gold Inc. (in this MD&A, also referred to as "Pilot Gold" or, the "Company", or "we" or, "our" or, "us"), the related notes thereto (together, the "Annual Financial Statements"), and other corporate filings, including our Annual Information Form for the year ended December 31, 2012, dated March 27, 2013 ("AIF"), available under Pilot Gold's company profile on SEDAR at www.sedar.com.

Management is responsible for the consolidated financial statements referred to in this MD&A, and provides officers' disclosure certifications filed with Canadian provincial securities commissions. The Audit Committee reviews the consolidated financial statements and MD&A, and recommends approval to the Company's Board of Directors (the "Board").

We report our financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. Our significant accounting policies are presented in Note 3 of the Annual Financial Statements. We followed these accounting policies consistently throughout the year.

As noted elsewhere in this MD&A and in the Annual Financial Statements, in the absence of any specified accounting treatment under IFRS, we chose to apply the continuity of interest basis of accounting to account for the impact of the Fronteer Arrangement, reflected in our comparative results. We have also elected to defer all exploration and evaluation costs relating to our mineral exploration property interests.

Our reporting currency is the United States dollar ("$"). All dollar figures in this MD&A are expressed in United States dollars unless otherwise stated. As at December 31, 2012, the value of C$1.00 was $1.01[1].

This MD&A contains forward-looking statements that involve numerous risks and uncertainties. The Company continually seeks to minimize its exposure to business risks, but by the nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties, or those described under the heading "*Risk Factors*" in our AIF, which can be found on Pilot Gold's SEDAR profile at www.sedar.com, and those set forth in this MD&A under the headings "*Cautionary Notes Regarding Forward-Looking Statements*" and "*Industry and Economic Factors that May Affect our Business*" materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

### *Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources*

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

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

## *HIGHLIGHTS AND SIGNIFICANT SUBSEQUENT EVENTS*

- Raised funds to strengthen our treasury, providing the Company sufficient capital to carry out more than 50,000 metres of drilling in 2013 focused on TV Tower and Kinsley:
  - Raised $37.5 million pursuant to the closing of a bought-deal financing and two concurrent private placements with subsidiaries of Newmont Mining Corporation ("Newmont") and Teck Resources Limited ("Teck"). Newmont and Teck both elected to exercise their respective participation rights to maintain their relative shareholding in the Company.
  - Subsequent to year end, sold the Regent property for $3 million in cash while retaining exposure to production through a net profits royalty of 15% and a sliding scale gold equivalent bonus payment.
- Advanced the Halilağa copper-gold deposit and highlighted it as a compelling development opportunity:
  - Completed a preliminary economic assessment illustrating the concept of a straightforward open-pit mining operation.
  - Continued advancing the project's potential by commissioning additional tax, economic, metallurgical, hydrological, environmental and engineering studies, while continuing property exploration.
- Demonstrated the potential for a significant gold and silver endowment at the TV Tower gold-silver property:
  - Became project operator and secured the right to acquire a further 20% interest, allowing Pilot Gold to aggressively drive exploration on the project.
  - Reported strong intervals of gold and silver mineralization throughout the year at the KCD target. Highlights include: 5.94 g/t gold, 12.6 g/t silver, and 0.53% copper over 137.1 metres in KCD-39; 69.0 g/t silver over 94.0 metres in KCD-104; and 227 g/t gold over 12.0 metres in KCD-50.
  - Identified a substantial, near-surface zone of silver-only mineralization that overlies the high-grade gold-silver-copper zone at the KCD target.
  - Completed the $5 million first-year minimum earn-in expenditure commitment in January 2013.
- Demonstrated the Kinsley project's ability to host gold mineralization to the north of the mined pits and previously identified gold trend:
  - In February 2013, earned-in to a 65% interest pursuant to satisfaction of minimum expenditure requirements and exploration success on the property.
  - Increased exposure to Kinsley through a subscription in common shares and share purchase warrants of Nevada Sunrise Gold Corporation, our partner on the project.
  - Completed approximately 11,870 metres of resource definition and exploration drilling in 63 holes in 2012, highlights of which include: 5.48 g/t gold over 20.4 metres in PK14C, 2.3 g/t gold over 19.8 metres in PK057, and 6.03 g/t gold over 13.7 metres in PK061. Drilling to date has demonstrated mineralization extending over an existing 2.2 kilometre-long northwest trend cut by north-northeast trending, higher-grade corridors of unknown extent.
  - Created a contiguous property; consolidated access to and more than doubled the property size by staking an additional 188 claims since acquiring the earn-in option to Kinsley.

## *OUTLOOK*

Pilot Gold enjoyed significant exploration and capital markets success in 2012, supporting our vision to become the leading gold exploration company in Turkey and Nevada. We plan significant investments in 2013 as we continue to advance our three key projects:

- **TV Tower:** In 2013 we plan co-ordinated testing of multiple targets while completing 15,000 metres of resource definition and exploration drilling at the Küçükdağ [pronounced: k-chŭk-dă] ("KCD") high grade gold-copper-silver target, and an additional 7,500 metres at each of the Kayalı and Sarp/Columbaz targets. We aim to have an initial resource estimate for KCD by year end. We have initiated metallurgical testing at KCD, and have begun preliminary engineering, environmental, cultural and economic studies on TV Tower in order to demonstrate the value and potential of this project. Pursuant to the TV Tower Agreement (as defined in this MD&A) we hold an option to increase our interest from 40% to 60%, subject to meeting certain requirements over the next three years. We anticipate surpassing the second-year expenditure requirements in 2013.
- **Kinsley:** The 2013 work program at Kinsley includes $5.2 million in expenditures and 22,000 metres of core and reverse circulation ("RC") drilling designed to establish an initial resource under and adjacent to the historic pits, and to test priority exploration targets on flanking and outlying areas. The 2013 work program also includes preliminary metallurgical, engineering, and related studies. Our partner, NEV, holds a 35% interest in Kinsley, and upon election to participate, will be responsible for its pro rata share of costs for this year's program.
- **Halilağa:** A subsidiary of Teck, our partner at Halilağa, has expressed commitment to advance and continue to maximize the opportunity at Halilağa. In 2013 we plan to continue strategic studies including economic, metallurgical, hydrological, environmental and engineering analysis to validate the conceptual economics and potential of this porphyry project.
- **Portfolio:** In Nevada, our portfolio of projects includes a number of early-stage exploration opportunities with untapped potential. Promising projects in Nevada include the Griffon and Antelope sediment-hosted gold properties, as well as the Brik and Viper properties on which our team made new gold discoveries in 2011. We will continue to seek opportunities, similar to our recent success with the sale of the Regent property, to augment and extract value from our portfolio.

Actual expenditures through the year ended December 31, 2012, as compared to the 2012 budgeted cash exploration and development expenditures for our material properties and the 2013 budget, are summarized in the following table:

| | | **Our share (in $ '000s) of:** | | | |
|---|---|---|---|---|---|
| **Project** | **Minerals** | **Actual Expenditures for 2012** | **2012 Budget (revised)(1)** | **2013 Budget** | **Pilot Gold ownership** |
| TV Tower | gold, silver, copper | 4,770 | 4,131 | 7,922 | 40% (2) |
| Kinsley | gold | 3,498 | 2,869 | 3,388 | 65% (3) |
| Halilağa | copper, gold, molybdenum | 1,633 | 1,949 | 233 | 40% (4) |
| **Total** | | **9,901** | **8,949** | **11,543** | |

(1) A revised 2012 Budget for Pilot Gold's key properties was approved by the Board at a meeting in July 2012 to reflect Pilot Gold's assumption of the role of Operator at TV Tower, the initial earn-in at Kinsley and the increased budget at Halilağa as determined by TMST.

(2) Pilot Gold is currently working to increase its ownership interest at TV Tower to 60% (from 40%) in accordance with an option agreement. The initial $5 million minimum expenditure requirement was surpassed in January 2013.

(3) The Company's interest in Kinsley increased from 51% to 65% pursuant to having notified Nevada Sunrise Gold Corporation ("NEV") on February 8, 2013 that we had met the $3 million earn-in expenditure requirement.

(4) Amounts budgeted for 2013 for Halilağa include Pilot Gold's share for activities such as joint venture monitoring, attending joint venture meetings and legal expenses as well as an estimate of the Company's share of joint venture expenditures as undertaken by Teck. Teck have not advised us of the final budget for Halilağa.

## *OVERALL PERFORMANCE*

### *Overview*

Pilot Gold is a gold exploration company led by a proven, technically focused management team dedicated to the discovery and advancement of high-quality projects featuring strong grades and meaningful size in mining-friendly jurisdictions. Pilot Gold is principally engaged in the acquisition, exploration and development of mineral properties in Turkey and Nevada.

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

Further strengthening our treasury, we closed a bought-deal short form prospectus offering (the "2012 Bought-Deal") on November 1, 2012, pursuant to which the Company 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 (further detailed in our 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 Bought-Deal 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.

### *Material exploration and development projects*

With the exception of Halilağa, the Company's exploration projects are early stage and do not contain any mineral resource estimates as defined by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The potential quantities and grades disclosed herein relating to targets at TV Tower and Kinsley are conceptual in nature and there has been insufficient exploration to define a mineral resource for the targets disclosed herein. It is uncertain if further exploration will result in these targets being delineated as a mineral resource.

Additional information about each of our material projects is also summarized in our AIF, and can be viewed at SEDAR at www.sedar.com.

*TV Tower* (40% owner and Operator)

The TV Tower property ("TV Tower") is an extensive, target-rich, epithermal gold-silver property in northwestern Turkey located close to established infrastructure. Drilling to date has returned some of the highest-grade gold, silver and copper drilling intervals reported in northwestern Turkey.

TV Tower consists of approximately 7,109 hectares of mineral tenure in eight contiguous licences. The property is located approximately 20 kilometres northwest of Halilağa, and is interpreted to host multiple epithermal gold-silver and potentially porphyry systems, similar to the neighbouring Ağıdağı and Kirazlı gold properties of Alamos Gold Inc. ("Alamos"). Our 40% interest is held through a shareholding in Orta Truva Madencilik Şanayi ve Ticaret Anonim Şirketi ("Orta Truva"), a Turkish Joint Stock Company. Our joint venture partner at Orta Truva is Teck Madencilik Sanayi Ticaret A.Ş. ("TMST"), an indirect subsidiary of Teck.

On June 20, 2012, we became Operator of, and secured a right to acquire an additional 20% interest (to an aggregate of 60%) in, Orta Truva, and thus indirectly, a further 20% of TV Tower (the "TV Tower Earn-in") pursuant to a joint venture and earn-in agreement (the "TV Tower Agreement").

To acquire the additional 20% interest, Pilot Gold:

- must incur $21 million in eligible exploration expenditures ("Eligible Expenditures", as that term is defined in the TV Tower Agreement) over three years (the "TV Tower Expenditure Requirement"), with a minimum expenditure of $5 million in the first year (completed), $7 million in the second year (underway), and $9 million in the third year.
- issued 3,275,000 Common Shares and 3,000,000 Common Share purchase warrants ("Teck Warrants") to TMST. Each Teck Warrant is exercisable for a period of three years from the date of issue and is exercisable for one Common Share at an exercise price of C$3.00 per share;
- must issue 1,637,500 Common Shares to TMST on each of the first and second anniversaries of the date the TV Tower Agreement was signed, should Pilot Gold elect to continue with the earn-in; and
- must make a one-time cash payment to TMST, equal to $20 per ounce of gold, applicable on 20% on the gold ounces delineated at TV Tower in excess of 750,000 ounces defined as compliant Measured, Indicated or Inferred resources in a NI 43-101 technical report, prepared generally concurrent with the completion of the TV Tower Expenditure Requirement (the "Additional Consideration").

On March 18, 2013, the Company notified Teck that we had completed the $5-million first-year minimum committed expenditure amount in January 2013. We issued 1,637,500 Common Shares to TMST in connection with accomplishing this first milestone on March 19 2013. Through successful execution on our 2013 Budget, we will surpass the year-two expenditure commitment.

Although Pilot Gold will be the Operator at TV Tower during the period in which we incur the TV Tower Expenditure Requirement, our current interest in Orta Truva will remain unchanged at 40% until we complete the earn-in requirements. Upon satisfaction of the TV Tower Earn-in we will remain Operator so long as we remain the majority owner.

On August 8, 2012, we announced the commencement of a 16,000-metre resource definition and exploration drill program of diamond core drilling at TV Tower for the first year of the TV Tower Earn-in. Through the date of this MD&A, we have completed 14,440 metres of drilling, comprising 70 diamond drill holes focused on the KCD target. The program to date was designed to infill and expand the gold-silver-copper mineralized footprint recognized in 2011 drilling. Drilling in 2012 at KCD has returned some of the highest-grade gold, silver and copper drill intercepts ever reported in northwestern Turkey.

2012 Highlights at TV Tower include:

- KCD-39, the second hole drilled at KCD by Pilot Gold, returned long intervals of high grade gold, silver and copper, including 5.94 grams per tonne ("g/t") gold ("Au"), 12.6 g/t silver ("Ag") and 0.53% copper ("Cu") over 137.1 metres, extending the high-grade gold/silver/copper breccia zone in discovery hole KCD-02 over 50 metres to the south. KCD-49, drilled a short distance away to the southeast, returned 11.63 g/t Au over 32.5 metres, further extending this zone. KCD-50, drilled approximately 70 metres to the northwest of KCD-39, returned 227 g/t Au over 12.0 metres, in an intercept with abundant visible gold. Subsequent closely spaced drilling around this intercept shows that high gold grades extend in all directions from this intercept in a tabular zone, and are continuous with mineralization at the base of KCD-39.
- Step-out drilling to the southeast, north and northwest of these holes has extended the gold zone over a distance of approximately 250 x 400 metres. It is open down-dip to the north and laterally to the northwest. Gold is hosted in breccias, veins and zones of vuggy silica alteration.
- A large, blanket-style zone of silver mineralization was identified, partially overlying the gold zone. This zone averages several tens to over 100 metres in thickness, with grades ranging from 20 to over 300 g/t silver. The zone has been tested by drilling over an area measuring approximately 400 x 600 metres, and is open to the north and west. KCD-94 returned 85.9 g/t silver over 135.5 metres in this silver zone.
- Identification of several new drill targets on the property, including Gümüşlük, Columbaz and Kartaldağ West. Included in this exercise was the recognition that there are a number of low-sulphidation gold-silver veins on the property with bonanza grades from surface sampling.

The exploration program at TV Tower also included property-wide airborne geophysics, surface mapping and extensive soil and rock geochemical sampling. From January 1, 2012 to December 31, 2012, we incurred $4.77 million in Eligible Expenditures at TV Tower compared to a budget of $4.13 million. Our total expenditures were slightly higher than budget despite having signed the TV Tower Agreement later than originally anticipated, as we agreed with Teck that expenditures incurred since the start of 2012 (when TMST was the Operator) would be considered to be Eligible Expenditures.

We briefly paused drilling in February and early March, 2013 to avoid inclement weather conditions, allow our exploration team to properly assess results and data received to date, and to plan the 2013 program. Drilling has recommenced on TV Tower with three drills currently operating on the property.

Further information relating to TV Tower is available in the technical report entitled: "*Updated Technical Report on the TV Tower Exploration Property*" dated August 3, 2012, and effective July 15, 2013 prepared by Paul Gribble of Tetra Tech WEI Inc., available under Pilot Gold's issuer profile at SEDAR at www.sedar.com.

*Kinsley* (65% owner and Operator)

Kinsley Mountain ("Kinsley") is a 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. The Kinsley property consists of 380 claims comprising 3,096 hectares, and hosts a past-producing mine with numerous untested sediment-hosted exploration targets, including several on claims staked by Pilot Gold in 2012.

We acquired an earn-in option to Kinsley in 2011 and in May 2012, completed our expenditure commitment to earn an initial 51% interest. We immediately elected to continue working toward an earn-in to an additional 14% (in aggregate a 65% interest), which was completed in February 2013. Intor Resources Corporation ("Intor"), a subsidiary of NEV, holds the remaining 35% interest and is subject to dilution should it fail to fund its share of programs going forward.

The 2012 program included approximately 11,870 metres of infill and step-out core and RC drilling designed to define and expand the mineralized zones identified by previous operators near the margins of open pits at the past-producing Kinsley Mountain Mine, and an extensive geochemistry and geological mapping program in the surrounding area. Staking by the Company expanded the Kinsley area, consolidated access to the main mineralized trends to the North, and joined two previously separate claim blocks, creating a contiguous property.

The Company's exploration program has begun to demonstrate the size potential and high grade underground potential of Kinsley, with drilling to date demonstrating mineralization extending over an existing, 2.2 kilometre-long northwest trend cut by north-northeast trending, higher-grade corridors of unknown extent.

Highlights from the year include:

- 5.48 g/t Au over 20.4 metres, including 16.43 g/t Au over 5.5 metres in hole PK014C;
- 2.30 g/t Au over 19.8 metres in hole PK057, 50 metres northwest of the nearest historic pit;
- 6.03 g/t Au over 13.7 metres in hole PK061, including 15.18 g/t Au over 4.6 metres, on the west side of Kinsley Mountain; and
- 9.5 g/t Au over 4.6 metres in hole PK067 including 20.5 g/t Au over 1.5 metres.

New mineralized zones were also intersected in drilling in Candland Canyon, east of the mine complex, and in the Western Flank area to the northwest of the mine, which has been expanded to cover an area 600 metres by 100 metres. In conjunction with drilling, a comprehensive regional soil and rock sampling and geological mapping effort to identify new targets was completed, encompassing both the original 141 claims, and 239 claims staked by the Company to the north and southeast of the existing pits in largely unexplored areas. This effort identified jasperoid samples with highly anomalous pathfinder element geochemistry extending the entire length of the range, a distance of over 7 km to the north of the mine.

The Company has submitted an application to the United States Interior Department's Bureau of Land Management (the "BLM") for a Plan of Operations ("PoO") which will allow for expanded exploration activities in the southern third of the property beyond the previously disturbed areas. Until this permit is approved, the Company's drilling activities will be limited to the area under a BLM Notice of Intent that authorizes five acres of disturbance on the property. We continue to complete target generation and data analysis activities as we prepare for the next phase of exploration on the property, and are finalizing the terms of the joint venture agreement with Intor.

Through December 31, 2012, we had capitalized \$3.67 million in expenditures at Kinsley. Capitalized costs include values attributable to stock-based compensation, share issuances and other non-cash items directly relating to the advancement of the property that are not eligible toward earn-in. Because of our initial success at Kinsley, we accelerated exploration and increased the level of activity on the property, incurring cash expenditures of \$3.50 million and as a result, exceeded the 2012 budget by approximately \$0.62 million. Our budget for 2013 was reduced slightly from that which was previously reported as a reflection of anticipated timing of receipt of an approved PoO.

Further information relating to Kinsley is available in the technical reports entitled: "*Technical Report on the Kinsley Project, Elko County, Nevada, U.S.A.*", dated March 26, 2012, effective February 15, 2012 prepared by Michael M. Gustin, CPG, Moira Smith, Ph.D., P.Geo., and Kent Samuelson; available on SEDAR under Pilot Gold's issuer profile at SEDAR at www.sedar.com.

*Halilağa* (40% owner, and non-operator)

Halilağa is a copper-gold porphyry ("Halilağa") located 20 kilometres southeast of TV Tower, with a preliminary economic assessment (the "Halilağa PEA") illustrating that conceptually, Halilağa may be support (within the very preliminary parameters of a PEA) with conservative commodity price assumptions in today's cost environment, a straightforward open pit mine, utilizing conventional milling and flotation.

The Company's interest in Halilağa is held through a 40% shareholding in Truva Bakır Maden İşletmeleri Anonim Şirketi ("Truva Bakır"). TMST is our partner and holds the remaining 60% of this Turkish entity.

On October 10, 2012, the Company completed and subsequently filed the Halilağa PEA which updated the March 23, 2012 technical report on the property. The Halilağa PEA includes a project-first independent resource estimate on Halilağa's Kestane copper-gold porphyry [pronounced: kĕs-tā-nē].

The summary disclosure set forth below relating to Halilağa is derived from the Halilağa PEA unless otherwise expressly noted, and provides only a preliminary overview of the project's economics based on broad, factored assumptions. The Halilağa PEA is preliminary in nature; readers are cautioned that the economic analysis summarized in the Halilağa PEA and highlighted in this MD&A are only intended to provide an initial, high-level review of the project. Further studies, including engineering and economics, are required (typically as a Pre-Feasibility Study ("PFS")) with regards to infrastructure and operational methodologies. Moreover, 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 geologically 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 and are too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves. Accordingly, at the present level of development there are no mineral reserves at Halilağa. Furthermore, as the Halilağa PEA reflects various technical and economic conditions at the time of writing and 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. Due to the uncertainty that may be attached to Inferred Mineral Resources, there is no guarantee that Inferred resources can be converted to Indicated or Measured resources as a result of continued exploration or Mineral Reserves once economic considerations are applied, nor is there any guarantee that the project economics or production profile described in the Halilağa PEA would be achieved.

The proposed concept outlined in the Halilağa PEA is to develop a green-fields copper-gold deposit with open pit mining and conventional milling and flotation concentration methods. The illustrative 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[2].

Based on current knowledge and assumptions, the preliminary economic analysis summarized in the Halilağa PEA suggests that the project 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 therein.

Management believe that Halilağa is a compelling development project and demonstrates the potential:

(i) economic benefits of the higher grades of copper and gold at surface, and
(ii) benefits of available and proximate infrastructure for mine development.

The combination of higher grades that are mineable in the first three years, Halilağa's proximity to favourable infrastructure and location in a jurisdiction that is open to mine development, provide support for continued resource conversion and expansion, as well as geotechnical, metallurgical and engineering studies.

The project site is relatively undeveloped but has road access and electrical grid power supply. Labour supply and industrial service providers are also available in the region.

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[2] The mineral resources used in the life of mine plan and economic analysis include 56% Indicated resources, and 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.

The initial Halilağa resource, based on results from 30,004 metres of drilling in 72 drill holes through October 17, 2011, comprises[3]:

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

Strip Ratio: 2.5 : 1

A. At a 0.2% Cu equivalent cut-off grade

B. At a 0.2 g/t Au cut-off grade

Key assumptions of the Halilağa PEA[4]:

- Production rate: 50,000 tonnes per day, with about 243.3 million tonnes ("Mt") of mineralized material mined and processed during the project life (137 Mt [56%] of the planned material to be processed is classified as Indicated, the remainder as Inferred).
- Overall strip ratio (the ratio of waste rock to economic mineralized rock): Approximately 1:1.
- Average grade of the plant feed: 0.28% Cu and 0.3 g/t Au.
- Mine production life: 14 years.

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[3] The mineral resource estimate was prepared by Mr. James Gray, P.Geo., of Advantage Geoservices Ltd., in accordance with the CIM Standards, as amended. Mr. Gray is an independent qualified person as defined by NI 43-101 ("QP").

Copper, gold and molydbedum grades were estimated by inverse distance squared weighting of two metre composited sample data. The interpolation used structural and rock type controls on sample selection and search orientation. Blocks were estimated based on a minimum of five samples, a maximum of 24 samples and a maximum of seven samples per hole. Composites were capped by rock type. In total, metal removed through the capping process was low as is typical in porphyry style mineralization: 0.8% copper, 1.2% gold and 10% molybdenum. Average rock type densities were assigned to blocks based on the results of 2,466 measurements.

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

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

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

Mineral Resources and Mineral Reserves are subject to risks related to metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political, and other relevant issues, that are beyond the control of the Company. However, based on recent work, the authors of the Halilağa PEA note that they anticipate that a good portion of the current Mineral Resource could be converted to Mineral Reserves with future drilling.

[4] It is anticipated that there would be a five-year feasibility, permitting and pre-production construction period as well as a reclamation period in addition to the proposed 14 year mine production life.

A simplified economic model was developed to determine the pre-tax and after tax net present value ("NPV"), payback period and internal rate of return ("IRR") for Halilağa. Three metal price scenarios were used and for each case, the copper and gold prices were held constant throughout the project life[5].

The base case (the "Base Case") used for open pit optimization (Case "A" in the Halilağa PEA) referenced recent SEDAR filings to determine approximate metal prices. Using a copper price of \$2.90/lb. and a gold price of \$1,200/oz. the Base Case demonstrated the following:

| Parameter | Pre-tax Results | After-tax Results |
|---|---|---|
| $NPV_{0\%}$ | \$1.418 billion | \$1.115 billion |
| $NPV_{7\%}$ | \$0.675 billion | \$0.474 billion |
| IRR | 26% | 20% |
| Payback period (production years) | 2.1 | 2.7 |

Using approximate metals prices based on the London Metal Exchange fixed three-year average to the end of April 2012 (Case "B" in the Halilağa PEA, the "Optimistic Case") of \$3.30/lb. Cu and \$1,350/oz. Au, and a 7% NPV, it is estimated that the project would generate \$1.081 billion pre-tax (IRR: 35%; payback 1.5 production years) and \$0.799 billion after-tax (IRR: 27%; payback 2.1 production years) over the life of mine

Sensitivity analysis in the Halilağa PEA demonstrates that a 20% increase in metal prices leads to an increase from \$0.474 billion to \$0.958 billion in the after-tax $NPV_{7\%}$ results.

Including a contingency of 25% for all items except mining equipment (determined using a contingency of 5%), the capital cost ("CAPEX") estimate for the project totalled \$1.169 billion. 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. Working CAPEX was included in the year -1 processing costs.

Operating Expenditures ("OPEX") for the project amount to \$2.139 billion over the life of mine, and assume owner-operated mining including technical/supervisory support staff.

The authors of the Halilağa PEA believe that the project should be taken to the next level of engineering study and economic assessment, typically a PFS. It is estimated in the Halilağa PEA that a PFS, along with all of the accompanying engineering and field work, would cost approximately \$5 million (exclusive of a recommended program of additional geology and drilling to potentially increase the percentage of Indicated resources in a subsequent assessment of the resource).

Some of opportunities and corresponding impacts identified by the authors of the Halilağa PEA include:

- An increase in metal value from the prices assumed in the Halilağa PEA would have a significant economic benefit. In Case A, a 1% increase in either the gold price or gold grade (while maintaining tonnage) increases the pre-tax $NPV_{7\%}$ by approximately \$25 million.
- Reducing taxation or providing other forms of investment incentive could improve the project NPV.
- The expansion of the deposit may be possible with further resource drilling, and could then potentially lead to a bigger pit and reduced strip ratio.
- Approximately \$190 million in CAPEX could be saved if mining was done by a contractor.

For further details on the Halilağa PEA, refer to the NI 43-101 technical report, entitled "*Preliminary Economic Assessment Technical Report for the Halilaga Project, Turkey*", dated August 27, 2012, prepared by Gordon Doerksen, P. Eng of JDS Energy and Mining Inc., Dino Pilotto, P.Eng and Maritz Rykaart, P.Eng of SRK Consulting (Canada) Inc. ("SRK"), Kevin Scott, P.Eng of Ausenco Solutions Canada Inc. ("Ausenco"), Garth Kirkham, P.Geo. of Kirkham Geosystems Ltd., and James Gray, P.Geo. of Advantage Geoservices Ltd., a copy of which is available on Pilot Gold's website at www.pilotgold.com or under the Company's profile on SEDAR at www.sedar.com.

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[5] Common assumptions to all three cases include:

- 100% equity financing;
- 20% corporate income tax, no withholding taxes and VAT recovery;
- No tax incentives for large projects from the Turkish government;
- 1.3% royalty on payable copper and 2.6% royalty on payable gold; and
- Mineable tonnes and grade in the life of mine schedule based on open pit ("OP") optimization conducted using "Case A" metal prices.

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 Au and 0.52% Cu 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 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. Our share of actual expenditures through the end of 2012 was $1.63 million.

*Halilağa Permitting Update*

In accordance with requirements of Turkish Mining Law, on February 14, 2012 on behalf of Truva Bakır, TMST, as project operator, prepared and submitted an Environmental Impact Assessment ("EIA") report to the Ministry of Environment and Urbanism in Turkey (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. 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. Truva Bakır has concurrently applied for, and awaits approval of a business operating permit relating to workplace safety and sanitation (a "GSM permit") from the Office of the Governor of Çanakkale (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. TMST applied for a GSM permit on receipt of the approved EIA report. 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 "EIA Challenge"). 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 from the Court. The Ministry has responded to the petition by way of written submission to the Court. Truva Bakır has applied to be recognized as a party impacted by the process and awaits the Court's decision. 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 of the date of this MD&A, 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. A site visit by the Court-appointed experts is anticipated during Spring 2013.

Pilot Gold believes the petition is without merit, and even if successful and the EIA is annulled, the ability to continue planned 2013 exploration activities 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.

Further detail relating to the EIA process, and related risks is described in our AIF, and in the Halilağa PEA filed under the Company's profile on SEDAR at www.sedar.com.

*Other property interests*

Regent

The Company 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 to Rawhide Mining LLC ("RMC") for $3 million in cash. Regent is located in Elko County, Nevada, approximately 2.5 kilometres northwest of the RMC-operated Denton-Rawhide Mine. RMC reports that gold and silver production is ongoing at the Denton-Rawhide Mine. The heap leach pads have reportedly been expanded and RMC advises they have expanding operations.

Pursuant to the Regent Agreement, Pilot Gold will retain a net profits royalty of 15% (the "Regent NPR") on Regent and is entitled to a sliding scale gold equivalent bonus payment (the "Regent Gold Bonus") as detailed below, each of which is payable in certain circumstances after RMC has achieved production at Regent.

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

The Regent Gold Bonus is 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:

| Gold price/oz. | Gold Bonus payable price/oz. |
|---|---|
| $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 NI 43-101-compliant resources or reserves at Regent. There is no certainty that any amount relating to the NPI or Regent Gold Bonus will be realized. Accordingly, the Company has not recorded an asset relating to the NPI, or the Regent Gold Bonus.

*Portfolio*

Pilot Gold has several other property interests in the United States, providing a portfolio of opportunities for growth. They include:

- the recently acquired Gold Bug property, a large low-sulphidation epithermal gold-silver project located in the Eastern Calderas region of Nevada, featuring multiple untested targets, and
- an earn-in option to the Griffon property, a past-producing sediment-hosted gold system on the southern extension of the Cortez Trend that appears to share some of the same geology as Kinsley.

The aggregate budget for 2012 on these two properties was $0.41 million. Total costs incurred through 2012 were $0.53 million, including acquisition costs but less stock based compensation. The combined 2013 Budget for Gold Bug and Griffon is $0.66 million.

The Company anticipates that although each of the other portfolio properties warrant continued exploration, only holding costs will be incurred in 2013.

Additional information about our pipeline projects is summarized in our AIF, filed on SEDAR at www.sedar.com.

### *SELECTED ANNUAL FINANCIAL INFORMATION*

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

The Fronteer Arrangement has been determined to be a common control transaction, and has been accounted for using the continuity of interest method of accounting. Pursuant to the application of continuity of interest accounting, those balances and transactions relating to the period through to the Arrangement Date reflect an allocation of cash flows, expenditures and activities based on the amounts recorded by Fronteer attributable to Pilot Gold's assets and business.

The percentage derived from the total exploration expenditure, up to the Arrangement Date, incurred by Fronteer in this comparative period on Pilot Gold's properties, over Fronteer's total exploration and development expenditures for this same period, was used to determine the appropriate balance to record in our Annual Financial Statements for those items of general and administrative expenses, wages and salaries, stock-based compensation and other overhead costs not directly chargeable to the Company through to the Arrangement Date. Accordingly, discussion in this MD&A related to the results of our operations up to the Arrangement Date reflects the allocation of costs from Fronteer pursuant to the application of continuity of interest accounting.

The financial data presented below for the current and comparative periods was prepared in accordance with IFRS. Because Pilot Gold Inc., parent company to the group, raises its financing and incurs head office expenses in Canadian dollars, it has been determined to have a Canadian dollar functional currency. In order to enhance comparability with our peers and as a better representation of the principal currency used by the mining and mineral exploration industry, the presentation currency of our Annual Financial Statements is United States dollars.

The Company's operations are in one industry – the exploration for gold, copper and other precious and base metals. At December 31, 2012, Pilot Gold has three geographic segments: Canada, the USA, and Turkey. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the one industry in which we operate provides the most meaningful information to a user.

The selected period information and summary of financial results in this MD&A should be read in conjunction with the Annual Financial Statements.

**Results of Operations**

The following financial data (in thousands, except per share data) are derived from our consolidated financial statements for the fiscal years ended December 31, 2012, 2011 and 2010:

| | 2012 | | 2011 | | 2010 | |
|---|---|---|---|---|---|---|
| Total revenues | | -$nil | | -$nil | | $-nil |
| Net loss for the year | | $8,019 | | $11,841 | | $1,507 |
| Basic and diluted loss per share | Basic | $0.12 | Basic | $0.21 | Basic | $0.03 |
| | Diluted | $0.12 | Diluted | $0.21 | Diluted | $0.03 |

### *Fiscal year ended December 31, 2012 vs. fiscal year ended December 31, 2011*

The most significant contributors to the loss for the year ended December 31, 2012 were the cost of wages and benefits of $2.30 million (2011: $1.20 million), stock-based compensation of $1.72 million (2011: $5.90 million) and office and general expenses of $1.52 million (2011: $1.24 million). The loss per share for the year ended December 31, 2012 was $0.12 (December 31, 2011: $0.21). Expenses for the year ended December 31, 2012 were offset by income resultant from management fees arising from our qualifying expenditures on the TV Tower project of $0.37 million (2011: $nil) and the reversal of a previous impairment of the VAT receivable in Turkey ($0.31 million).

*Wages and benefits*

In the year ended December 31, 2012, Pilot Gold recorded $2.30 million (December 31, 2011: $1.20 million) to wages and benefits expense. The balance of wages and benefits has increased when compared to the prior year, reflecting the April 2011 start date for many of our employees – reducing the total cost in the comparative period, as well as a result of an annual wage increase awarded to the majority of our team effective January 2012. Our 2012 budget for wages and benefits not attributable to deferred exploration was $2.1 million. The expense through December 31, 2012 is generally consistent with the amount budgeted and includes compensation expenses invoiced by Oxygen Capital Corp. ("Oxygen") in accordance with a management services agreement the Company entered into with effect of August 1, 2012 (the "Oxygen Agreement"; see also in this MD&A, "Related Party Transactions"). The comparative period includes an allocation of Fronteer's wages and benefits costs as employment relationships with the majority of our personnel began after March 30, 2011. Prior to this date, Pilot Gold had no employees and no related cash flows.

Consistent with our accounting policies relating to the capitalization of exploration expenditures, in any period a significant portion of our remuneration costs are capitalized to our exploration properties based on the nature of work undertaken. Wages and benefits included on our statement of loss reflect only those costs not attributable to either exploration on specific projects, or property investigation. During the year ended December 31, 2012, we capitalized $0.73 million (December 31, 2011: $0.49 million) in wages and benefits to our property interests.

*Stock-based compensation*

For the year ended December 31, 2012, $1.72 million was expensed for stock-based compensation (December 31, 2011: $5.90 million). This total does not include amounts recorded as part of property investigation expense ($0.23 million), or capitalized to mineral properties ($0.24 million). Despite a Company-wide grant of stock options to purchase Common Shares ("Options") in 2012, stock-based compensation is lower than in the comparative year as a significant number of Options granted as part of the "Initial Option Grant" (being the Company-wide grant of Options to directors, management, employees and certain significant contractors of the Company shortly after the listing of our Common Shares) vested in April 2011, and neither the Option grant in 2012, nor the number of Options vesting in the current year were as large.

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

Generally, stock-based compensation expense should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are cancelled in a period. It is expected that Options will typically be granted once each year, resulting in a higher stock based compensation expense in the particular quarter of the grant, as opposed to those other quarters of the year.

*Office and general*

In the year ended December 31, 2012, office and general expenditures reflecting activities at our offices in Canada, the United States and Turkey, amounted to $1.52 million (December 31, 2011: $1.24 million). Expenses reported that relate to the comparative period include ramp-up costs following our initial public listing in April 2011 and costs allocated to the Company in accordance with continuity of interest accounting in the first three months of 2011. Our 2012 budget for office and general expense was $1.11 million. The expense through December 31, 2012 is higher than the amount budgeted as a result of additional costs incurred relating to our website re-launch, replenishment of office supplies, and renewals for software and subscriptions. For a portion of 2012, certain of our office-related costs were offset by recoveries from Blue Gold Mining Inc. ("Blue Gold"), further to an administrative services agreement with that company. As of August 1, 2012, office and general comprises primary expenses recharged to the Company by Oxygen.

*Property investigation*

In the year ended December 31, 2012, the Company incurred property investigation costs of $0.56 million (December 31, 2011: $1.71 million). Costs of property investigation are expensed until a new project is acquired or the rights to explore the property have been established. Project investigation is a core part of our business and growth strategy and we remain active in identifying projects that will enhance our growth pipeline, including identifying near term producing assets for acquisition. In the current year we shifted focus to our existing projects, reducing the cost attributable to property investigation.

The TV Tower Agreement, effective June 20, 2012, specifies that Eligible Expenditures incurred beginning January 1 2012 qualify toward earn-in. Because $0.31 million in Eligible Expenditures were originally recorded to property investigation during Q1 2012, this amount was reversed accordingly and recorded to the Earn-in Option for TV Tower.

*Write-down of mineral property interest*

During the year ended December 31, 2012 the Company wrote-down the value of deferred exploration expenditures relating to the Hannapah, Baxter Springs, Cold Springs, Sandy and Yuntdağ exploration properties, further to a review and prioritisation of the Company's portfolio of mineral property assets. A total of $0.54 million in deferred exploration expenditures were recorded to the consolidated statement of loss at December 31, 2012 as a result. Claims fees relating to Baxter Springs, Cold Springs and Sandy have been paid to maintain these three properties in good standing through August 31, 2013. Claims for Hannapah and Yuntdağ were not renewed. Further to an assessment of the fair value less costs to sell relating to the anticipated sale of Regent and of Buckskin North shortly after year end, $0.98 million was written down at December 31, 2012, with the remaining balance of deferred exploration costs relating to these two properties being the estimated recoverable amount. Regent and Buckskin North have been classified as assets held for sale on our statement of financial position. There were no indicators of impairment on the Company's other assets. These write-downs, and the subsequent disposal of Regent had no effect on continuing operations.

*Change in fair value of financial instruments*

The balance of our derivative financial instruments includes 1,000,000 share purchase warrants of Rae-Wallace ("RW Warrants") acquired pursuant to the Fronteer Arrangement and 3,125,000 and NEV Share purchase warrants ("NEV Warrants").

Changes to the fair value of our derivative financial instruments are recorded to income (loss) in each period. The value of share purchase warrants is determined using the Black-Scholes option-pricing model. In estimating the value of the warrants, we make assumptions about the volatility of underlying share prices of the shares and warrants held and the expected life of these warrants. These estimates affect the warrant value recognized and the underlying gain or loss recorded as mark-to-market adjustments. The estimates are chosen after analyzing the share price history and management's intentions about holding the investment. As it relates specifically to the RW Warrants, the estimate of fair value has been determined by looking at comparable corporations listed on a recognized exchange.

On February 14, 2012, the Company agreed to purchase, 6,250,000 units of NEV at a price of C$0.12 per NEV Unit. The private placement in NEV closed on March 23, 2012. On closing, the fair value of each NEV Share was C$0.20. Accordingly, we recognized a "Day 1" gain of $0.50 million in the statement of loss. The fair value adjusted amount of C$0.20 per NEV Share on recognition was determined to be our deemed cost.

For both the common shares of NEV ("NEV Shares") and those common shares of Rae-Wallace ("RW Shares") held, the fair value as at December 31, 2012 was deemed to have shown a significant decline in value as compared to the deemed cost. As this is regarded as an objective indicator of impairment, we recognised $0.73 million, being the aggregate of all losses previously recorded in Other Comprehensive Income, in the statement of loss at December 31, 2012. Unrecognized gains and losses of the NEV Shares and the RW Shares at each period end will also be recognized in the statement of loss in future periods.

*Management fees*

During the period the Company has received a total of $0.38 million ($-nil) in management fees primarily as a result of a service agreement between the Company and Orta Truva. These fees relate mainly to the mark-up on Eligible Expenditures on TV Tower as per the terms of the agreement.

*VAT receivable*

In the year ended 2011 the VAT receivable in our Turkish subsidiary was written down by $0.29 million after being deemed not recoverable by management, due to the activity of our Turkish operations at that time. A change in the activity in our Turkish operations, particularly assuming Operatorship at TV Tower, led management to re-assess the recoverability of the VAT during the current year, and it was deemed fully recoverable. The write up of $0.31 million differs from our original write down due to foreign exchange differences.

*Other comprehensive loss*

The net balance of other comprehensive loss for the year ended December 31, 2012 was $0.63 million (December 31, 2011: $1.58 million). The year ended December 31, 2012 includes a $0.69 million gain (December 31, 2011: loss of $1.52 million) from the impact of exchange gains and losses arising from exchange differences further to the translation of our foreign operations with a non-United States dollar functional currency and a net value loss on those financial assets we did not conclude (as discussed above under *Change in fair value of financial instruments*) to impair during the year ($0.07 million). The impact from exchange differences will vary from period to period depending on the rate of exchange. In the period between January 1, 2012 and December 31, 2012, there was a 1.4% change in the exchange rate between the United States and Canadian dollars.

***Fiscal year ended December 31, 2011 vs. fiscal year ended December 31, 2010***

For the year ended December 31, 2011, we reported a net loss of $11.84 million compared to a net loss of $1.51 million for the year ended December 31, 2010. The loss per share for the year ended December 31, 2011 was $0.21 (December 31, 2010: $0.03). The most significant contributors to the losses for the year ended December 31, 2011 were stock based compensation ($5.90 million) and property investigation ($1.71 million). In the comparative period, the most significant contributors to the losses were depreciation and wages as allocated from Fronteer.

*Wages and benefits*

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

*Stock-based compensation*

The amount expensed for stock-based compensation, not included as part of property investigation expense ($0.43 million) or capitalized to mineral properties ($0.29 million) for the year ended December 31, 2011 of $5.90 million (December 31, 2010: $0.21 million) is higher than the comparative period due the timing of the Initial Option Grant in April 2011. The balance shown in the comparative period is an amount allocated under continuity of interest accounting. Of those Options granted in April 2011, we have recorded $4.41 million as an expense attributable to those Options with immediate vesting.

*Office and general*

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

*Property investigation*

In the year ended December 31, 2011, the Company incurred property investigation costs of $1.71 million (December 31, 2010: $-nil). Following closing of the 2011 Bought-Deal (defined herein), we undertook a process to upgrade our portfolio of mineral property interests and to review other opportunities in jurisdictions familiar to our team. Attributable costs include wages and salaries, an allocation of stock-based compensation, travel and fees paid to consultants and advisors. There were no similar efforts in the comparative period.

*Professional fees*

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

*Write-down of deferred exploration expenditures*

In connection with the 2011 disposal of the Aktarma and Ispir exploration properties to Global Resources Corporation Limited ("GRCL"), we wrote these properties down to their recoverable values. Adjusted for the impact of foreign exchange, the write-down for the year ended December 31, 2011 was $0.14 million (December 31, 2010: $-nil).

*Change in fair value of financial instruments*

Changes to the fair value of our derivative financial instruments, which in 2011 comprised 1,000,000 RW Warrants are recorded to income (loss) in each period.

*Other net income (expenses)*

Other net expenses in the 2011 financial statements included amounts resulting from continuity of interest accounting.

*Other comprehensive income (loss)*

The net balance of other comprehensive loss for the year ended December 31, 2011 was $1.58 million (December 31, 2010: income of $0.04 million). Other comprehensive income (loss) includes the impact of i) Exchange differences on translating foreign operations; ii) Net fair value gain (loss) on financial assets; and iii) Exchange on unrealized loss on long-term investments.

The year ended December 31, 2011 includes a $1.52 million loss (December 31, 2010: gain of $0.05 million) from the impact of exchange gains and losses arising from exchange differences further to the translation of our foreign operations with a non-United States dollar functional currency, and a net value loss on financial assets of $0.08 million during the year ended December 31, 2011 (year ended December 31, 2010, $0.01) relating to the revaluation of common shares we hold in other publicly listed companies. The translation impact will vary from period to period depending on the rate of exchange; in the period between January 1, 2011 and December 31, 2011, there was a 1.84% change in the exchange rate between the United States and Canadian dollars.

## Financial Position

The following financial data are derived from our financial statements as at December 31, 2012, 2011 and 2010:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| Total assets | $72.39 million | $37.49 million | $7.91 million |
| Long-term liabilities | $0.04 million | $0.07 million | $0.00 million |
| Cash dividends declared | $nil | $nil | $nil |

*Total Assets*

Total assets have increased since December 31, 2011, by $34.90 million to $72.39 million, reflecting an increase to the (i) balance we hold in cash and short term investments following the closing of the 2012 Bought-Deal; and (ii) the value of Common Shares and Teck Warrants issued to Teck, and those legal costs paid to acquire the Earn-in Option, off-set by those cash outflows for general exploration and administration activities and net changes to the value of investments in NEV and Rae-Wallace.

Between December 31, 2010 and December 31, 2011, total assets also increased significantly to $37.49 million as at December 31, 2011 (December 31, 2010: $7.91 million), and comprises primarily cash and short term investments of $18.42 million (December 2010: $0.09 million) and $9.13 million (December 31, 2010: $3.05 million) capitalized to our exploration properties. The increase to cash and short term investments reflects the receipt of $24.4 million cash pursuant to the closing on June 14, 2011, of the 2011 Bought-Deal, and the receipt of $9.8 million upon the close of the Fronteer Arrangement on April 4, 2011, off-set by those cash outflows for general exploration and administration activities. The increase to the value of our exploration properties reflects the initial effort and associated deferred exploration expenditures on our properties subsequent to listing on the TSX through the year ended December 31, 2011.

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

*Non-current liabilities*

At each of December 31, 2012, and 2011, our non-current liabilities comprise liabilities recorded in recognition of a legal obligation in Turkey to accrue for lump-sum termination payments for employees when their employment is terminated due to retirement or for reasons other than resignation or misconduct. There was no similar balance recorded at December 31, 2010 as there was no such obligation. The years ended December 31, 2011 and 2010 also include deferred tax liabilities. In the current period our operating losses are sufficient to cover any liabilities, and hence none has been recorded.

*Shareholders' equity*

The Company issued an aggregate of 26,000,047 Common Shares, 3,000,000 Teck Warrants and 11,362,524 Share Purchase Warrants during the year ended December 31, 2012 in relation to the TV Tower Agreement and the 2012 Bought-Deal. Share issue costs associated with the 2012 Bought-Deal were approximately C$1.93 million. In addition an aggregate of 125,000 Common Shares to other public companies in connection with earn-in agreements to acquire, or maintain our interest in exploration properties in the United States.

During the year ended December 31, 2011, the Company issued 8,333,334 Common Shares relating to the 2011 Bought-Deal, 48,201,952 Common Shares in advance of, and in connection with the closing of the Fronteer Arrangement and 50,000 Common Shares as partial consideration for the purchase of the Kinsley Earn-in Option.

The weighted average fair value Warrants granted during the period determined using Black-Scholes was C$0.36 per option. The weighted average significant inputs into the model were share price of C$1.54 at the grant date, exercise price C$2.37, volatility of 61%, dividend yield of 0%, an expected life of 2.21 years and annual risk-free interest rate of 1.08%.

The weighted average fair value of Options granted during the period determined using Black-Scholes was C$0.64 per option. The weighted average significant inputs into the model were share price of C$1.06 at the grant date, exercise price C$1.32, volatility of 80.9%, dividend yield of 0%, an expected Option life of 5 years and an annual risk-free interest rate of 1.26%. A 2.77% forfeiture rate is applied to the Option expense.

Refer also to discussion in this MD&A under heading, "*Outstanding Share Data*". The Company has not declared any dividends since incorporation.

## *SUMMARY OF QUARTERLY RESULTS*

The following information (in thousands of $, except per share amounts) is prepared in accordance with IFRS and is derived from and should be read in conjunction with, our unaudited condensed interim consolidated financial statements for each of the past eight quarters, as well as the Annual Financial Statements. Consistent with the preparation and presentation in our Annual Financial Statements, these unaudited quarterly results are presented in United States dollars. The determination of functional currency for the Company and each of its subsidiaries and associates is unchanged from that which is consolidated in the Annual Financial Statements.

**Condensed consolidated statements of loss and comprehensive income (loss)**

| | Dec 31 2012 | Sep 30 2012 | Jun 30 2012 | Mar 31 2012 | Dec 31 2011 | Sept 30 2011 | Jun 30 2011 | Mar 31 2011 * |
|---|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | | |
| Loss from continuing operations after tax | (3,361) | (1,814) | (1,383) | (1,461) | (2,099) | (2,058) | (7,270) | (414) |
| **Other comprehensive income** | | | | | | | | |
| Exchange differences on translating foreign operations | (121) | 809 | (464) | 469 | 556 | (2,373) | 273 | 20 |
| Net value gain (loss) on financial assets | 917 | (322) | (516) | (146) | (2) | (49) | (214) | 180 |
| **Loss per share from continuing operations** | | | | | | | | |
| Basic and diluted | (0.03) | (0.03) | (0.02) | (0.02) | (0.04) | (0.03) | (0.14) | (0.01) |

In the quarter ended December 31, 2012, our loss from continuing operations of $3.36 million includes $0.98 million for the write down of the Regent property to net realisable value, $0.73 million in losses relating to our equity investments previously recognised in other comprehensive income and $0.63 million relating to 2012 bonuses to employees and service providers paid in 2013, offset by $0.38 million in management fees received on Eligible Expenditures on the TV Tower project. Consistent with previous quarters, net cash outflows were primarily directed to the exploration and development of the Company's exploration properties, and in funding paid to our associates.

In the quarter ended September 30, 2012, our loss from continuing operations of $1.81 million included $0.54 million in the write-down of deferred exploration expenditures and was offset by the reversal of the write down of the VAT in our Turkish subsidiary of $0.31 million.

In the three-month period ended June 30, 2012, our net loss from continuing operations of $1.38 million includes the reversal of the write-down of a property option relating to mineral property rights in Peru (the "RW Option") held at the time by Rae-Wallace Mining Company ("Rae-Wallace") and exchange gains relating to our US dollar cash balances held in Canada ($0.12 million).

In the three-month period ended March 31, 2012, our net loss from continuing operations of $1.46 million includes a favourable change in the fair value of our long-term investments ($0.8 million), owing primarily to an increase to the fair value of the NEV Shares and NEV Warrants, and exchange gains arising on the translation of foreign operations of $0.47 million further to the appreciation of the Canadian dollar versus the US dollar. In the three months ended March 31, 2012, we also determined to write off the capitalized costs acquired from Fronteer relating to the RW Option ($0.18 million) further to the unlikelihood we would recover such costs, or elect to proceed with the RW Option.

The net loss for the three-month period ended December 31, 2011 reflects a similar loss as recorded in the previous three-month period of $2.10 million, and similar cash outflows from operating activities of $1.34 million. The consistency as compared to the prior quarter is a reflection of the normalization of our business, post Fronteer Arrangement. In the three-month period ended December 31, 2011 our other comprehensive loss was impacted by $0.56 million on translation of our foreign operations due to the appreciation of the Canadian dollar relative to the US dollar.

In the three-month period ended September 30, 2011 our condensed consolidated statements of loss and comprehensive loss reflected those costs incurred undertaking general exploration and property investigation on a number of potential targets ($0.78 million), office and general costs ($0.37 million), the non-cash impact of stock-based compensation ($0.5 million) and a non-cash charge of $0.02 million arising from a decline in the fair value of shares and warrants we hold in other public companies. The total loss for that three-month period was $2.06 million, with cash outflows from operating activities of $1.75 million.

In the three-month period ended June 30, 2011 our condensed consolidated statements of loss and comprehensive loss reflected a number of start-up, initial-public listing and post-Fronteer Arrangement costs as well as the impact of the inaugural stock-based compensation grant, resulting in a loss for that period of $7.27 million, and cash outflows from operating activities of $1.08 million. During the three month period ended June 30, 2011, we also closed the 2011 Bought-Deal, impacting our cash flows from financing activity in that period.

The balances presented for the three month period ended March 31, 2011 reflect entirely the allocation of costs from Fronteer, consistent with the continuity of interest basis of accounting, as if Pilot Gold had been an independent entity through March 30, 2011. The net loss through this period is non-cash, and represents an allocation of costs incurred and the operations on properties ultimately acquired by Pilot Gold.

## *LIQUIDITY AND CAPITAL RESOURCES*

Pursuant to the closing of three related and concurrent financings (together, the "Offering", as described in this MD&A), receipt of partial consideration from the sale of the Regent property, and the balance of existing treasury, as at the date of this MD&A, the Company has approximately $36 million available in cash and short-term investments. With no debt, the Company's working capital balance as at this date of this MD&A is approximately $37 million. The value of the Company's equity investments for which a market price per share is available is $0.8 million.

Pilot Gold manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties.

Although we have no revenue-producing operations, and earn only minimal income through management fees, investment income on treasury, amounts arising through various property option agreements and occasionally as a result of the disposal of an exploration asset, the closing of the Offering in November 2012 positions the Company to advance our material properties without the need to raise additional capital in the medium-term. On an ongoing basis, management evaluates and adjusts its planned level of activities, including planned exploration, development, permitting activities, and committed administrative costs, to ensure that adequate levels of working capital are maintained. We believe that this approach, given the relative size of Pilot Gold, is reasonable

Our global budget, including exploration and administration for 2013 is $18.52 million. We anticipate spending $7.92 million at TV Tower, $3.39 million at Kinsley, $0.23 million at Halilağa, and approximately $1.50 million on other exploration activities. General and administrative costs of $5.30 million include salaries, professional fees and those costs associated with running the Company's offices in Vancouver, Nevada and Turkey as well as for investment in capital equipment and review of new opportunities. Management believes that the available funds are sufficient for current operations and will enable Pilot Gold to execute its planned exploration and development program on its material properties for at least one year, assuming no other factors change.

A summary of the planned use of proceeds detailed in the Company's (final) short form prospectus dated October 25, 2012 (the "Prospectus"), predicated on the base financing amount contemplated in the Offering, subject to discretion to change such allocation, is as follows:.

| **Activity or Nature of Expenditure (through the end of 2014)** | **Approximate Use of Net Proceeds (C$)** |
|---|---|
| Exploration and Development of TV Tower | 14.9 million |
| Exploration and Development of Kinsley | 9.1 million |
| Exploration and Development on portfolio of other mineral property interests in Nevada and Turkey | 2.8 million |
| Working Capital | 4.1 million |
| **Total** | **30.9 million** |

Funds raised further to the exercise of the over-allotment option provided to the underwriters of the 2012 Bought-Deal are expected to be allocated towards the further development of TV Tower and Kinsley. Our approved budget for 2013, as described in this MD&A is in line with table above.

In 2011, we successfully closed the 2011 Bought-Deal, providing net proceeds of $24.1 million to the Company, with share issue costs of approximately $1.7 million. For a summary of our planned use of proceeds relating to the 2011 Bought-Deal see our MD&A for the year ended December 31, 2011. Expenditures relating to our material properties have to date been in line with anticipated use of proceeds from the 2011 Bought Deal.

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

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

### *Investments*

At the effective date of this MD&A, the market value of our portfolio of investment holdings is approximately $0.81 million, and includes:

- Gold Springs LLC: Subsequent to year end we declined to participate in the proposed exploration program at the Gold Springs project led by High Desert Gold Corporation ("High Desert"). Gold Springs is held by Gold Springs LLC, a Nevada partnership entity. The result of which was a dilution from the previous 29% interest to a 17.5% interest, and in accordance with IFRS, the de-recognition of our investment as an associate, and a revaluation of our reduced interest as an investment.
- Nevada Sunrise Gold Corporation: In the first quarter of 2012, in order to secure an additional interest in Kinsley, we participated in a private placement in NEV, our minority partner at Kinsley. Through the offering, which closed on March 23, 2012, we hold 6,250,000 NEV Shares and 3,125,000 NEV Warrants, and retain a right to participate in future financings to maintain this position. The fair value of the NEV Shares and NEV Warrants at the date of this MD&A is $0.39 million.
- Rae-Wallace Mining Company: Pursuant to the closing of the Fronteer Arrangement we acquired 2,000,000 RW Shares, and 1,000,000 RW Warrants. On July 18, 2012, as partial consideration in exchange for waiving our rights to the RW Option, we received an additional 1,985,100 RW Shares and an extension to the expiry date of the RW Warrants already held. The RW Shares are quoted as pink sheets and are not currently trading on a recognized exchange.
- Global Resources Corporation Limited: As consideration for the sale of the Aktarma and Ispir properties to GRCL in 2011, we received 250,000 common shares of GRCL. During the second quarter of 2012 we also received an additional 100,000 shares in GRCL in exchange for providing that company with a six-month extension to their earn-in option at our Yuntdağ property in Turkey. Ultimately GRCL terminated the earn-in on Yuntdağ, and we abandoned the license. GRCL trades on the Australian Securities Exchange.

***Contractual obligations***

*Mineral Properties and Capital Expenditures*

We have obligations in connection with certain of our mineral property interests that require either:

i) cash payments to be made to the government or underlying land or mineral interest owners; or
ii) minimum expenditure requirements in order to maintain our rights to such mineral interests.

Although most of these are not firm commitments, with such obligations being eliminated should we choose to no longer invest funds exploring the property, we have certain obligations relating to TV Tower and Gold Bug:

TV Tower: The $5 million minimum first-year TV Tower Expenditure Requirement is a committed expenditure, whereby Pilot Gold must make a cash payment to TMST for the portion of the $5 million not incurred before the first anniversary of the TV Tower Agreement regardless as to whether we determine to proceed with the earn-in. Should the Company elect to proceed with the earn-in, the shortfall amount would also be added to the TV Tower Expenditure Requirement for the second year of the earn-in. Because the Company surpassed the minimum TV Tower Expenditure Requirement in January 2013, we are no longer exposed to the related obligation. We issued 1,637,500 Common Shares to TMST in connection with accomplishing this first milestone on March 19 2013. It is not possible to estimate the obligation that might arise relating to the value of the Additional Consideration; accordingly, no amount has been recorded.

Gold Bug: On August 31, 2012 the Company signed an amended lease agreement with Nevada Eagle Resources LLC a subsidiary of Newmont, whereby Pilot Gold is required to make aggregate expenditures of $3 million over a period of six years, with escalating annual minimum amounts in order to maintain the amended lease agreement in good standing. An initial minimum amount of $0.5 million in expenditures on Gold Bug is a committed expenditure to be settled in cash by the end of the second year of the agreement to maintain the lease in good standing. The Company has incurred $0.03 million at the date of this MD&A.

Pilot Gold had no other commitments for material capital expenditures as of December 31, 2012.

*Leases*

The Company has entered into operating leases for premises in the United States and Turkey. The lease terms are between two and four years. Each lease is renewable at the end of the lease period at market rate. In Canada office space is provided by Oxygen and included in the amount invoiced to the Company monthly. The Company assigned the lease for its Canadian location to Oxygen, effective August 1, 2012.

The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the year ended December 31, 2012 is $271,077. Total future minimum lease payments, under non-cancellable operating leases as at December 31, 2012 are as follows:

| Year | |
|---|---|
| 2013 | 324,086 |
| 2014 | 286,962 |
| 2015 | 164,328 |
| 2016 | 150,824 |
| 2017 | 150,824 |
| 2018+ | 188,531 |
| | 1,265,555 |

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

Subsequent to year end, Oxygen entered into a lease agreement for new office premises for which the Company is committed to paying a percentage of the costs pursuant to the Oxygen Agreement. The Company's incremental share of total future lease payments over the ten year term of the new lease agreement for its share is approximately $1.95 million.

*Termination payments*

The Company is obligated to pay a lump-sum termination indemnity to employees with greater than one year of service terminated due to retirement or for reasons other than resignation or misconduct. Accordingly $0.03 million has been provided for at December 31, 2012. See also "*Indemnifications - Oxygen Capital Corporation*" in this MD&A.

## *OFF BALANCE SHEET ARRANGEMENTS*

Other than the commitments described in this MD&A relating to the TV Tower Earn-in and the Gold Bug property, neither of which qualify as an obligation in accordance with IFRS, the Company has no off-balance sheet arrangements.

### *Indemnifications*

*Newmont Mining Corporation*

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

*Teck Resources Limited*

The TV Tower Agreement also provides for certain indemnifications between TMST and Pilot Gold. Such indemnifications relate to actions of Pilot Gold, as Operator of TV Tower during and after the period of earn-in, as well as to indemnifications between each of the shareholders of Orta Truva, and between Orta Truva and the respective shareholders.

*Oxygen Capital Corporation*

Upon termination of the Oxygen Agreement, Pilot Gold is required to indemnify Oxygen for costs associated with those agreements or obligations which had been executed or incurred by Oxygen in connection with or related to the services provided to the Company by Oxygen. The associated commitment, relating to the discharge of such agreements and obligations is included in the summary of contractual obligations in this MD&A.

## *RELATED PARTY TRANSACTIONS*

*Oxygen Capital Corporation*

Oxygen is a private entity owned by certain directors of the Company. Oxygen provides services to the Company including staffing, office rental and other administrative functions pursuant to the Oxygen Agreement. Related party transactions during the year ended December 31, 2012 total $0.43 million in expenditures and $0.09 million in deferred exploration expenditures relating to mineral properties, reflected in the Company's consolidated statement of loss and comprehensive loss and statement of financial position respectively. As at December 31, 2012, the Company held a receivable and payable from and to Oxygen of $0.02 million and $0.08 million, respectively. These were settled during the month of January 2013. The Company also has a deposit of $0.24 million with Oxygen to be used against the final three months of service with that company upon termination of the Oxygen Agreement. Oxygen does not charge a management fee or mark-up on cost of its services.

*Compensation of key management personnel*

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

| | Year ended December 31, | |
|---|---|---|
| | 2012 | 2011 |
| Salaries and other short-term employee benefits | $ 1,037,718 | $ 891,135 |
| Share-based payments | 1,283,996 | 5,366,679 |
| **Total** | **$ 2,321,714** | **$ 6,257,814** |

*Associates*

The Company's associates are also related parties. The following amounts show cash paid directly to our associates in the years ended December 31, 2012 and 2011:

| | Year ended December 31, | |
|---|---|---|
| | 2012 | 2011 |
| Truva Bakır | $1,657,061 | $1,534,092 |
| Orta Truva | 673,767 | 1,037,005 |
| Gold Springs | 390,989 | - |
| **Total** | **$2,721,817** | **$2,571,097** |

As at December 31, 2012, we had outstanding receivables from Orta Truva of $4.25 million, of which $1.7 million is attributable to the investment in associate and the remaining $2.55 million is attributable to the Earn-in Option asset, and includes $0.38 million in management fees. A $0.01 million receivable was outstanding from Truva Bakır at December 31, 2012.

Subsequent to year end we declined to participate in the proposed exploration program at the Gold Springs project led by High Desert, diluting our interest in that project to 17.5%. Gold Springs ceased to be a related party at that time.

## *FOURTH QUARTER*

Consistent with previous quarters, net cash outflows were primarily directed to the exploration and development of the Company's exploration properties, and in funding paid to our associates. Replenishing cash outflows, the Company closed the Offering in November, providing gross proceeds of approximately $38.5 million. Of primary focus through the fourth quarter, was the exploration program at TV Tower, and the completion of the PoO application and related studies for Kinsley.

In the quarter ended December 31, 2012, our loss from continuing operations of $3.36 million, which includes $0.98 million for the write down of the Regent property to net realisable value (sold subsequent to year end), $0.73 million in losses relating to our equity investments previously recognised in other comprehensive income and $0.63 million relating to 2012 bonuses to employees and service providers paid in 2013, offset by $0.38 million in management fees received on Eligible Expenditures on the TV Tower project.

## *PROPOSED TRANSACTIONS*

As is typical of the mineral exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. We are also continually reviewing and discussing opportunities with third parties regarding the sale of non-strategic properties in our portfolio. There is no guarantee that any contemplated transaction will be concluded.

With the exception of a proposed acquisition of additional exploration licenses in Turkey, there are no proposed asset or business acquisitions or dispositions before the Board for consideration, other than those discussed in this MD&A and those in the ordinary course. While we remain focused on our plans to continue exploration and development on our three material properties, should we enter into agreements in the future on new properties, we may be required to make cash payments and complete work expenditure commitments under those agreements.

## *INDUSTRY AND ECONOMIC FACTORS THAT MAY AFFECT OUR BUSINESS*

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are substantially unchanged from those described under the heading "*Risk Factors*" in our AIF, available on Pilot Gold's SEDAR profile at www.sedar.com. In particular, there remain significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development.

The specific risks noted in this MD&A and those in our AIF, may limit the Company's ability to develop and/or further explore its mineral property interests and may limit the ability of the Company to satisfy earn-in expenditure requirements on our material projects.

Specific areas of risk identified include:

*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. Prices of certain commodities such as gold and copper have shown steady, though not necessarily linear, price increases which has had a positive impact on the Company and the mining industry in general as capital has been attracted to the industry making it somewhat easier for entitites exploring for commodities to raise financing. Pilot Gold's future performance is largely tied to the development of our current portoflio of mineral properties and the commodity and financial markets. There can be no certainty that commodity prices will continue to show the same level of strength. Current financial markets are likely to continue to be volatile in Canada potentially through 2013 and beyond, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Conditnued uncertainty in the credit markets has also led to increased difficulties in financing activities. As a result, the Company may have difficulty raising debt or equity financing for the purposes of mineral exploration and development, and, if obtained, on terms favourable to Pilot Gold and/or without excessively diluting our current shareholders. These economic trends may limit the Company's ability to develop and/or further explore the mineral properties in which we have an interest and may limit our ability to meet capital calls with respect to our associates.

*Permitting and License Risks*

A number of approvals, licenses and permits are required for various aspects of exploration and mine development. There can be no certainty that all necessary permits will be maintained or obtained on acceptable terms or in a timely manner, or that an EIA report will be accepted and approved. As evidenced by the EIA Challenge in Turkey, from time to time legal challenges may arise and have the potential to significantly impact our ability to advance one or more of our Material Properties. The timing of receipt of an approved PoO from the BLM in Nevada, will directly impact our ability to execute on our exploration program at Kinsley. Until this permit is approved, the Company's drilling activities will be limited to the area under the existing 5 acre BLM Notice of Intent.

Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities at any of the mineral exploation properties in which the Company has an interest. Any failure to comply with applicable laws and regulations, failure to obtain or maintain permits, or failure to convert mineral property licenses in accrordance with local requirements, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties or other liabilities.

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

*Exploration, Development and Operating Risks*

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

*Currency*

The Company is subject to currency risks. The Company's functional currency is the United States dollar, which is subject to fluctuations against other currencies. The Company's primary operations are located in the Republic of Turkey and the United States. Many of our expenditures and obligations are thus denominated in either Turkish lira or United States dollars. The Company's head office is in Canada where it maintains cash accounts in primarily Canadian dollars. As a result, the Company has monetary assets and liabilities and expenditures in United States dollars, Canadian dollars, and Turkish lira. The Company'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 Company. We have not undertaken to mitigate transactional volatility in any of the currencies to which we are exposed. Changes in the relative value of the Canadian dollar would impact corporate, administrative and operating costs, and ultimately the rate at which we generate cash outflows. Furthermore, a significant strengthening in the value of the Turkish lira compared to the United States dollar could adversely impact the economics associated with Halilağa.

*Competitive*

The Company's business is intensely competitive, and the Company competes with other mining companies, many of which have greater resources and experience. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and produce such properties; the labour to operate the properties; and the capital for the purpose of financing development of such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a world-wide basis and some of these companies have much greater financial and technical resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these mineral deposits could have a material adverse effect on the Company's results of operations and business.

The Company continually seeks to minimize its exposure to business risks, but by the nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

## *CHANGES IN ACCOUNTING POLICES AND NEW ACCOUNTING PRONOUNCEMENTS*

For information on the Company's accounting policies and new accounting pronouncements, please refer to our disclosure in our Annual Financial Statements, at Note 5.

## *CRITICAL ACCOUNTING ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Factors that could affect these estimates are discussed in our AIF under the heading, "*Risk Factors*". Subject to the impact of such risks, the carrying value of Pilot Gold's financial assets and liabilities approximates their estimated fair value.

*(i) Review of asset carrying values and impairment assessment*

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

In accordance with the Company's accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

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

As noted, at December 31, 2012, the Company decided to write down the value of deferred exploration expenditures relating to the Hannapah, Baxter Springs, Cold Springs, Sandy, Yuntdağ Regent and Buckskin North exploration properties, further to a review and prioritisation of the Company's portfolio of mineral property assets.

During the year ended December 31, 2011 the Company decided to write off the VAT receivable, held in its Turkish subsidiary of $0.29 million due to the subsidiary's level of activity at that time. The Company's current activity in Turkey has resulted in a change in management's assessment on the recoverability of the VAT, resulting in a write-up in the current period. The impact of which ($0.31 million after adjustment for foreign exchange) is recorded in the consolidated statement of loss and comprehensive loss.

*(ii) Provisions for decommissioning and restoration liabilities*

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

As at December 31, 2012, the Company has recorded $0.04 million, of which $0.03 million is a current liability (December 31, 2012: $0.05 million), relating to restoration provisions.

*(iii) Determination of the fair value of share-based payments*

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

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

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

*(iv) Deferred tax assets and liabilities*

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

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

## *FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS*

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

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

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

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond 12 months of the balance sheet date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Pilot Gold has classified certain of its long-term investments in this category.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within 12 months, or management expects to dispose of them within 12 months.

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

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

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

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

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

### *Risks Associated With Financial Instruments*

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

*Liquidity Risk*

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

*Market Risk*

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

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

Further, although only a portion of our expenditures, primarily general and administrative costs are incurred in Canadian dollars, we record our assets located in Vancouver in Canadian dollars. As the operating results and financial position of Pilot Gold are reported in United States dollars in our consolidated financial statements, there may also be an impact to the value of Pilot Gold's assets, liabilities and shareholders' equity as a result of the fluctuation of the Canadian dollars in relation to the United States dollar.

A 1% increase or decrease in the exchange rate of the United States dollar relative to the Canadian dollar, would result in a $0.37 million increase or decrease respectively in the Company's cash and short term investment balance. Our exposure in Turkey on fluctuations of the Turkish lira remains minimal given the nature, type and currency (USD) of expenditure, and the relative asset values. We have not entered into any derivative contracts to manage foreign exchange risk at this time.

*Credit Risk*

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

*Interest Rate Risk*

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

## ***OUTSTANDING SHARE DATA***

There are 86,847,333 Common Shares and 14,362,524 Warrants to purchase Common Shares issued and outstanding at the date of this MD&A.

As at December 31, 2012, there were 5,541,000 Options outstanding issued to directors, officers, employees, and key consultants. A further 1,565,000 Options were granted on January 25, 2013 and another 25,000 on March 4, 2013; 425,000 of the 2013 Option grants vested immediately.

Of the total number of Options granted, 2,839,167 are exercisable as at December 31, 2012; and 3,261,667 are exercisable as at the date of this MD&A. No Options have been exercised as of the date of this MD&A.

## ***LEGAL MATTERS***

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

## *INTERNAL CONTROLS OVER FINANCIAL REPORTING*

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

Based on a review of its internal control procedures at the end of the period covered by this MD&A, management has determined that the Company's internal controls over financial reporting have been effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in Pilot Gold's internal controls over financial reporting that occurred during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### *Disclosure Controls and Procedures*

Disclosure controls and processes have been designed to ensure that information required to be disclosed by Pilot Gold is compiled and reported to management as appropriate to allow timely decisions regarding required disclosure. Pilot Gold's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2012, that the disclosure controls and procedures are effective to provide reasonable assurance that material information related to Pilot Gold is made known to them by employees and third party consultants working for Pilot Gold and its subsidiaries. There have been no significant changes in our disclosure controls and procedures during the period ended December 31, 2012.

While Pilot Gold's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and processes will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and processes will prevent all errors and frauds. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance, that the objectives of the control system are met.

## *SUBSEQUENT EVENTS NOT OTHERWISE DESCRIBED HEREIN*

With the exception of the Option grants, the issuance of 1,637,500 Common Shares to TMST on March 21, 2013, pursuant to having completed the $5 million first-year minimum earn-in expenditure commitment in January 2013, the further dilution of our interest in Gold Springs, and the sale of the Regent property, described in this MD&A, there were no other subsequent events.

## *ADDITIONAL INFORMATION*

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

## *APPROVAL*

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

| | |
|---|---|
| *(signed) "Matthew Lennox-King"* | *(signed) "John Wenger"* |
| Matthew Lennox-King | John Wenger |
| President and Chief Executive Officer | Chief Financial Officer and Corporate Secretary |

March 27, 2013

### *SCIENTIFIC AND TECHNICAL DISCLOSURE*

Unless otherwise indicated, Pilot Gold has prepared the technical information in this MD&A ("Technical Information") based on information contained in the following technical reports:

- "Updated Technical Report on the TV Tower Exploration Property, Çanakkale, Western Turkey", effective July 15, 2012, and dated August 3, 2012;
- "Technical Report on the Kinsley Project, Elko County, Nevada, U.S.A.", effective February 15, 2012, and dated March 26, 2012; and
- "Preliminary Economic Assessment Technical Report for the Halilağa Project, Turkey", effective August 27, 2012, and dated October 10, 2012,

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

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

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

The mineral 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.Geo, Pilot Gold Chief Geologist, is the Company's designated QP for the purposes of NI 43-101, and has reviewed and validated that the scientific or technical information contained in this MD&A related to the Halilağa PEA is consistent with that provided by the QPs responsible for the Halilağa PEA, and has verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Dr. Smith has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

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

### *Cautionary Notes Regarding Forward-Looking Statements*

This MD&A, 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, future financial or operating performance of Pilot Gold and its business, operations, properties and condition, the future price of gold, silver, copper, molybdenum and other metal prices, 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 property interests, 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 partner for ongoing expenditure at Halilağa, completion of expenditure obligations under the option and earn-in agreement to which the Company is a party, government regulation of mining operations, environmental risks and reclamation expenses, title disputes, the ability to maintain or convert the underlying licences for Halilağa 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 EIA reports and other claims or existing, pending or threatened litigation or other proceedings, limitations of insurance coverage, future issuances of 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 metal prices, 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, 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 Company 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 the Offering; potential dilution of Common Share voting power or earnings per share as a result of the exercise of Options, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Company 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 Company'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 Company currently has a major shareholder with greater than 10% holdings; uncertainties associated with minority interests and joint venture operations; the majority of the Company's operations occur in foreign jurisdictions; risks associated with the Company's indemnified liabilities; increased infrastructure and/or operating costs; reclamation costs; the Company 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 business; the ability of the Company to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; influence of third party stakeholders; risks of litigation; the Company's designation as a "passive foreign investment company"; the Company 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 Company's dividend policy; the risks involved in the exploration, development and mining business generally; and the factors discussed in the section entitled "*Risk Factors*" in the AIF. Although we have 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 MD&A and we disclaim 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.

Pilot Gold disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on forward-looking information.