Pilotgold

An exploration stage company

Consolidated Financial Statements

(Expressed in US Dollars)
Year ended December 31, 2013

March 14, 2014

Independent Auditor's Report

To the Shareholders of Pilot Gold Inc.

We have audited the accompanying consolidated financial statements of Pilot Gold Inc. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

PILOT GOLD INC.
Consolidated statements of financial position
(Expressed in United States Dollars)

	As at December 31, 2013	As at December 31, 2012
	$	$
Assets		
Current assets		
Cash	9,806,384	30,224,184
Short term investments	9,199,306	7,156,180
Receivables (Note 6)	870,946	1,035,422
Prepayments	160,006	193,561
Exploration properties held for sale (Notes 10b and f)	142,583	3,073,770
Total current assets	20,179,225	41,683,117
Non-current assets		
Other financial assets (Note 7)	760,142	1,190,202
Deposits (Note 8)	1,362,460	490,785
Plant and equipment (Note 9)	554,105	622,930
Exploration properties and deferred exploration expenditures (Note 10)	14,883,769	9,236,011
Earn-in option (Note 11)	18,676,395	7,239,057
Investment in associates (Note 12)	14,958,216	11,926,778
Total non-current assets	51,195,087	30,705,763
Total assets	71,374,312	72,388,880
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	1,678,714	1,258,365
Decommissioning liability	30,000	30,000
Total current liabilities	1,708,714	1,288,365
Non-current liabilities		
Other liabilities	68,126	42,592
Total non-current liabilities	68,126	42,592
Shareholders' equity		
Share capital (Note 15)	133,117,092	126,912,393
Warrants issued (Note 15)	5,103,994	5,103,994
Contributed surplus (Note 15)	11,215,208	8,787,402
Accumulated other comprehensive loss	(4,096,784)	(723,065)
Accumulated deficit	(78,165,115)	(69,022,801)
Total shareholders' equity	67,174,395	71,057,923
Non controlling interest (Note 16)	2,423,077	-
Total liabilities and shareholders' equity	71,374,312	72,388,880

The notes on pages 5 to 32 are an integral part of these consolidated financial statements.

These financial statements are approved by the board and authorised for issue on March 14, 2014:

"*Donald McInnes*", Director "*Sean Tetzlaff*", Director

PILOT GOLD INC.
Consolidated statements of loss and comprehensive loss
(Expressed in United States Dollars)

	Year ended December 31,	
	2013	2012
	$	$
Operating expenses		
Stock based compensation (Note 15)	2,275,432	1,717,822
Wages and benefits	1,726,042	2,133,042
Office and general	1,284,944	1,340,268
Write down of deferred exploration expenditures (Notes 10d & e)	1,373,760	1,523,762
Professional fees	648,230	370,702
Investor relations, promotion and advertising	416,477	453,896
Property investigation	179,640	557,904
Depreciation	191,689	215,000
Listing and filing fees	53,771	77,456
Loss on disposal of plant and equipment (Note 9)	1,478	29,027
Loss from operations	8,151,463	8,418,879
Other income (expenses)		
Change in fair value and write-down of financial instruments (Note 7)	(1,581,384)	(155,843)
Loss from associates (Note 12)	(148,147)	(95,818)
Write up of VAT receivable (Note 6)	-	310,874
Other net income	37,942	32,497
Net gain on sale of financial instruments (Note 7)	102,546	-
Foreign exchange gains	238,214	67,712
Finance income	359,978	187,719
	(990,851)	347,141
Loss before tax	9,142,314	8,071,738
Income tax recovery	-	52,536
Loss for the period and attributable to the shareholders	9,142,314	8,019,202
Other comprehensive loss		
Items that may be reclassified subsequently to net income		
Exchange differences on translations	(3,485,705)	693,221
Net fair value loss on financial assets (Note 7)	(19,634)	(794,476)
Amounts reclassifed into net loss on impairment or sale of financial assets	131,620	727,419
Other comprehensive income (loss) for the period, net of tax	(3,373,719)	626,164
Total loss and comprehensive loss for the period and attributatble to the shareholders	12,516,033	7,393,038
Loss per share		
Basic and diluted loss per share	$ 0.10	$ 0.12
Weighted average number of Common Shares Basic and diluted	87,365,874	64,630,088

The notes on pages 5 to 32 are an integral part of these consolidated financial statements.

PILOT GOLD INC.
Consolidated statements of changes in equity
(Expressed in United States Dollars)

	Number of Common Shares	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity	Non-controlling interest	Total equity
	#	$	$	$	$	$	$	$	$
Balance as at January 1, 2012	59,085,286	92,123,392	-	6,599,039	(1,349,229)	(61,003,599)	36,369,603	-	36,369,603
Issuances resulting from financing	22,725,047	33,040,287	4,557,281	-	-	-	37,597,568	-	37,597,568
Issuances as consideration for mineral property rights	3,400,000	3,719,758	546,713	-	-	-	4,266,471	-	4,266,471
Share issue costs	-	(1,971,044)	-	-	-	-	(1,971,044)	-	(1,971,044)
Stock based compensation	-	-	-	2,188,363	-	-	2,188,363	-	2,188,363
Unrealized loss on long-term investments	-	-	-	-	(795,542)	-	(795,542)	-	(795,542)
Recognised loss on long-term investments on impairment	-	-	-	-	727,419	-	727,419	-	727,419
Exchange on unrealized loss on long-term investments	-	-	-	-	1,066	-	1,066	-	1,066
Cumulative translation adjustment	-	-	-	-	693,221	-	693,221	-	693,221
Net loss for the period	-	-	-	-	-	(8,019,202)	(8,019,202)	-	(8,019,202)
Balance as at December 31, 2012	85,210,333	126,912,393	5,103,994	8,787,402	(723,065)	(69,022,801)	71,057,923	-	71,057,923
Issuances to Teck pursuant to the Earn-in Option (Note 11)	3,275,000	4,667,971	-	-	-	-	4,667,971	-	4,667,971
Issuance as partial consideration for the Karaayı property (Note 12)	1,250,000	1,329,659	-	-	-	-	1,329,659	-	1,329,659
Issuances relating to mineral property interests (Notes 10a & 10c)	205,000	211,861	-	-	-	-	211,861	-	211,861
Share issue costs	-	(4,792)	-	-	-	-	(4,792)	-	(4,792)
Partial disposal of subsidiary to Non-Controlling interest (Notes 10a & 16)	-	-	-	-	-	-	-	2,423,077	2,423,077
Stock based compensation (Note 15)	-	-	-	2,427,806	-	-	2,427,806	-	2,427,806
Net impairment of long-term investments recognised in the statement of loss (Note 7)	-	-	-	-	131,620	-	131,620	-	131,620
Unrealized loss on long-term investments (Note 7)	-	-	-	-	(19,634)	-	(19,634)	-	(19,634)
Cumulative translation adjustment	-	-	-	-	(3,485,705)	-	(3,485,705)	-	(3,485,705)
Net loss for the period	-	-	-	-	-	(9,142,314)	(9,142,314)	-	(9,142,314)
Balance as at December 31, 2013	89,940,333	133,117,092	5,103,994	11,215,208	(4,096,784)	(78,165,115)	67,174,395	2,423,077	69,597,472

The notes on pages 5 to 32 are an integral part of these consolidated financial statements.

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

	Year ended December 31,	
	2013	2012
	$	$
Cash flows from operating activities		
Loss for the period	(9,142,314)	(8,019,202)
Adjusted for:		
Stock based compensation	2,311,025	1,951,752
Depreciation	191,689	215,000
Write-down of deferred exploration expenditures (Note 10b & g)	1,373,760	1,523,762
Loss on disposal of property and equipment	1,478	29,027
Gains and losses relating to financial instruments	1,478,838	155,843
Write down (up) of VAT recoverable (Note 6)	-	(310,874)
Foreign exchange not related to cash	603,543	42,321
Non-cash other (income) expense	(17,950)	(16,263)
Change in provision	20,406	21,455
Loss (gain) from associates	148,147	95,818
Interest income on short term investments	(107,602)	(58,724)
Deferred income taxes	-	(52,536)
Movements in working capital:		
Accounts receivable and prepayments	674,094	(222,431)
Accounts payable and other liabilities	(337,518)	226,834
Cash deposit to Oxygen Capital Corp. (Note 8)	(182,924)	(240,314)
Net cash outflow due to operating activities	(2,985,328)	(4,658,532)
Cash flows from financing activities		
Cash received from financing	-	37,646,313
Share issue costs	(4,792)	(1,971,044)
Cash (used in) generated by financing activities	(4,792)	35,675,269
Cash flows from investing activities		
Change in working capital attributable to deferred exploration expenditures	(28,272)	(361,947)
Cash received from Orta Truva for Eligible Expenditures	13,212,032	-
Eligible Expenditures on TV Tower	(9,819,250)	(1,554,424)
Funding to Associates	(5,759,540)	(2,391,265)
Purchase of short term investments	(9,383,806)	(7,035,700)
Maturity of short term investments	6,906,677	11,048,334
Acquistion of financial assets	-	(751,350)
Purchase of property and equipment	(164,861)	(167,571)
Proceeds from sale of equipment	-	7,103
Acquistion of mineral property interests	-	(98,790)
Expenditures towards option to earn-in	(8,798,423)	(2,806,225)
Interest in exploration properties and deferred exploration expenditures	(4,323,066)	(4,326,742)
Proceeds from sale of mineral properties	3,000,000	
Recoveries on mineral properties	-	26,126
Purchase of reclamation deposits	(710,000)	-
Net cash outflow due to investing activities	(15,868,509)	(8,412,451)
Effect of foreign exchange rates	(1,559,171)	228,401
Net decrease in cash and cash equivalents	(20,417,800)	22,832,687
Cash at beginning of period	30,224,184	7,391,497
Cash at end of the period	9,806,384	30,224,184

See Note 21 for supplemental cash flow information

(Expressed in United States Dollars, unless otherwise noted)

1. GENERAL INFORMATION

Pilot Gold Inc. ("Pilot Gold", or the "Company"), is incorporated and domiciled in Canada, and its registered office is at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9.

Pilot Gold is an exploration stage business engaged in the acquisition and exploration of mineral properties located primarily in the United States and Turkey.

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparative figures, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention, except for financial assets classified as available-for-sale and fair value through profit and loss which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(b) Basis of consolidation
The financial statements of Pilot Gold consolidate the accounts of Pilot Gold Inc. and its subsidiaries. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The principal subsidiaries of Pilot Gold and their geographic locations at December 31, 2013 were as follows:

Name of subsidiary	**Principal activity**	**Location**	**Proportion of ownership interest and voting power held**	**Non-Controlling Interest**
Pilot Gold USA Inc.	Mineral exploration	United States	100%	-
Kinsley Gold LLC	Mineral exploration	United States	79%	21%
Agola Madencilik Limited Sirketi ("Agola")	Mineral exploration	Turkey	100%	-
Pilot Holdings Inc.	Holding company	Cayman Islands	100%	-
Pilot Investments Inc.	Holding company	Cayman Islands	100%	-

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Investments in associates

The Company conducts a portion of its business through equity interests in associates. An associate is an entity over which Pilot Gold has significant influence, but not control. The financial results of Pilot Gold's investments in its associates are included in Pilot Gold's results according to the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates is recognized in net income (loss) during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

Transactions and balances between the Company and its associates are not eliminated. Unrealized gains on transactions between Pilot Gold and an associate are eliminated to the extent of Pilot Gold's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of loss.

At the end of each reporting period, Pilot Gold assesses whether there is any objective evidence that its investment interests in associates are impaired. If impaired, the carrying value of Pilot Gold's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of loss. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings (loss) in the period the reversal occurs.

(d) Foreign currencies

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in United States dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, giving rise to foreign exchange gains and losses in the statement of loss.

Pilot Gold Inc. raises its financing and carries out head office expenditures in Canadian dollars, giving rise to 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 these consolidated financial statements is United States dollars. Any assets and liabilities of the Company held in foreign currencies are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in this case, the exchange rates at the dates of the transactions are used. Equity transactions are translated using the exchange rate at the date of the transaction. Exchange differences arising from assets and liabilities held in foreign currencies, are recognised in other comprehensive income (loss) as cumulative translation adjustments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income (loss) related to the foreign operation are recognized in profit or loss.

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

(f) Exploration properties and deferred exploration expenditures
Acquisition and exploration expenditures on properties are deferred until such time as the properties are put into commercial production, sold or become impaired. Costs incurred before Pilot Gold has obtained legal rights to explore an area are recognized in the statement of loss. General exploration expenditures are charged to operations in the period in which they are incurred. Pilot Gold recognizes the payment or receipt of amounts required under option agreements as an addition or reduction, respectively, in the book value of the property under option when paid or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Although we have taken steps to verify title to mineral properties in which we have an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee our title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

The Company has farm-out arrangements with third parties on certain of its exploration properties. The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal

(g) Plant and equipment
Plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Pilot Gold and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of loss during the period in which they are incurred.

The major categories of plant and equipment noted below are depreciated over their estimated useful life using the following annual rates and methods:

Field equipment	20%	Declining balance
Equipment	30%	Declining balance
Computer software	50%	Straight line
Furniture and fixtures	20%	Declining balance
Leasehold improvements		Term of lease

Depreciation expense of assets used in exploration is capitalized to deferred exploration expenditures, earn-in option, or investment in associate as appropriate. Management reviews the estimated useful lives, residual values and depreciation methods of the Company's plant and equipment at the end of each financial year and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Assets and liabilities held for sale
A non-current asset or disposal group of assets and liabilities ("disposal group") is classified as held for sale when it meets the following criteria:

(i) The non-current asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups; and

(ii) The sale of the non-current asset or disposal group is highly probable. For the sale to be highly probable:
   a. The appropriate level of management must be committed to a plan to sell the asset (or disposal group);
   b. An active program to locate a buyer and complete the plan must have been initiated;
   c. The non-current asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
   d. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale (with certain exceptions); and
   e. Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(i) Impairment of long-lived assets
Plant and equipment, exploration properties and deferred exploration expenditures are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment is assessed on an asset-by-asset basis. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Provisions and constructive obligations
Provisions, including environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Constructive obligations are obligations that derive from the Company's actions where:
(i) An established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and
(ii) As a result, Pilot Gold has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Where the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by Pilot Gold and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

(l) Earnings or loss per share

Earnings per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase Common Shares at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

(m) Financial instruments

Financial assets and liabilities are recognized when Pilot Gold becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and Pilot Gold has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, Pilot Gold classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

(iv) 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', 'Deposits' 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.

(v) 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 loss. Pilot Gold's short term investments are in this category.

(vi) Financial liabilities at amortized cost: Financial liabilities at amortized cost include account payables and accrued liabilities. Accounts 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, accounts payables are measured at amortized cost using the effective interest method.

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

(n) Impairment of financial assets

At each reporting date, management of Pilot Gold assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, Pilot Gold recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: A significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

(o) Share-based payments

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value of option grants is measured at the date of grant using the Black-Scholes option-pricing model ("Black-Scholes") and the compensation amount, equal to the option's fair value, is recognized over the period that the employees earn the options. The vesting periods of the stock options granted range from vesting immediately to vesting over a three-year period. Each tranche is recognised on a straight-line basis over the vesting period. Pilot Gold recognizes an expense or addition to exploration properties and deferred exploration expenditures for options granted under the employee stock option plan, arising from stock options granted to employees using the fair value method with a corresponding increase in equity. The amount recognized as an expense or added to exploration properties and deferred exploration expenditures, is adjusted to reflect the number of options expected to vest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies
The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

Consolidated Financial Statements
IFRS 10, Consolidated Financial Statements (“IFRS 10”), replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements (“IAS 27”), and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

Disclosure of Interests in Other Entities
IFRS 12, Disclosure of Interests in Other Entities, sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The Company has provided the relevant disclosures relating to its associates in Note 12.

Fair value measurement
IFRS 13, Fair value measurement (“IFRS 13”), provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

Amendment, presentation of items of other comprehensive income
The Company has adopted the amendments to IAS 1, Amendment, presentation of items of other comprehensive income, effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has no items within other comprehensive income that will not be subsequently reclassified to profit or loss. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

Several other amendments apply for the first time in 2013. However, they do not impact the consolidated financial statements of the Company.

Comparative figures
Management fees of $309,999 in the prior period statement of loss have been reclassified as a recovery against operating expenses in order to clarify their nature as a recovery, consistent with the current period. There is no impact to the loss for that period.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Further information on management’s judgements, estimates and assumptions and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements

i) *Functional currency*

The functional currency for the parent entity, each of its subsidiaries and joint ventures, is the currency of the primary economic environment in which the entity operates. The parent entity and its holding company subsidiaries in the Cayman Islands (Note 3) have a Canadian dollar functional currency while the remaining subsidiaries have a US dollar functional currency. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

ii) *Review of asset carrying values and impairment assessment*

In accordance with the Company's accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at the higher of value in use and fair value less costs to sell. The most significant assets assessed for impairment include the value of the Company's investment interests in associates, the carrying value of its exploration property interests and deferred exploration expenditures. There were no assumptions deemed highly uncertain underlying management's estimate of recoverability of these assets.

Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

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 its property interests 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.

At December 31, 2013, the Company wrote down the value of deferred exploration expenditures relating to the New Boston and Buckskin North exploration properties, further to a review and prioritisation of the Company's portfolio of mineral property assets. There were no indicators of impairment on the Company's other assets.

Investment in associates and Earn-in Option

Recoverability of the carrying amount of Pilot Gold's 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 upon successfully meeting the earn-in requirements of the TV Tower Agreement (Note 11). Changes in any of the assumptions used to determine impairment testing could materially affect the result of this analysis.

iii) *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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

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

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i) Exploration and evaluation expenditure
In addition to applying judgement to determine whether future economic benefits are likely to arise from the Company's exploration and evaluation assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The publication of a resource per National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") technical report, is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Management believes that the estimates are reasonable.

5. RECENT ACCOUNTING PRONOUNCEMENTS

New IFRS pronouncements that have been issued but are not yet effective are listed below. We plan to apply the new standard or interpretation in the annual period for which it is first required.

Impairment of Assets

IAS 36, Impairment of assets ("IAS 36") seeks to ensure that an entity's assets are not carried at more than their recoverable amount. The IASB has made small changes to the disclosures required by IAS 36 when recoverable amount is determined based on fair value less costs of disposal. The IASB has amended IAS 36 as follows:

- to remove the requirement to disclose recoverable amount when a cash generating unit ("CGU") contains goodwill or indefinite lived intangible assets but there has been no impairment;
- to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and
- to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

The amendments are effective from annual periods beginning on or after January 1, 2014 and should be applied retrospectively. Early adoption is permitted although the amendments may not be applied before an entity applies IFRS 13. The Company will adopt the additional disclosures when applicable.

Accounting for levies imposed by governments
IFRIC 21, Accounting for levies imposed by governments ("IFRIC 21") is an interpretation on the accounting for levies. IFRIC 21 will affect entities that are subject to levies that are not income taxes within the scope of IAS 12 *Income Taxes*. IFRIC 21 is effective for annual periods beginning on or after 1, January 2014 and should be applied retrospectively. Earlier adoption is permitted. Pilot Gold is currently evaluating the impact IFRIC 21 expected to have on its consolidated financial statements.

(Expressed in United States Dollars, unless otherwise noted)

5. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Financial instruments

As the first part of its project to replace IAS 39, Financial Instruments: Recognition and Measurement, the IASB released IFRS 9, Financial Instruments ("IFRS 9") covering classification and measurement of financial assets. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. As the project to replace IAS 39 continues to evolve, further changes to IFRS 9, or changes to other standards related to financial instruments may be forthcoming. The changes as proposed become effective for years beginning on or after January 1, 2015.

In November 2013, the IASB issued the hedge accounting section of IFRS 9, as well as two amendments to the previously issued IFRS 9. The new hedge accounting model will align hedge accounting with risk management activities undertaken by an entity. Components of both financial and non - financial items will now be eligible for hedge accounting as long as the risk component can be identified and measured. The new hedge accounting model includes eligibility criteria that must be met but these criteria are based on an economic assessment of the strength of the hedging relationship, which can be determined using internal risk management data. New disclosure requirements relating to hedge accounting will be required and are meant to simplify existing disclosures. The IASB currently has a separate project on macro hedging activities and until that project is completed, entities are permitted to continue to apply IAS 39 for all of their hedge accounting.

In November 2013, the IASB amended IFRS 9 to remove the mandatory effective date of January 1, 2015 due to continued work being performed on other phases of the IFRS 9 project relating to impairment. The IASB will be announcing a mandatory effective date for IFRS 9 in the future when it is closer to completion. Entities are still permitted to early adopt all or part of IFRS 9. Pilot Gold is currently evaluating the impact IFRS 9 expected to have on its consolidated financial statements.

At this time and where applicable, Pilot Gold does not anticipate it will be early adopting the above standard.

6. RECEIVABLES

	December 31, 2013	December 31, 2012
Sales taxes receivable	$ 29,993	$ 944,535
Receivable from Orta Truva for expenditures on TV Tower (Note 11)	750,914	-
Other receivables	90,039	90,887
	$ 870,946	$ 1,035,422

The majority of Eligible Expenditures (Note 11) are incurred by the Company's wholly-owned Turkish subsidiary in accordance with a technical services agreement relating to exploration at TV Tower. The balance due from Orta Truva Madencilik Şanayi ve Ticaret A.Ş. ("Orta Truva"), the Turkish company that holds TV Tower, reflects Eligible Expenditures incurred by the Company at TV Tower and includes recoverable VAT that is not an Eligible Expenditure. The Company subsequently funds Orta Truva (Notes 11 & 12) such that it can settle the amount due. The receivable from Orta Truva was collected subsequent to period end. At December 31, 2013, the Company has a receivable balance due from Truva Bakır of $36,062 (included in Other Receivables) (December 31, 2012: $13,047).

7. OTHER FINANCIAL ASSETS

From time to time, the Company may make strategic investments in other private or publicly traded entities. These investments are treated as long-term investments and may take the form of common shares and share purchase warrants. For accounting purposes, Pilot Gold has determined that any share purchase warrants held are derivative financial instruments and any change in fair value is included in income (loss) for the period. The fair value of share purchase

(Expressed in United States Dollars, unless otherwise noted)

7. OTHER FINANCIAL ASSETS (continued)

warrants is measured using Black-Scholes that uses inputs that are primarily based on market indicators. Any common shares (equities) held are designated as available-for-sale and any change in fair value is included in other comprehensive income (loss), until such time as the common shares are sold or otherwise disposed of at which time any gains or losses will be included in income (loss) for the period.

Inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement are summarized in the three level hierarchies below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table illustrates the classification of Pilot Gold's financial instruments with the fair value hierarchy as at December 31, 2012 and December 31, 2013:

	Financial assets at fair value as at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Equities[(a)(b)]	$ 760,142	$ -	$ -	$ 760,142
	$ 760,142	**$ -**	**$ -**	**$ 760,142**

	Financial assets at fair value as at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Equities [(c)(d)]	$ 1,114,979	$ -	$ -	$ 1,114,979
Share purchase warrants	-	75,223	-	75,223
	$ 1,114,979	$ 75,223	$ -	$ 1,190,202

a) During the year ended December 31, 2013, the Company held, an interest in the Gold Springs exploration property through a share of Gold Springs LLC ("Gold Springs"). On January 25, 2013, Pilot Gold notified High Desert Gold ("HDG"), the Company's partner in Gold Springs, that it would not participate in the HDG-proposed 2013 program and budget for the project. Accordingly and pursuant to the operating agreement, the Company's interest in Gold Springs was diluted from approximately 28% to 17.5%. As a consequence of dilution and further to a review of factors indicating the degree to which Pilot Gold exercised influence on Gold Springs, the Company ceased to equity account for its interest in the entity as an associate on January 25, 2013 (Note 12). At the time of dilution the Company reclassified its investment as a Level 3 financial instrument at fair value of $939,320, and a loss of $6,029 was recognized in the statement of loss within changes in fair value of financial instruments. The fair value was determined using the cost approach, whereby the aggregate of expenditures incurred on the project to date, as recorded in the legal entity financial statements of Gold Springs, was determined to be the most representative measure of value in this early-stage exploration property.

   On August 6, 2013, the Company sold its remaining interest in Gold Springs to HDG in exchange for 6,058,667 common shares of that company, valued at $467,002. A loss in the fair value of Gold Springs for the year ended December 31, 2013 of $472,318, including all losses to that date relating to Gold Springs, previously recognised in other comprehensive income, was recognised in the statement of loss.

   On December 20, 2013, South American Silver Corp. ("SASC") completed a plan of arrangement with HDG under which HDG shareholders received 0.275 of a new SASC common share for each HDG common share previously held. The Company consequently recorded a $189,115 gain to the income statement on disposal of the HDG common shares held and receipt of the 1,666,133 shares in SASC. The SASC common shares held are classified as a Level 1 financial instrument.

(Expressed in United States Dollars, unless otherwise noted)

7. OTHER FINANCIAL ASSETS (continued)

The following table presents the change in Level 3 instruments for the year ended December 31, 2013:

As at January 1, 2013	$ -
Reclassification from investment in associates at fair value (Note 10)	939,320
Change in fair value of financial instruments as recognised in the Statement of Loss	(391,777)
Fair value of shares in HDG received in consideration for investment in Gold Springs	(467,002)
Loss on sale of investment recognised in change in fair value of financial instruments in the Statement of Loss	(80,541)
As at December 31, 2013	**$ -**

b) At June 30, 2013 the Company determined that the fair value of its investment of 3,985,100 common shares of Rae-Wallace Mining Company was $nil and accordingly recognised the write down of $409,063 in the Statement of Loss.

c) On February 14, 2012, the Company agreed to participate in a private placement by Nevada Sunrise Gold Corporation ("NSGC"), the company that holds the underlying lease on Kinsley (Note 10a). Through the private placement, the Company agreed to purchase 625,000 units of NSGC at a price of C$1.20 per unit[1]. Each unit issued to Pilot Gold consists of one common share of NSGC (an "NSGC Share") and one half of one NSGC Share purchase warrant ("NSGC Warrant"). Each whole NSGC Warrant entitles the holder to purchase an additional NSGC Share at an exercise price of C$2.00 for a period of 24 months from the date of issuance. The private placement in NSGC closed on March 23, 2012. On closing, Pilot Gold determined the fair value of each NSGC Share (C$2.00) to be the Company's deemed cost. Accordingly, on recognition the Company recorded a fair value adjustment resulting in a gain of $499,500 in the Statement of Loss.

At December 31, 2012 the fair value of each NSGC Share was C$0.11. The Company determined the change in fair value to be significant as compared to deemed cost. This significant decline was concluded to be an objective indicator of impairment, resulting in the recognition in the Statement of Loss of the aggregate fair value losses to date of $561,000 previously recognised in Other Comprehensive Income.

The total amount in other comprehensive income relating to available for sale financial instruments is $19,609.

8. DEPOSITS

On August 1, 2012 Pilot Gold entered into a management services agreement (the "Management Agreement") with Oxygen Capital Corp. ("Oxygen"), a related party, whereby Oxygen provides geological, engineering, corporate development, administrative, shareholder communication and management services to the Company at cost. Oxygen holds an advance deposit of $401,864 (December 31, 2012: $240,314) on behalf of the Company, that on termination of the Management Agreement will be applied against the final three months of services, see also related party transactions in Note 22. The deposit is adjusted biannually to reflect the most recent three months of invoices for services received from Oxygen.

The Company holds $250,596 in Certificates of Deposit with a US bank, to back certain standby letters of credit, as well as a bond for $710,000 with the United States Interior Department's Bureau of Land Management ("BLM") in order to meet bonding requirements with the BLM on its mineral properties in the USA.

[1] Effective December 16, 2013, NSGC completed a 10:1 share consolidation decreasing the number of NSGC Shares held by the Company from 6,250,000 to 625,000, with an initial commensurate impact to the price per NSGC Share and NSGC Warrant. The amounts disclosed in these financial statements have been adjusted to reflect this share consolidation.

(Expressed in United States Dollars, unless otherwise noted)

9. PLANT AND EQUIPMENT

Cost:	Field equipment $	Equipment $	Computer software $	Furniture and fixtures $	Leasehold improvements $	Total $
Balance as at January 1, 2012	97,528	675,163	221,399	277,157	527,728	1,798,975
Additions	9,628	98,698	45,271	21,124	-	174,721
Disposals and write-downs	(61,588)	(67,771)	-	(10,957)	(221,760)	(362,076)
Cumulative translation adjustment	885	5,487	2,746	4,439	2,919	16,476
Balance as at December 31, 2012	46,453	711,577	269,416	291,763	308,887	1,628,096
Additions	7,019	85,769	36,918	37,484	-	167,190
Disposals and write-downs	-	(6,029)	-	-	-	(6,029)
Cumulative translation adjustment	(223)	(15,159)	(8,869)	(12,793)	-	(37,044)
Balance as at December 31, 2013	**53,249**	**776,158**	**297,465**	**316,454**	**308,887**	**1,752,213**
Depreciation:						
Balance as at January 1, 2012	47,071	369,050	191,461	147,316	330,053	1,084,951
Current period depreciation	10,069	93,045	39,465	30,311	61,507	234,397
Disposals and write-downs	(43,795)	(54,735)	-	(5,659)	(221,760)	(325,949)
Cumulative translation adjustment	562	3,434	2,327	2,525	2,919	11,767
Balance as at December 31, 2012	13,907	410,794	233,253	174,493	172,719	1,005,166
Current period depreciation	7,198	85,466	40,406	29,675	58,322	221,067
Disposals and write-downs	-	(1,209)	-	-	-	(1,209)
Cumulative translation adjustment	(109)	(10,256)	(8,076)	(8,475)	-	(26,916)
Balance as at December 31, 2013	**20,996**	**484,795**	**265,583**	**195,693**	**231,041**	**1,198,108**
Net Book Value:						
As at December 31, 2012	32,546	300,783	36,163	117,270	136,168	622,930
As at December 31, 2013	**32,253**	**291,363**	**31,882**	**120,761**	**77,846**	**554,105**

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

10. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

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

Expenditures at Halilağa are recorded in the Company’s investment in Truva Bakır, an equity-accounted associate (Note 12). Expenditures on TV Tower are bifurcated as 60% to the Earn-in Option (Note 11) and 40% to the Company’s investment in Orta Truva (Note 12) in order to maintain the Company’s proportionate interest in Orta Truva until such time as the earn-in to an additional 20% has been completed.

(Expressed in United States Dollars, unless otherwise noted)

10. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

	Total January 1, 2012	Additions/ Allocations	Transfer to held for sale	Write-down or disposal of asset	Recovery from third party earn-in	**Total December 31, 2012**	Additions/ Allocations	Transfer to held for sale	Write-down or disposal of asset	Recovery from third party earn-in	**Total December 31, 2013**
	$	$	$	$	$	**$**	$	$	$	$	**$**
USA											
Kinsley Mountain (Note 10a)	1,133,509	3,676,068	-	-	-	**4,809,577**	6,268,701	-	-	-	**11,078,278**
New Boston (Note 10e)	1,228,439	52,677	-	-	-	**1,281,116**	924	-	(1,282,040)	-	**-**
Viper	988,422	25,413	-	-	-	**1,013,835**	5,773	-	-	-	**1,019,608**
Brik	715,986	27,612	-	-	-	**743,598**	18,324	-	-	-	**761,922**
Griffon (Note 10c)	2,772	413,199	-	-	-	**415,971**	300,100	-	-	-	**716,071**
Stateline	220,853	31,245	-	-	-	**252,098**	26,621	-	-	-	**278,719**
Anchor (Note 10g)	183,998	12,585	-	-	-	**196,583**	2,991	-	-	(33,024)	**166,550**
Easter	135,711	32,722	-	-	(25,000)	**143,433**	49,409	-	-	-	**192,842**
Gold Bug (Note 19)	-	126,130	-	-	-	**126,130**	275,184	-	-	-	**401,314**
Antelope (Note 19)	71,292	90,501	-	(48,774)	-	**113,019**	36,528	-	-	-	**149,547**
Drum Mountain (Note 19)	-	-	-	-	-	**-**	118,918	-	-	-	**118,918**
Baxter Springs	271,295	12,737	-	(284,032)	-	**-**	-	-	-	-	-
Cold Springs	199,916	5,485	-	(205,401)	-	**-**	-	-	-	-	-
Buckskin North (Note 10d)	86,966	4,754	(91,720)	-	-	**-**	-	-	-	-	-
Regent (Note 10b)	3,712,065	251,916	(3,963,981)	-	-	**-**	-	-	-	-	-
Total USA	8,951,224	4,763,044	(4,055,701)	(538,207)	(25,000)	**9,095,360**	7,103,473	-	(1,282,040)	(33,024)	**14,883,769**
Turkey											
Yunt Dag	3,624	1,126	-	(3,624)	(1,126)	**-**	-	-	-	-	-
Arasanli	-	140,651	-	-	-	**140,651**	1,932	(142,583)	-	-	-
Total Turkey	3,624	141,777	-	(3,624)	(1,126)	**140,651**	1,932	(142,583)	-	-	**-**
Total	8,954,848	4,904,821	(4,055,701)	(541,831)	(26,126)	**9,236,011**	**7,105,405**	**(142,583)**	**(1,282,040)**	**(33,024)**	**14,883,769**
Assets held for sale											
Regent (Note 10b)	-		3,963,981	(981,931)	-	2,982,050	-	-	(2,982,050)	-	-
Buckskin North (Note 10d)	-	-	91,720	-	-	91,720	-	-	(91,720)	-	-
Rae Wallace Option	175,119	-	-	(175,119)	-	-	-	-	-	-	-
Arasanli (Note 10f)	-	-	-	-	-	-	-	142,583	-	-	142,583
Total held for sale	175,119	-	4,055,701	(1,157,050)	-	3,073,770	-	142,583	(3,073,770)	-	142,583

(Expressed in United States Dollars, unless otherwise noted)

10. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

	USA	Turkey	Peru	Total	Assets Held for sale
	$	$	$	$	$
January 1, 2012	8,951,224	3,624	175,119	9,129,967	-
Drilling	1,640,423	-	-	1,640,423	-
Wages, salaries and stock based compensation	887,123	8,474	-	895,597	72,185
Assaying & geochemical	475,267	20,080	-	495,347	6,821
Acquisition and claim staking costs	250,577	99,916	-	350,493	-
Environmental	355,096	-	-	355,096	59,159
Property maintenance	291,102	-	-	291,102	58,388
Geology and geophysics	236,979	2,827	-	239,806	14,761
Administrative and other	110,471	9,445	-	119,916	19,458
Camp & field costs	73,312	1,035	-	74,347	2,877
Leases, royalty and option payments	66,378	-	-	66,378	-
Other	94,646	-	-	94,646	23,021
Held for sale	(3,799,031)	(1,126)	-	(3,800,157)	3,799,031
Write down or disposal of deferred exploration expenditures	(538,207)	(3,624)	(175,119)	(716,950)	(981,931)
December 31, 2012	9,095,360	140,651	-	9,236,011	3,073,770
Contribution from Non-Controlling interest	2,423,077	-	-	2,423,077	-
Drilling	2,176,262	-	-	2,176,262	-
Wages, salaries and stock based compensation	598,745	-	-	598,745	-
Assaying & geochemical	560,436	-	-	560,436	-
Leases, royalty and option payments	299,355	-	-	299,355	-
Property maintenance	263,444	-	-	263,444	-
Acquisition and claim staking costs	237,189	434	-	237,623	-
Geology and geophysics	149,208	1,498	-	150,706	-
Hydrology	130,707	-	-	130,707	-
Administrative and other	108,997	-	-	108,997	-
Environmental	88,698	-	-	88,698	-
Camp & field costs	67,355	-	-	67,355	-
Disposal of Regent property	-	-	-	-	(2,982,050)
Recovery from option holders	(33,024)	-	-	(33,024)	
Transfer to held for sale	-	(142,583)	-	(142,583)	142,583
Write down of deferred exploration expenditures	(1,282,040)	-	-	(1,282,040)	(91,720)
December 31, 2013	**14,883,769**	**-**	**-**	**14,883,769**	**142,583**

10. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

a) *Kinsley Mountain*

During 2012 the Company met its initial exploration commitment under an option agreement (the "Kinsley Option") acquired from Animas Resources Ltd. ("Animas") and earned-in to an initial 51% interest in the underlying lease that comprises the majority of the Kinsley Mountain property (the lease interest and directly held claims together, "Kinsley").

Upon incurring the initial earn-in expenditure, the Company and Intor Resources Corporation ("Intor"), a subsidiary of NSGC, were deemed to have entered into a legal joint venture, with an undivided 51% beneficial interest in Kinsley transferred to Pilot Gold. Pursuant to the terms of the Kinsley Option, on February 8, 2013, the Company notified Intor that it had met the minimum exploration expenditure requirement of $3,000,000 to acquire an additional 14% interest.

Pursuant to the assignment agreement by which the Company acquired the Kinsley Option, the Company issued the final installment of 25,000 Common Shares to Animas on September 20, 2013 (Note 15b).Subsequent to an election by Intor not to participate in the budgeted exploration program, and pursuant to the Company's election not to fund what would have been Intor's share of the 2013 program Pilot Gold's interest in Kinsley increased to approximately 79%.

Formal transfer of the property interests into a new company, Kinsley Gold LLC was completed on October 24, 2013, pursuant to which, a non-controlling interest of $2,423,077 was recorded (Note 16) and included in additions for the year.

Kinsley Gold LLC, in accordance with the underlying lease agreement, will be required to make advance royalty payments to Nevada Sunrise, LLC ("NSL") (Note 19).

A net smelter return royalty ("NSR"), also payable by Kinsley Gold LLC to NSL, was reduced from 4% to 2% at the election of the Company on May 23, 2013 for consideration of $200,000.

During the period $710,000 was paid to the Bureau of Land Management to be held on deposit in order to meet environmental bonding requirements on Kinsley (Note 8).

b) *Regent*

The Company announced on January 10, 2013 that it had closed a definitive purchase agreement (the "Regent Agreement") to sell 100% of the Regent exploration property to Rawhide Mining LLC ("Rawhide") for $3,000,000 in cash. Pursuant to the Regent Agreement, Pilot Gold retains a net profits royalty of 15% on production from Regent and is entitled to a sliding scale gold equivalent bonus payment, each of which is payable in certain circumstances after Rawhide has achieved production at Regent. As at December 31, 2012 the property was deemed held for sale and written down to equal fair value less an estimate of costs to sell.

c) *Griffon*

On August 1, 2013, the Company purchased a 100% interest in the Griffon gold property (the "Griffon Purchase Agreement") from Nevada Clean Magnesium Inc. (formerly Molycor Gold Corp., "NCMI") for a consideration of 180,000 Common Shares (Note 15). The Griffon Purchase Agreement replaces an option agreement that had provided the Company the ability to earn-in to an initial 60% of the Griffon property (the "Griffon Earn-in Agreement") towards which the Company had paid $39,636 in cash to NCMI.

d) *Buckskin North*

Pursuant to the signing of a non-binding term sheet with a third party, Buckskin North was deemed held for sale as at December 31, 2012 and was classified as a current asset. As at March 31, 2013 the transaction had not progressed further and the carrying value of $91,720 was deemed unrecoverable. Subsequently, in exchange for a 2% NSR, on August 23, 2013 the Buckskin North property was sold to a private Nevada company.

10. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

e) *New Boston*
During 2013, further to an assessment of recoverability of capitalised costs relating to New Boston, the Company decided to write-down the carrying value of the property. On August 23, 2013 the New Boston property was sold in exchange for a 2% NSR to a private Nevada company.

f) *Arasanli*
Pursuant to the continual review of the Company's portfolio, Arasanli was deemed held for sale as at December 31, 2013.

g) *Farm-out arrangements*
On September 16, 2013 Desert Star Resources Ltd ("DSR") entered into an exploration and development agreement ("Anchor Agreement") under which DSR was granted an option to earn up to a 65% interest in the Anchor project in exchange for initial consideration of 200,000 DSR common shares and 300,000 and 500,000 DSR common shares on the first and second anniversary of the Anchor Agreement respectively.

11. OPTION TO EARN-IN TO TV TOWER (the "Earn-in Option")

On June 20, 2012 (the "TV Tower Effective Date"), the Company and certain of its subsidiaries entered into a share-purchase and joint venture agreement (the "TV Tower Agreement") with Teck Resources Limited ("Teck") and Teck Madencilik Sanayi Ticaret A.Ş ("TMST"), pursuant to which, shares equal to an additional 20% interest in Orta Truva will be transferred from TMST to the Company, such that the Company will hold a 60% interest and TMST will hold a 40% interest in Orta Truva. Orta Truva holds the licenses that comprise TV Tower. During the period of earn-in, the Company will be the project operator at TV Tower. Successful completion of the Earn-in Option requires:

a) incurring $21 million in eligible exploration expenditures ("Eligible Expenditures") over three years (the "TV Tower Expenditure Requirement"). The first and second year minimum commitments of $5 million and $7 million respectively, had been completed as at December 31, 2013;

b) Issued 3,275,000 Common Shares and 3,000,000 Common Share purchase warrants ("TV Tower Warrants") to TMST within five business days of signing the TV Tower Agreement. Each Teck Warrant is exercisable for a period of three years from the date of issue and shall be exercisable for one Common Share at an exercise price of C$3.00 per share;

c) issuing 1,637,500 Common Shares to TMST on completion of each of the first and second year expenditure requirements, both issued in full by December 31, 2013; and

d) making a one-time cash payment to TMST equal to $20 per ounce of gold applicable to only 20% of the ounces of gold delineated at TV Tower in excess of 750,000 gold ounces defined as Measured, Indicated or Inferred resources in a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* technical report, prepared generally concurrent with the completion of the TV Tower Expenditure Requirement (the "Additional Consideration").

The remainder of the TV Tower Expenditure Requirement must be incurred prior to June 20, 2015. The Earn-in Option will continue to increase as Eligible Expenditures are incurred. The majority of Eligible Expenditures are incurred initially by the Company's wholly-owned Turkish subsidiary. Pilot Gold invoices Orta Truva for services performed in the period, and Orta Truva, in turn invoices TMST and Pilot Gold, for their respective share of Eligible Expenditures for the period. Each shareholder subsequently funds Orta Truva such that it can settle the amount due. Pursuant to the funding mechanism outlined in the TV Tower Agreement (the "Funding Mechanism"), and in order to maintain the relative interests of TMST and the Company in Orta Truva until the Earn-in Option obligations have been satisfied, 60% of the Eligible Expenditures in a given period are advanced by the Company to TMST and accounted for as a component of the Earn-in Option, a non-current asset. The remaining 40% is recorded to the Company's interest in Orta Truva (Note 12).

(Expressed in United States Dollars, unless otherwise noted)

11. OPTION TO EARN-IN TO TV TOWER (continued)

The total value of the Earn-in Option asset as at December 31, 2013 consists of the following, and includes certain costs capitalized pursuant to the Company's accounting policies, that are not Eligible Expenditures:

January 1, 2012	$	-
Eligible Expenditures		2,878,543
Legal expenditures		147,435
Value of Common Shares and TV Tower Warrants issued		4,213,079
December 31, 2012	$	7,239,057
Eligible Expenditures		6,519,779
Non –eligible expenditures		143,113
Value of Common Shares issued		5,465,766
Foreign exchange		(691,320)
December 31, 2013	**$**	**18,676,395**

12. INVESTMENT IN ASSOCIATES

Turkey

Pilot Gold owns 40% of Halilağa through a 40% ownership stake in Truva Bakır Maden İşletmeleri A.Ş. ("Truva Bakır"), a Turkish company, controlled (60%) by TMST, an indirect subsidiary of Teck. Pilot Gold also holds a 40% interest in Orta Truva. Pilot Gold became the operator of TV Tower on June 20, 2012 and has an option to acquire an additional 20% interest of Orta Truva (Note 11). Orta Truva is also controlled (60%) by TMST.

On September 4, 2013 Orta Truva acquired a beneficial interest in the Karaayı license, contiguous to, and now a part of TV Tower (the "Karaayı Purchase"). Consideration for the Karaayı Purchase was paid for by the Company as 1,250,000 Common Shares, and $300,000 cash, recognised pursuant to the Funding Mechanism. Until the transaction closes and conveyance of title is completed, the license will be held in trust and for the benefit of Orta Truva. By virtue of a services agreement, Orta Truva is the operator at Karaayı during the conveyance period and in turn, pursuant to the TV Tower Agreement, the Company will undertake and oversee all exploration activities at the property on behalf of Orta Truva. Exploration expenditures at Karaayı incurred by Pilot Gold qualify as Eligible Expenditures. Formal transfer of title to the Karaayı license to Orta Truva is pending.

United States

During the year Gold Springs was diluted to 17.5% and reclassified into other financial assets (Note 7).

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

(Expressed in United States Dollars, unless otherwise noted)

12. INVESTMENT IN ASSOCIATES (continued)

	Truva Bakır	Orta Truva	Gold Springs	Total
At January 1, 2012	$ 4,684,751	$ 2,662,058	$ 699,797	$ 8,046,606
Share of loss	(16,012)	(39,123)	(40,683)	(95,818)
Funding	1,633,088	1,888,426	286,236	3,807,750
Exchange differences	110,251	57,990	-	168,241
Loss on dilution	-	-	(445,095)	(445,095)
Gain from capital	-	-	445,094	445,094
At December 31, 2012	$ 6,412,078	$ 4,569,351	$ 945,349	$ 11,926,778
Share of loss	413	(148,560)	-	(148,147)
Funding	279,104	4,574,838	-	4,853,942
Exchange differences	(413,382)	(315,626)	-	(729,007)
Reclassification to other financial assets	-	-	(945,349)	(945,349)
At December 31, 2013	**$ 6,278,213**	**$ 8,680,003**	**$ -**	**$ 14,958,216**

Funding to Truva Bakır for the year ended December 31, 2013 includes 40% of Eligible Expenditures incurred.

The summarised financial information for its associates on a 100% basis and reflecting adjustments made by the Company, including adjustments for differences in accounting policies is as follows:

Name	**Country of Incorporation**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Total Net Assets**	**Gain/(Loss)**	**% interest held**	**Company's Share of Net Assets**
Truva Bakir	Turkey	$ 2,347,471	$ 13,513,801	$ (165,740)	$ 15,695,532	$ 1,032	40%	$ 6,278,213
OrtaTruva	Turkey	4,394,365	18,239,454	(933,811)	$ 21,700,008	(371,400)	40%	$ 8,680,003
At December 31, 2013		**$ 6,741,836**	**$ 31,753,255**	**$ (1,099,551)**	**$ 37,395,540**	**$ (370,368)**		**$ 14,958,216**

Name	Country of Incorporation	Current Assets	Non-Current Assets	Current Liabilities	Total Net Assets	Gain/(Loss)	% interest held	Company's Share of Net Assets
Truva Bakir	Turkey	$ 2,364,089	$ 13,735,548	$ (69,442)	$ 16,030,195	$ (40,030)	40%	$ 6,412,078
Orta Truva	Turkey	1,836,353	9,911,422	(324,397)	$ 11,423,378	(97,808)	40%	$ 4,569,351
Gold Springs	United States	71,493	3,237,006	(14,600)	$ 3,293,899	(141,752)	29%	$ 945,349
At December 31, 2012		$ 4,271,935	$ 26,883,976	$ (408,439)	$ 30,747,472	$ (279,590)		$ 11,926,778

As at December 31, 2013, the Company has outstanding receivables from Truva Bakır of $36,062, and from Orta Truva of $750,914 of which $300,365 is attributable to the investment in associate and the remaining $450,549 is attributable to the Earn-in Option asset. A $287,030 distribution was received from Orta Truva for the Company’s share of a VAT refund from the Turkish tax authorities relating to periods prior to 2013.

(Expressed in United States Dollars, unless otherwise noted)

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013	December 31, 2012
Trade payables	$ 240,434	$ 350,057
Other payables	85,934	41,324
Accrued liabilities	409,799	819,922
Amounts due to Orta Truva	357,714	47,062
Amounts due to Truva Bakir	48,259	-
Amounts due to TMST	536,574	-
	$ 1,678,714	$ 1,258,365

Accounts payable and accrued liabilities are non-interest bearing and are normally settled on 30-day terms. Amounts due to associates and TMST, relate to cash calls due in connection with the Company's pro-rata share of costs incurred. Cash calls are non-interest bearing and are normally settled on 10-day terms. Accrued liabilities at each period end include amounts payable to employees and service providers of the Company in respect of that year's bonus amount paid in the following year.

14. INCOME TAXES

a) Provision for income taxes:
The recovery of income taxes differs from the amount that would have resulted from applying combined Canadian federal and provincial statutory tax rates for 2013 of 25.75% (2012 – 25.00%)

	December 31, 2013	December 31, 2012
Loss before taxes	$ (9,142,314)	$ (8,071,738)
Statutory tax rate	25.75%	25.00%
Expected income tax recovery	(2,354,146)	(2,017,935)
Permanent differences	420,903	95,885
Benefit not recognized and other	1,933,243	1,869,513
Income tax expense (recovery)	**$ -**	$ (52,537)

b) Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial and tax purposes. The Company holds no deferred tax assets and liabilities.

c) The following are temporary differences the net benefits of which have not been recognized as at December 31, 2013:

	December 31, 2013	December 31, 2012
Operating losses carried forward	$ 17,966,597	$ 20,607,009
Equipment	531,581	519,343
Mineral properties	(417,929)	(9,232,626)
Investments and other	3,070,270	3,062,922
Total temporary differences	$ 21,150,519	$ 14,956,648

(Expressed in United States Dollars, unless otherwise noted)

14. INCOME TAXES (continued)

d) The Company has non capital losses which may be applied to reduce future taxable income. These losses expire between 2014 and 2033:

Canada	US	Turkey	**Total**
$8,174,000	$ 7,552,000	$ 2,241,000	$ **17,967,000**

There are no income taxes owed by Pilot Gold at December 31, 2013

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Authorized
Unlimited Common Shares with no par value

b) Issued
During the year ended December 31, 2013 the Company issued a total of 3,275,000 Common Shares to TMST pursuant to the TV Tower Agreement (Note 11) and a further 1,250,000 as partial consideration for the Karaayı Purchase (Note 12). A further 180,000 Common Shares were issued to NCMI to terminate the Griffon Earn-in Agreement (Note 10c) and 25,000 Common Shares to Animas pursuant to the assignment agreement through which the Company acquired the Kinsley Option (Note 10a). As at December 31, 2013 the Company has 89,940,333 Common Shares issued and outstanding.

On November 1, 2012, the Company closed a bought deal short form prospectus offering (the “2012 Bought-Deal”), pursuant to which Pilot Gold issued 17,825,000 units of the Company (“PLG Units”) at a price of C$1.65 per Unit to raise aggregate gross proceeds of C$29,411,250 ($29,490,875). 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 Toronto Stock Exchange under the symbol "PLG.WT". The Company paid the Underwriters C$1,470,563 ($1,474,533), representing a fee equal to 5.0% of the gross proceeds (the “Underwriters’ Fee”).

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”) also closed on November 1, 2012. Pursuant to the TV Tower Agreement and the 2012 Offering, through which each of Teck and Newmont respectively were granted participation rights to subscribe for and purchase (directly or through an affiliate) Additional Pilot Gold Securities (as defined in those agreements) at the same price and on the same terms at which such Additional Pilot Gold Securities are offered for sale to other purchasers, up to the lesser of each of Teck and Newmont’s then pro rata interest. To maintain their respective pro rata interest, 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 ($8,106,966).

In addition to the Underwriters’ Fee, the Company paid share issuance costs of $460,860 in connection with the 2012 Bought Deal.

c) Stock-based compensation
The Pilot Gold Stock Option Plan (2011) (the “Option Plan”), was approved on April 4, 2011. Under the terms of the Option Plan, the Board may, from time to time, grant to employees, officers and directors of, or consultants to the Company, non-assignable options to acquire Common Shares (“Options”) in such numbers and for such terms as may be determined by the Board.

(Expressed in United States Dollars, unless otherwise noted)

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

The number of Common Shares which may be issued pursuant to Options previously granted and those granted under the Plan will be a maximum of 10% of the issued and outstanding shares at the time of the grant; the number of Common Shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis.

Options granted under the Option Plan to date are exercisable over periods of five or ten years. In accordance with the Option Plan, the exercise price of each Option shall under no circumstances be lower than the closing market price of the Company's stock on the trading day immediately before the date of grant. Options granted to Directors vest immediately, the remaining Options vest in thirds at the end of each year from the date of grant. Any consideration paid by the optionee on the exercise of Options is credited to share capital.

Option transactions and the number of Options outstanding are summarized as follows:

	Shares	Weighted Average Exercise Price
	#	C$
Balance, January 1, 2012	4,027,500	3.35
Options granted	1,823,500	1.32
Options forfeited	(310,000)	2.17
Balance, December 31, 2012	**5,541,000**	**2.75**
Options granted	1,590,000	2.12
Options forfeited	(211,000)	2.92
Balance, December 31, 2013	**6,920,000**	**2.60**

At December 31, 2013, Pilot Gold had incentive Options issued to directors, officers, employees and key consultants to the Company outstanding as follows:

Range of prices	Number of Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of Options exercisable	Weighted average exercise price of Options exercisable
	#	(in years)	C$	#	C$
C$1.00 to C$1.99	1,620,000	4.21	1.14	815,000	1.11
C$2.00 to C$2.99	1,655,000	4.29	2.15	485,000	2.18
C$3.00 to C$3.99	3,645,000	7.28	3.45	3,013,333	3.45
	6,920,000	**5.85**	**2.60**	**4,313,333**	**2.87**

For the purposes of estimating the fair value of options using Black-Scholes, certain assumptions are made such as expected dividend yield, volatility of the market price of the Company's shares, risk-free interest rates and expected average life of the Options. We base our expectation of volatility on the volatility of similar publicly-listed companies, as the expected life of our stock options exceeds our trading history.

The weighted average fair value of Options granted during the year determined using Black-Scholes was C$1.34 per Option (2012: C$0.64). The weighted average significant inputs into the model were share price of C$2.13 at the grant date, exercise price shown above, volatility of 78%, dividend yield of 0%, an expected Option life of 5 years, and an annual risk-free interest rate of 1.5%. A 2.77% forfeiture rate is applied to the Option expense.

(Expressed in United States Dollars, unless otherwise noted)

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

For the year ended December 31, 2013, the Company has capitalized a total of $106,835 (December 31, 2012 - $236,611) of stock-based compensation to exploration properties and deferred exploration expenditures. For the year ended December 31, 2013, the Company charged a total of $2,311,023 (2012: $1,951,752) of stock-based compensation expense to the statement of loss, of which $35,591 (2012: $233,930) is attributed to property investigation.

d) Warrants:

Warrant transactions and the number of Warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
	#	C$
Balance, January 1, 2012	-	-
Warrants issued	14,362,524	2.37
Warrants exercised or expired	-	-
Balance, December 31, 2012	14,362,524	2.37
Warrants issued, exercised or expired	-	-
Balance, December 31, 2013	**14,362,524**	**2.37**

As at December 31, 2013 the Company had the following Warrants outstanding:

Exercise price	Number of Warrants outstanding and exercisable	Weighted average remaining contractual life
C$	#	(in years)
2.20	11,362,524	0.84
3.00	3,000,000	1.47
2.37	**14,362,524**	**0.97**

There were no Warrants granted in 2013. The weighted average fair value of Warrants granted in 2012 was C$0.36. The weighted average significant inputs into the model were share price of C$1.54 at the grant date, exercise price shown above, volatility of 61%, dividend yield of 0%, an expected life of 2.21 years and annual risk-free interest rate of 1.08%.

16. NON-CONTROLLING INTEREST

On October 24, 2013, the underlying lease and directly-owned claims that comprise Kinsley, were transferred into Kinsley Gold LLC. Prior to this, the property interests were accounted for as an undivided asset. Set out below is the summary financial information for Kinsley Gold LLC, the only subsidiary of the Company that has a material non-controlling interest. As Kinsley Gold LLC's expenditures are capitalised to the Kinsley property, there are no expenses recorded in the statement of income. The information below is before inter-company eliminations.

(Expressed in United States Dollars, unless otherwise noted)

16. NON-CONTROLLING INTEREST (continued)

a) Summarised Balance Sheet

	As at December 31, 2013
Current	
Assets	27,675
Liabilities	(47,676)
Total Current net assets	(20,001)
Non-Current	
Assets	11,723,674
Liabilities	(23,000)
Total Non-current net assets	11,700,674
Net Assets	11,680,673

b) Summarised cash flows

	Year ended December 31, 2013
Net cash flow from operating activities	$ -
Net cash inflow from financing activities	3,711,828
Net cash outflow from investing activities	(3,684,153)
Net cash increase in cash	27,675
Cash at the beginning of the period	-
Cash at the end of the period	$ 27,675

See Note 10a for transactions with non-controlling interests.

17. CAPITAL DISCLOSURES

Pilot Gold considers the items included in the consolidated statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Pilot Gold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

18. FINANCIAL RISK MANAGEMENT

Financial Risk Management
The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Pilot Gold's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short term investments, with Canadian Chartered Banks and its certain deposits with AA or higher rated United States financial institutions.

18. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows from operations, expected capital expenditures and the Company's holdings of cash and cash equivalents. The Company may from time to time have to issue additional Common Shares to ensure there is sufficient capital to meet long term objectives. The Company's financial liabilities of accounts payable and accrued liabilities are payable within a 90 day period and are expected to be funded from the cash held.

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

Market Risk
The significant market risk to which the Company is exposed is foreign exchange risk.

Foreign Exchange Risk
The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's mineral property expenditures, including the cash calls from the Company's 60% partner at Orta Truva and Truva Bakır, are incurred in United States dollars. The fluctuation of the CAD and the TRL in relation to the United States dollar will consequently have an impact upon the financial results of the Company.

Further, although only a portion of the Company's expenditures, primarily general and administrative costs are incurred in Canadian dollars, the Company records its assets located in Vancouver in Canadian dollars. As the operating results and financial position of the Company are reported in United States dollars in Pilot Gold's consolidated financial statements, there may also be an impact to the value of the Company's assets, liabilities and shareholders' equity as a result of the fluctuation of the CAD in relation to the United States dollar. A 1% increase or decrease in the exchange rate of the US dollar against the Canadian dollar would result in a $159,795 increase or decrease respectively, in the Company's cash and short term investment balance. The Company has not entered into any derivative contracts to manage foreign exchange risk at this time.

Fair Value Estimation
The carrying value of the Company's financial assets and liabilities approximates their estimated fair value.

19. COMMITMENTS

TV Tower
Pursuant to the TV Tower Agreement, upon completion of all other conditions precedent (Note 11), the Company must remit the Additional Consideration to TMST. It is not possible at this time to estimate the amount or timing of Additional Consideration payable. See details in Note 11 for Eligible Expenditure requirements to be met in order to maintain the Earn-in Option in good standing.

Gold Bug
On August 31, 2012, the Company signed an amended lease agreement with Nevada Eagle Resources LLC whereby Pilot Gold shall make expenditures in accordance with the following schedule in order to maintain the amended lease agreement in good standing:

On or before the 1st anniversary of the signing date	$ 150,000 (incurred)
On or before the 2nd anniversary, an additional	$ 350,000 (committed)
On or before the 3rd anniversary, an additional	$ 400,000 (optional)
On or before the 4th anniversary, an additional	$ 500,000 (optional)
On or before the 5th anniversary, an additional	$ 700,000 (optional)
On or before the 6th anniversary, an additional	$ 900,000 (optional)

(Expressed in United States Dollars, unless otherwise noted)

19. COMMITMENTS (continued)

Beginning on the seventh anniversary and each anniversary thereafter, Pilot Gold must pay to the owner an annual rental fee reflective of the leased property tenure size if the Company fails to incur at least $50,000 expenditures during the preceding anniversary year. The initial $500,000 commitment is to be settled in cash if it is not completed. As at December 31, 2013 the Company had incurred $261,933 at Gold Bug net of non-cash expenditures.

Drum

Pilot Gold is required to make certain annual exploration expenditures at the Drum project pursuant to a lease agreement. The Company must incur $100,000 in 2014, $300,000 in 2015, $500,000 in 2016 and $750,000 in 2017 and for all years thereafter, in order to maintain the lease agreement in good standing. As at December 31, 2013 the Company had incurred $116,374 at Drum.

Advanced royalty payments

In accordance with the underlying lease agreements at Kinsley and at our Drum and Antelope projects, we will be required to make advance royalty payments ("ARPs") to the respective underlying property holders as follows:

Total future ARPs as at December 31, 2013 are as follows:

Year	Kinsley	Drum	Antelope
2014	$ 50,000	$ 30,000	$ 30,000
2015	50,000	45,000	40,000
2016	50,000	60,000	50,000
2017	75,000	75,000	60,000
2018	100,000	100,000	60,000
2019	150,000	100,000	60,000
2020 and beyond	200,000	100,000	60,000

The aggregate advance ARPs on each respective property will subsequently be credited against future NSR payments payable from production at the respective property. Although the annual payments are commitments to the Company as long as Pilot Gold continues to hold these properties. Pursuant to the underlying lease agreements the Company has the right to terminate the respective lease agreements by giving thirty days advance notice and returning the Company's interest in the property to underlying property holder.

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. Office premises and other operating leases in Canada are paid to Oxygen Capital Corp ("Oxygen"), pursuant to a management services agreement with that company (the "Oxygen Agreement"). Upon termination of the Oxygen Agreement, the Company is required to indemnify Oxygen for costs associated with those agreements or obligations that had been executed or incurred by Oxygen in connection with, or related to the services provided to the Company by Oxygen. These amounts, as pertaining to non-cancellable leases, are included in the table below. The aggregate lease expenditure related to Pilot Gold's office premises charged to the statement of loss for the year ended December 31, 2013 is $264,935.

(Expressed in United States Dollars, unless otherwise noted)

19. COMMITMENTS (continued)

Total future minimum lease payments, under non-cancellable operating leases as at December 31, 2013 are as follows:

Year	
2014	$ 313,671
2015	165,607
2016	154,301
2017	154,301
2018+	1,109,751
	$ 1,897,630

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

20. SEGMENT INFORMATION

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At December 31, 2013 and at December 31, 2012, Pilot Gold has three geographic locations: Canada, the USA, and Turkey. The total assets attributable to the geographic locations relate primarily to the exploration properties and deferred exploration expenditures held by the Company and its associates, and have been disclosed in Notes 10, 11 and 12. The net loss (gain) is distributed by geographic segment per the table below:

	Year ended December 31,	
	2013	2012
Canada	$ 5,664,654	$ 5,311,231
USA	3,340,351	2,787,802
Turkey	137,310	(79,831)
	$ 9,142,315	$ 8,019,202

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

	Year ended December 31,	
	2013	2012
Canada	$ 119,897	$ 182,381
USA	364,119	382,364
Turkey	70,089	58,185
	$ 554,105	$ 622,930

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

(Expressed in United States Dollars, unless otherwise noted)

21. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing transactions:

	December 31, 2013	December 31, 2012
Non-cash financing and investing transactions		
Issuances of shares and warrants to Teck pursuant to the Earn-in Option (Note 11)	$ (4,667,971)	$ (4,213,079)
Issuance of shares in partial consideration in Karaayı Purchase (Note 11)	(1,329,659)	-
Issuances of shares in consideration for mineral property rights (Note 10)	(211,861)	(148,125)
Non-cash recovery on mineral properties (Note 10)	(33,024)	198,510
Change in fair value of financial instruments recognised in OCI	(19,634)	(794,476)
Reclassification of losses from OCI into statement of loss	131,620	727,419
Stock based compensation included in mineral properties (Note 12)	(106,835)	(236,611)
	$ (6,237,364)	$ (4,466,362)

22. RELATED PARTY TRANSACTIONS

Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length. In addition to the following, the Company's related parties include its subsidiaries, and associates over which it exercises significant influence. Transactions with the Company's associates are described in Note 10.

Oxygen Capital Corp
Oxygen is a private company owned by three directors and one officer of the Company. Oxygen provides services to the Company at cost including staffing, office rental and other administrative functions. Related party transactions during the period total $1,087,215 in expenditures and $153,171 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, 2013, Oxygen holds a refundable deposit of $401,864 (Note 8) on behalf of the Company. Additionally, as at December 31, 2013 the Company held a payable to Oxygen of $97,617. Amounts payable were settled subsequent to December 31, 2013. See also Note 19 for details on commitments related to lease arrangements.

Compensation of key management personnel
Key management includes members of the Board, the President and Chief Executive Officer, the VP Exploration, the Chief Financial Officer & Corporate Secretary, and the Country Managers. The aggregate total compensation paid, or payable to key management for employee services directly or via Oxygen is shown below:

	December 31, 2013	December 31, 2012
Salaries and other short-term employee benefits	$ 1,192,717	$ 1,037,718
Share-based payments	1,338,954	1,283,996
Total	**$ 2,531,671**	$ 2,321,714

23. SUBSEQUENT EVENTS

Option grant

On January 24, 2014, the Company granted, under the terms of the Pilot Gold Stock Option Plan, 425,000 Options to directors of the Company and 1,780,000 Options to employees and service providers of the Company, with an exercise price of C$1.15. Director's Options vest immediately and employee options vest in thirds over three years, both expire after 5 years.

Bought deal financing

On March 12, 2014, the Company announced that it has entered into an agreement with a syndicate of underwriters (the "Underwriters"), whereby the Underwriters will purchase 13,072,000 Common Shares of the Company, on a bought deal basis, at a price of C$1.53 per Common Share for gross proceeds of C$20,000,160. The Company has also granted to the Underwriters an option, exercisable at any time until 30 days following the closing date, to purchase up to an additional 1,960,800 Common Shares.