



**PILOT GOLD INC.  
(AN EXPLORATION STAGE COMPANY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the six months ended June 30, 2014**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Six months ended June 30, 2014

This Management's Discussion and Analysis, dated as of August 12, 2014, is for the six months ended June 30, 2014 (the "MD&A"), and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2014 of Pilot Gold Inc. (in this MD&A, also referred to as "Pilot Gold", or the "Company", or "we", or "our", or "us"), the related notes thereto (together, the "Interim Financial Statements"), and other corporate filings, including our Annual Information Form for the year ended December 31, 2013, dated March 14, 2014 (the "AIF"), available under Pilot Gold's company profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Pilot Gold is focused on advancing high quality assets that host the key traits of mines: grade, scope and access to infrastructure in a mining-friendly jurisdiction. Our key exploration assets include interests in the Kinsley Mountain project in Nevada, and the TV Tower project in Turkey. With the capital available and the management and technical teams committed to advance each project, we expect to continue executing exploration programs and delivering results through 2014. We also hold a 40% interest in the PEA-stage Halilağa copper-gold porphyry deposit in Turkey and a portfolio of exploration projects in Nevada and Utah.

Our reporting currency is the United States dollar ("\$", or "USD"). All dollar figures in this MD&A are expressed in USD unless otherwise stated. As at June 30, 2014, the value of C\$1.00 was \$0.937<sup>1</sup>.

### HIGHLIGHTS AND SIGNIFICANT SUBSEQUENT EVENTS

- Discovered another new copper-gold porphyry system in the south of TV Tower. Highlights to date at the "Valley Porphyry" target include:
  - 0.99 grams / tonne (g/t) gold (Au) and 0.39% copper (Cu), or 1.65 g/t gold-equivalent (AuEq<sup>2</sup>), over 153.1 metres in KR010, including 1.57 g/t Au and 0.56% Cu (2.52 g/t AuEq<sup>2</sup>) over 66.2 metres; and
  - 1.59 g/t Au and 0.48% Cu over 130.9 metres (2.41 g/t AuEq<sup>2</sup>) in KR014C, including 3.12 g/t Au and 0.85% Cu over 49.9 metres (4.57 g/t AuEq<sup>2</sup>).

The proximity of TV Tower's Valley Porphyry and Hilltop Porphyry targets to the nearby Halilağa copper-gold porphyry deposit ("Halilağa") expands the foundation of an exciting new porphyry district in northwest Turkey<sup>3</sup>.

- Continued to report high grade gold results including near surface oxide mineralization from the ongoing 2014 drill program at Kinsley. Highlights from drilling at the Right Spot target demonstrate that the property's Western Flank currently remains open in multiple directions.
- Entered into an arrangement agreement (the "Cadillac Agreement") with Cadillac Mining Corporation ("Cadillac") pursuant to which the Company agreed to acquire all of the issued and outstanding shares of Cadillac by way of a court-approved plan of arrangement<sup>4</sup>.
- Raised C\$20 million from the issuance of 13,072,000 common shares of the Company by way of a bought deal financing led by National Bank Financial Inc. and Scotiabank.

The written disclosure of technical information in the MD&A has been approved by Moira Smith, Ph.D., P. Geo., Pilot Gold Chief Geologist, and a Qualified Person ("QP") for the purposes of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). Readers are directed to the section "Scientific and Technical Disclosure," included within this MD&A.

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

<sup>1</sup> Nominal noon rate as per the Bank of Canada. Canadian dollars herein expressed as "C\$".

<sup>2</sup> AuEq calculated using \$1,200/oz Au and \$3.00/lb Cu and assuming 100% recovery.

<sup>3</sup> The proximity of TV Tower and Halilağa do not mean that a mineral resource will be found to exist at K2.

<sup>4</sup> The proposed transaction to acquire the issued and outstanding common shares of Cadillac is subject to, among other things, approval by the shareholders of Cadillac, the Superior Court of British Columbia and the securities regulators and stock exchanges that govern trading of the Company's common shares and those of Cadillac.

## OUTLOOK

Through the remainder of 2014, our focus will remain principally on advancing Kinsley and TV Tower.

### *Kinsley*

The Kinsley Mountain property ("Kinsley") hosts a past-producing gold mine, and was permitted in August 2013 to allow extensive exploration on the main claim block, including areas in and around the historic pits and Western Flank target. Approval of an amendment to the existing Plan of Operations (the "Amendment") that will encompass the property's northern claim block ("Kinsley North") is expected soon. Upon receipt of the Amendment, we plan to extend the current program to include Kinsley North.

The discoveries at Kinsley to date continue to reinforce the district-scale potential of the property. Drilling along the Western Flank zone has yielded multiple high-grade gold intercepts including near-surface oxide gold mineralization. Drilling at the Western Flank's Right Spot demonstrates that mineralization is hosted at several stratigraphic horizons and in several locations over a two-kilometre-long trend. Drilling at the Secret Spot is currently underway, which if successful could show that the Secret Canyon host horizon is also mineralized and would demonstrate that gold is hosted beyond the Western Flank.

The budget approved for the current year exploration program is \$6.04 million (our share of which is \$4.77 million). Through the second half of the year, we anticipate completing an additional 3,000 metres of core drilling and 8,800 metres of reverse circulation ("RC") drilling. There are currently two drills on the property, and we expect to continue drilling through 2014. We also plan to commission certain preliminary metallurgical and illustrative engineering analyses through year-end in order to refine the 2015 exploration plan. With continued success at Kinsley and receipt of the Amendment, we may seek to increase the budget for the remainder of the year.

### *TV Tower*

TV Tower is part of an evolving gold-silver-copper district located in northwestern Turkey. We began the current year's drill program on April 10, 2014 following the completion of extensive mapping, sampling, surface work and limited 2013 drilling on the recently acquired Karaayı license in the south of TV Tower.

In June and July 2014 we reported drill results from a new discovery at the Valley Porphyry target complementing the earlier discovery at the adjacent Hilltop Porphyry, each on Karaayı. Although additional drilling is required, the long runs of gold and copper mineralization starting at surface noted in drill holes KRD010 and KRD014 carry grades superior to the typical grades of mineralization of many copper-gold porphyries, including that at the nearby Halılağa copper-gold porphyry deposit ("Halılağa"). We continue to assess illustrative project opportunities as our understanding of these targets evolve, and plan to undertake focussed preliminary metallurgical testing at Karaayı in late 2014.

Although drill permits at the recent porphyry discoveries are sufficient to continue executing on our planned program through the year, we are working to secure surface access rights from private land owners along the south western boundary of the Kayalı and Karaayı targets ("K2") in order to provide access to additional drill sites and facilitate a continued focus on the porphyry targets.

We also expect to complete focused metallurgical testing to enhance our understanding of recovery potential at the Küçükdağ ("KCD") gold-silver deposit in the northern section of TV Tower, and will continue to focus on the identification and development of additional high quality targets across the 90 km<sup>2</sup> district-scale property.

The budget approved for the current year's exploration program was increased to \$4.68 million. Through the second half of the year, we anticipate completing an additional 4,400 metres of core drilling. There are currently two drills on the property, and we expect to continue drilling through fall 2014. As of the date of this MD&A, there is approximately \$3.69 million remaining to satisfy the total \$21 million expenditure requirement. With a successful program in 2014, including the receipt of additional drill permits, we anticipate completing the earn-in before year end, which will provide us an additional 20% interest in, and control of, the project.

### *Other project-related activities*

In addition to activity at Kinsley and TV Tower, we anticipate i) continuing with various economic, metallurgical, hydrological, environmental, and engineering analyses at Halılağa, and ii) closing the transaction to acquire Cadillac (expected to be August 29, 2014). Upon closing of the transaction we will begin the organization and compilation of the extensive database of historic information from Cadillac's past-producing oxide heap leach Goldstrike project in Utah.

With the exception of the Kestane deposit at Halılağa and the KCD deposit at TV Tower: (i) the Company's exploration projects are early stage and do not contain any mineral resource estimates as defined by NI 43-101; (ii) the potential quantities and grades disclosed in this MD&A are conceptual in nature, and (iii) there has been insufficient exploration to define a mineral resource for the targets disclosed herein. It is uncertain if further exploration will result in these targets being delineated as a mineral resource. Additional information about each of our material projects is also summarized in our AIF, and can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

## MATERIAL EXPLORATION AND DEVELOPMENT PROJECTS – OVERALL PERFORMANCE

Actual expenditures to the end of Q2 2014 and Pilot Gold's share of the 2014 budgeted cash exploration and development expenditures for our material property interests are summarized in the following table (in 000s):

Project	Minerals	Actual cash expenditures to Q2 2014	Budgeted expenditures for 2014 <sup>(1)</sup>	Pilot Gold ownership
TV Tower	gold, silver, copper	\$ 1,987	\$ 4,678	40% <sup>(2)</sup>
Kinsley	gold	\$ 2,888	\$ 5,109	79%
Halilağa	copper, gold, molybdenum	\$ 407	\$ 602	40% <sup>(3)</sup>
<b>Total</b>		<b>\$ 5,282</b>	<b>\$ 10,389</b>	

(1) In July 2014, an amended budget was approved by the Company's Board of Directors (the "Board"), increasing planned expenditures at TV Tower, Kinsley and Halilağa.

(2) Pilot Gold is currently working to increase its ownership interest at TV Tower to 60% (from 40%) in accordance with an option agreement. The Company is responsible for 100% of expenditures at TV Tower while earning-in and as of the date of this MD&A, must incur an additional \$3.69 million (net of VAT receivable) prior to June 2015 to satisfy the minimum total expenditure requirement. TV Tower is held by Orta Truva Madencilik Sanayi ve Ticaret Anonim Şirketi ("Orta Truva") a Turkish Joint Stock Company. Our joint venture partner at Orta Truva is Teck Madencilik Sanayi Ticaret A.Ş. ("TMST"), a subsidiary of Teck Resources Limited ("Teck").

(3) Amounts budgeted for 2014 at Halilağa include Pilot Gold's share for the economic, metallurgical, hydrological, environmental and engineering analyses undertaken by Truva Bakır Maden İşletmeleri Anonim Şirketi ("Truva Bakır"), the Joint Stock Company that owns Halilağa. TMST is the 60% owner of Truva Bakır and operator of Halilağa. We also expect to incur certain costs associated with the various analyses directly. Each shareholder of Truva Bakır is also funding its proportionate share of costs associated with the Environmental Impact Assessment ("EIA") matter described in this MD&A.

Although we have no revenue-producing operations, we do not believe that the generally adverse market conditions for companies in our sector have a significant effect on our ability to fund and operate our projects. In some cases the current environment and our relative capital strength may allow us to respond more quickly to opportunities that may be presented. Our treasury is sufficient to satisfy planned expenditures, assuming similar programs and budgets through 2015. During the six months ended June 30, 2014, we incurred \$7.11 million in cash exploration and administration expenditures (2014 amended annual budget: \$16.20 million). At the end of 2014, assuming the successful closing of the Cadillac Agreement and satisfaction of related obligations therefrom, and absent another acquisition or other initiatives, we expect to have approximately \$21.30 million in cash, cash equivalents and short term deposits, compared with approximately \$27.30 million as at the date of this MD&A.

### Kinsley (79.1% owner and operator)

Kinsley is a sediment-hosted gold property hosting a past-producing mine along the Long Canyon Trend. Comprised of 460 claims (3,529 hectares), Kinsley has a stratigraphic, structural, and mineralization-style common to other sediment-hosted gold systems in northeast Nevada.

Pilot Gold's interest in Kinsley is approximately 79.1%. Intor Resources Corporation ("Intor"), a subsidiary of Nevada Sunrise Gold Corporation ("NEV") and our partner at Kinsley, holds the remaining 20.9% interest.

A \$6.04 million, 25,600 metre drill program is currently underway. Pursuant to Intor's election to participate in the program and budget, each of Intor and Pilot Gold must fund its pro rata share of expenditures at the project.

To date we have completed 5,860 metres of core and 8,440 metres of RC drilling as part of the 2014 drill program. Drilling continues to discover new mineralized zones within several stratigraphic units, including high grade gold starting at surface. Through the first half of the year we continued to delineate the high grade zone at the Western Flank (measuring approximately 200 metres x 200 metres), and released strong and encouraging oxide gold results from the Right Spot target.

In the six months ended June 30, 2014 approximately \$3.56 million in direct expenditures were capitalized at Kinsley (year ended December 31, 2013, \$3.85 million). Expenditures and activity through the period include: drilling and assaying (\$2.35 million), salaries (\$0.25 million) and road construction (\$0.30 million). The Company secured 1,080 acre feet of water rights for use at Kinsley and leased five patented claims to the south of the historic mine adding 66 acres of private mineral and surface rights.

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

### **TV Tower (40% owner and operator)**

The 9,065 hectare TV Tower gold-silver-copper property ("TV Tower") comprises nine contiguous licences and is located close to established infrastructure in northwestern Turkey. To date, Pilot Gold has discovered two copper-gold porphyry systems (Hilltop and Valley), identified several gold targets, and a large silver-gold resource (KCD).

Our current 40% interest in TV Tower is held through a shareholding in Orta Truva, the legal entity that holds the licenses that comprise the property. TMST, a subsidiary of Teck, is our joint venture partner at TV Tower. Pursuant to a joint venture and earn-in agreement (the "TV Tower Agreement"), we have the right to acquire an additional 20% interest (to an aggregate of 60%) in Orta Truva, and thus indirectly, a further 20% of TV Tower (the "TV Tower Earn-in"). Pilot Gold is the project operator of TV Tower; however, our interest in Orta Truva will remain unchanged at 40% until we complete the earn-in requirements. Upon satisfaction of the TV Tower Earn-in we will remain the operator so long as we remain the majority owner.

To acquire the additional 20% interest, Pilot Gold must:

- incur \$21 million in eligible exploration expenditures ("Eligible Expenditures") prior to June 20, 2015; and
- for 20% of each ounce of a gold resource greater than 750,000 ounces outlined in a NI 43-101 technical report, make a one-time cash payment to TMST of \$20 per ounce (delineated upon completion of the \$21 million expenditure requirement).

As of the date of this MD&A, the Company has completed approximately \$17.46 million toward satisfying the expenditure requirement. It is not currently determinable how much, if any amount, will be payable pursuant to the Additional Consideration. The most recent independent resource estimate is summarized below:

#### *Küçükdağ (KCD)*

In January 2014 we published an initial independent resource for estimate for the KCD gold-silver deposit that delineates an Indicated Mineral Resource of 996,000 AuEq ounces (23.06 Mt at 1.34 g/t AuEq) and an Inferred Mineral Resource of 351,000 AuEq ounces (10.77 Mt at 1.01 g/t AuEq). Based on results from 37,860 metres of drilling in 169 drill holes through 2013, and with an effective date of November 6, 2013, the initial KCD resource estimate<sup>5</sup> comprises:

		<b>Tonnes</b>	<b>Au</b>	<b>Ag</b>	<b>Cu</b>	<b>AuEq</b>	<b>Metal (x10<sup>3</sup>)</b>		
		<b>(x10<sup>6</sup>)</b>	<b>(g/t)</b>	<b>(g/t)</b>	<b>(%)</b>	<b>(g/t)</b>	<b>Au(oz)</b>	<b>Ag(oz)</b>	<b>Cu(lb)</b>
Gold Zone	Indicated	11.62	1.22	8.8	0.23	1.74	456	3,298	59,470
	Inferred	1.70	0.85	8.5	0.15	1.23	46	464	5,591
Silver Zone	Indicated	11.44	0.04	46.7	0.08	0.94	14	17,182	19,388
	Inferred	9.08	0.02	52.7	0.05	0.97	6	15,367	9,292
<b>Total</b>	<b>Indicated</b>	<b>23.06</b>	<b>0.63</b>	<b>27.6</b>	<b>0.16</b>	<b>1.34</b>	<b>470</b>	<b>20,479</b>	<b>78,859</b>
	<b>Inferred</b>	<b>10.77</b>	<b>0.15</b>	<b>45.7</b>	<b>0.06</b>	<b>1.01</b>	<b>53</b>	<b>15,831</b>	<b>14,883</b>

This analysis shows that the deposit is comprised of discrete gold-rich and silver-rich zones. The Silver Zone measures 600 x 600 metres at surface and remains open for expansion to the north and northwest.

The Company continues to undertake metallurgical testing of composites from KCD, including leach and flotation of both oxide and sulphide materials. Results from this preliminary testing are pending.

<sup>5</sup> The resource estimate was completed by James N. Gray, P.Geo. of Advantage Geoservices Ltd., an Independent Qualified Person as defined by NI 43-101 in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. Quality-control data generated during the various drill programs conducted at KCD were independently verified by SRK, as part of the project review. The resource model consists of a detailed three-dimensional geological model including lithological domains and structural domains derived from 25 metre-spaced sections. These, in turn, were used to constrain the interpolation of gold, silver and copper grades. Block grades were estimated by ordinary kriging. Blocks measure 10 x 10 x 5 metres. A total of 26,173 individual assay intervals averaging 1.4 metres in length were composited into a total of 12,981 composite intervals of 3 metre length. Gold, silver and copper assay data were reviewed statistically to determine appropriate grade capping levels by domain. A total of 71 gold assays, 48 silver assays and 33 copper assays were capped prior to compositing based on the evaluation of probability plots by major rock type. In addition to the capping of assay data, the impact of anomalously high gold values was controlled by restricting their range of influence in the estimation process. For mineralization in the Gold Zone to be classified as Indicated the following criteria were used: two holes within 25 metres or three holes within 36 m. Indicated classification for the Silver Zone is based on a minimum of two holes within 35 metres or three holes within 50 metres. All other material within the pit shell was classified as Inferred. The mineral resources are confined within a Whittle pit shell generated by SRK to ensure reasonable prospects of economic extraction. The pit shell was based on the following parameters: Au: \$1,335/oz; Ag: \$22/oz; Cu: \$3.60/lb; Mining: \$2.00/t; Milling, General and Administrative and sustaining CapEx: \$15/t milled; Recovery: Au and Ag = 75%; Cu = 70%; Overall pit slope: 50°. At a 0.5 g/t AuEq cut-off, the strip ratio is 1.47:1. Tonnage estimates are based on 6,027 density measurements which were used to assign average values to lithologic domains of the block model. Bulk density for the main KCD gold mineralized rock unit averages 2.38 tonnes/m<sup>3</sup>.

### *Kayaalı-Karaayı (K2)*

The Karaayı license, acquired from Batı Anadolu Madencilik Sanayi ve Ticaret A.Ş. ("Batı Anadolu"), a Turkish subsidiary of Chesser Resources Limited ("Chesser") hosts two confirmed porphyry targets and has evolved as the principal area of interest at TV Tower for 2014.

At K2, an initial drill program, as well as geological mapping and soil and rock sampling, demonstrated the existence of a largely contiguous oxide gold-mineralized system stretching four kilometres, linking the Kayaalı and Karaayı targets. Drilling to date also revealed the presence of an extensive blanket of supergene copper mineralization (up to 300 metres wide and 60 metres thick) underlying the high grade gold oxide zones, and demonstrated the presence of at least two porphyry systems, the Valley Porphyry and Hilltop Porphyry.

The recent discovery of these copper-gold porphyries and the relatively short distance to Halılağa changes the Company's approach to exploration in the district and the tenor of the southern region of TV Tower, laying the foundation for a potentially large porphyry district in northwest Turkey.

From January 1, 2014 to June 30, 2014, we incurred \$2.23 million in Eligible Expenditures at TV Tower (year ended December 31, 2013: \$10.2 million). Expenditures during the six months ended June 30, 2014 included: salaries of \$0.62 million and consultant's costs of \$0.25 million, with the remainder including camp costs and transportation.

Further information relating to TV Tower is available in the technical report entitled: "Independent Technical Report for the TV Tower Exploration Property, Çanakkale, Western Turkey", effective January 21, 2014 and dated February 20, 2014, prepared by Casey M. Hetman, P.Geo. with SRK Consulting (Canada) Inc. ("SRK"), James N. Gray, P. Geo. of Advantage Geoservices Ltd., and Gary Simmons, BSc, Metallurgical Engineering, of G L Simmons Consulting, LLC. The Updated Technical Report on the TV Tower Exploration Property and the TV Tower Agreement are each available under Pilot Gold's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Halılağa (40% owner, and non-operator)**

Halılağa is located 15 kilometres southeast of the Valley and Hilltop porphyry discoveries at TV Tower. A preliminary economic assessment (the "Halılağa PEA") was published in 2012 illustrating, within the very preliminary parameters of a PEA, that conceptually Halılağa may support a straightforward open pit mine utilizing conventional milling and flotation for recovery of copper and gold<sup>6</sup>. Although preliminary in nature and derived from broadly factored assumptions, management believes that Halılağa has the potential to be a compelling development project, demonstrating the possible economic benefits derived from:

- a) higher grades of copper and gold at surface, and
- b) available and proximate infrastructure for mine development.

The Company's interest in Halılağa is held through a 40% shareholding in Truva Bakır. TMST is project operator and holds the remaining 60% of this Turkish entity.

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

TMST is undertaking ongoing community and social relations activities and certain field and desktop analyses at Halılağa. Since the release of the Halılağa PEA, several engineering, metallurgical and financial consultants have been engaged to perform desktop analyses of potential economic benefits that could be derived from alternative inputs and estimates to those illustrated in the Halılağa PEA. The Company expects to continue its own analyses to optimize the illustrative project economics of the Halılağa PEA.

From January 1, 2014 to June 30, 2014, our share of expenditures at Halılağa was \$0.41 million (year ended December 31, 2013: \$0.28 million). Expenditures incurred reflect costs associated with the ongoing strategic studies and legal costs relating to the matter described under "*Environmental Impact Assessment (Update)*", in this MD&A. Our share of planned expenditures at Halılağa for 2014 of \$0.60 million has recently been increased to allow for additional studies and review.

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<sup>6</sup> The Base Case described in the Halılağa PEA was prepared based on a gold price of \$1,200 / oz and a copper price of \$ 2.90 / lb.

### *Environmental Impact Assessments - Halilağa and TV Tower (update)*

For detailed discussion of the legal challenges relating to the appropriateness of the approval of the EIA reports (individually, an "EIA Report") issued by the Turkish Ministry of Environment and Urban Planning (the "Ministry") on i) one of the licenses that comprises the overall Halilağa property; and 2) on the Karaayı license in the southern part of TV Tower, see discussion in the Annual MD&A for the year ended December 31, 2013 (the "Annual MD&A") and the AIF, filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The respective petitions filed with the local Çanakkale Administrative Court (the "Court") name the Ministry as the respondent and do not name any of Truva Bakır, TMST, Orta Truva, Chesser, Batı Anadolu or Pilot Gold. The petitions each requested annulment of the respective EIA Reports and suspension of any activities contemplated thereunder. The plaintiffs reportedly raised a number of challenges in the region on a similar basis, several of which have been evaluated by the Court in parallel to the hearings regarding Halilağa and TV Tower.

Following judicial discovery, in a two-to-one decision, the Court overturned the validity of the EIA Reports, and concluded that certain additional analyses must be included in an amended EIA for each of the projects in order that the proposed test mining activities might proceed. An EIA, the Court determined, must include analyses of the potential cumulative environmental impacts (a "CIA") of any contemplated disturbance at a particular project when examined along with all other activities planned for a particular region<sup>7</sup>. The Ministry subsequently applied to the Turkish Council of State, the highest administrative court in the Republic of Turkey, requesting that it i) hear an appeal of the findings at the Hearing, ii) overturn the Court-mandated inclusion of an CIA in an EIA, and iii) reinstate the EIAs. As of the date of this MD&A the Company awaits a response from the Council of State.

Because the determination of the Court relates only to the designated areas contemplated by the (presently annulled) EIAs, there has been, and is no impact or restriction on Pilot Gold to continue planned exploration activities at Halilağa and at TV Tower, outside of the areas contemplated in the respective EIAs. Pilot Gold does not believe there to be any threat to the validity of tenure. Even if successful and the annulment of the EIAs is ultimately upheld, the Company expects that it would either revise or submit new EIAs for each project in conformity with the revised requirements. We furthermore note that the revised EIA report for Halilağa would also likely contemplate the project outlined in Halilağa PEA, or some other optimized illustrative mine plan.

### **SELECTED FINANCIAL INFORMATION**

Management is responsible for the Interim Financial Statements referred to in this MD&A, and provides officers' disclosure certifications filed with the Canadian provincial securities commissions. The Audit Committee of the Board has been delegated the responsibility to review and approve the Interim Financial Statements and related MD&A.

The Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with Pilot Gold's audited consolidated financial statements for the year ended December 31, 2013 (the "Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Our significant accounting policies are presented in Note 3 of the Annual Financial Statements. Details of new accounting standards, effective for the reporting period beginning January 1, 2014, and their effect on the financial information can be found in Note 3 of the Annual Financial Statements. No material changes were noted. We elected to defer all exploration and evaluation expenditures relating to our mineral exploration property interests.

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

The Company's operations are in one industry – the exploration for gold, copper and other precious and base metals. At June 30, 2014, Pilot Gold has three geographic locations: Canada, the USA, and Turkey. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the one industry in which we operate provides the most meaningful information to a user.

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

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<sup>7</sup> In the case of Karaayı, a test pit and in the case of Halilağa, an adit for a small bulk sample. The EIAs at TV Tower contemplate 6.9 hectares for operations, and at Halilağa, 17 hectares, representing only a small portion of area of the overall tenure.

## Results of Operations

The following financial data (in \$ millions, except per share data) are derived from our condensed interim consolidated financial statements for the three and six months ended June 30, 2014 and 2013, respectively:

	Three months		Six months	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Total revenues	-\$nil	-\$nil	-\$nil	-\$nil
Net loss for the year and attributable to shareholders	\$1.26	\$3.84	\$3.42	\$6.35
Basic and diluted loss per share and attributable to shareholders	\$0.01	\$0.04	\$0.04	\$0.07

### *Three and Six Months Ended June 30, 2014 vs. Three and Six Months Ended June 30, 2013*

Losses from operations totaled \$1.23 million and \$3.19 million for the three and six months ended June 30, 2014, down 57% and 39% from \$2.85 million and \$5.25 million respectively, a year earlier. Losses in the current period were lower than in the comparative period principally reflecting the write-down of New Boston for \$1.28 million in the three months ended June 30, 2013. In addition, the three and six months ended June 30, 2014 showed lower non-cash stock-based compensation expenses of \$0.22 million and \$0.67 million respectively (as compared to \$0.46 million and \$1.56 million in the respective comparative periods) due to the vesting of employee stock options ("Options") to purchase Pilot Gold common shares ("Common Shares"). Wages and benefits, and office and general expenses were generally consistent with the amounts incurred in the comparative periods.

The comparative difference in the overall net loss reflects larger losses recorded on the fair value of financial instruments of \$1.12 million and \$1.51 million for the three and six months ended June 30, 2013 compared to losses of only \$0.01 million and \$0.28 million in the respective periods in the current year.

#### *Stock-based compensation*

Stock-based compensation expense for the three and six months ended June 30, 2014, totaled \$0.22 million and \$0.67 million respectively (June 30, 2013: \$0.49 million and \$1.56 million respectively). This total does not include amounts recorded as part of property investigation expense or capitalized to mineral properties (\$0.14 million collectively for the six months ended June 30, 2014, and \$0.09 million in the comparative period). The expense is lower in the current period as compared to 2013 due to (i) a Company-wide grant of Options in January 2014 that had a lower fair value than a similar grant that was made in January 2013, and (ii) the diminishing impact of Options granted in prior periods as they become fully expensed. Generally, stock-based compensation expense should be expected to vary from period to period depending on several factors, including whether Options are granted in a period and whether Options have fully vested or are cancelled in a period. It is expected that Options will typically be granted once each year, resulting in a higher stock-based compensation expense in the particular quarter of the grant, as opposed to those other quarters of the year due to Options that vest immediately.

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

#### *Wages and benefits*

Consistent with our accounting policies relating to the capitalization of exploration expenditures, a significant portion of our remuneration costs are capitalized to our exploration property interests based on the nature of work undertaken in that period. Wages and benefits included in our statement of loss reflect only those costs not attributable to either exploration on specific projects, or property investigation. During the three and six months ended June 30, 2014, we capitalized \$0.12 million and \$0.28 million respectively (June 30, 2013: \$0.21 million and \$0.22 million respectively) in wages and benefits to our property interests. For the six months ended June 30, 2014, an aggregate of \$0.62 million in wages relating to the TV Tower property was capitalised to the Earn-in Option and our investment in Orta Truva (June 30, 2013: \$0.27 million).

#### *Office and general*

Office and general expenditures incurred in Canada are largely incurred through an administration and technical services agreement (the "Oxygen Agreement") with Oxygen Capital Corporation ("Oxygen"), a related party. Services are provided by Oxygen to the Company at cost. Total expenditures of \$0.30 million and \$0.65 million for the three and six months ended June 30, 2014, respectively, at our offices in Canada, Turkey, and the United States were similar during the comparative three and six month comparative periods.



### *Property investigation*

Property investigation-related expenditures are expensed until a new project is acquired or the rights to explore the property have been established. Property investigation costs, which include the costs of due diligence and exploration of projects under investigation for acquisition, increased to \$0.11 million and \$0.20 million in the three and six months ended June 30, 2014, respectively (three and six months ended June 30, 2013: \$0.03 million and \$0.05 million, respectively). Project investigation and generative exploration are a core part of our business and growth strategy and although we began reducing our efforts in 2013, we remain active in identifying projects, such as the Goldstrike project, owned by Cadillac that will enhance our growth pipeline.

### *Write-down of mineral property interest*

At March 31, 2014, the Company wrote down the value of deferred exploration expenditures relating to the Arasanlı exploration property in Turkey (\$0.14 million), further to a review and prioritization of the Company's portfolio of mineral property assets. In the comparative period, the Buckskin North and New Boston properties in Nevada were written-down (\$1.37 million). Arasanlı had previously been classified as held-for-sale. There were no indicators of impairment on the Company's other assets in the six months ended June 30, 2014.

### *Other income (expenses)*

Other income (expenses) consisted primarily of (i) impairments and fair value losses on our available-for-sale financial assets, (ii) foreign exchange gains or losses, (iii) income (loss) pick-up from our associates, and (iv) finance income, amounted to a loss of \$0.04 million and \$0.23 million respectively for the three and six months ended June 30, 2014 as compared to \$0.99 million and \$1.11 million losses for the same respective periods in 2013. The overall decrease over the comparative period primarily reflects losses recorded on our available-for-sale financial assets of \$1.12 million and \$1.51 million for the three and six months period ended June 30, 2013, with considerably smaller losses recorded in the current periods.

### *Other comprehensive loss*

The net balance of other comprehensive loss consists of the impact of exchange gains and losses from the exchange differences on the translation of our foreign operations with a non-USD functional currency as well as the fair value gains and losses on our unimpaired available-for-sale financial assets.

For the three and six months ended June 30, 2014 the impact of foreign exchange were gains of \$2.11 million and \$0.28 million (three and six months ended June 30, 2013: \$1.76 million and \$2.84 million loss, respectively). The impact from exchange differences will vary from period to period depending on the rate of exchange. In the period between January 1, 2014 and June 30, 2014, although there was a 0.4% decrease in the United States dollar against the Canadian dollar, the large foreign exchange gains this quarter are due to the issuance of Common Shares pursuant to the closing of a bought-deal financing on April 2, 2014 (the "2014 Bought-Deal").

## **Financial Position**

The following financial data are derived from our consolidated financial statements as at June 30, 2014, and as at December 31, 2013:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Total assets	\$88.58 million	\$71.37 million
Non-current liabilities	\$0.09 million	\$0.07 million
Cash dividends declared	\$nil	\$nil

### *Total assets*

Since December 31, 2013, total assets increased by \$17.2 million to \$88.58 million. The increase is largely from the receipt of cash raised in the 2014 Bought-Deal completed this quarter. Notwithstanding periodic or one-time transactions and any changes to the value of our portfolio of investment holdings, and subject to changes in foreign exchange, total assets will generally remain constant from one period to the next, less the cost of expenditures on activities not eligible for capitalization. The market value of our investments is subject to fluctuation from one period to another dependent upon market prices and trading activities of those entities.

As the Company earns-in to an increased interest in Orta Truva (and therefore TV Tower), 40% of Eligible Expenditures are capitalized to the value of the Company's interest in Orta Truva, and 60% of Eligible Expenditures are deferred to the "Earn-in Option" intangible asset. The bifurcation of the expenditure in each period permits the Company to fund 100% of activity at TV Tower while maintaining our proportionate interest in Orta Truva until the earn-in has been completed. The majority of Eligible Expenditures are incurred by our wholly-owned Turkish subsidiary in accordance with a technical services agreement. Our subsidiary invoices Orta Truva for services performed, and we fund Orta Truva through capital advances, such that it can settle the amount due. At June 30, 2014, \$0.74 million was due from Orta Truva relating to the Company's activities at TV Tower.

Summary financial information of Orta Truva and Truva Bakır and a reconciliation of the Earn-in Option to Orta Truva, as well as our investment in Truva Bakır are provided in the Interim Financial Statements.

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

#### *Non-current liabilities*

At each of June 30, 2014 and December 31, 2013, our non-current liabilities are comprised of (i) liabilities recorded in recognition of a legal obligation in Turkey to accrue for lump-sum termination payments for employees when their employment is terminated due to retirement or for reasons other than resignation or misconduct, and (ii) reclamation work to be performed on exploration properties. available-for-sale

#### *Shareholders' equity*

The weighted average fair value of Options granted during 2014 determined using Black-Scholes was C\$0.72 per Option. The weighted average of the significant inputs into the model were: share price of C\$1.09 at the grant date, exercise price C\$1.13, volatility of 72%, dividend yield of 0%, an expected Option life of 5 years and an annual risk-free interest rate of 1.63%. A 2.72% forfeiture rate is applied to the Option expense.

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

### **SUMMARY OF QUARTERLY RESULTS**

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

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

	June 30 2014	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012
Loss for the period before discontinued operations after tax	(1,263)	(2,152)	(1,572)	(1,215)	(3,845)	(2,510)	(3,361)	(1,814)
<b>Other comprehensive income and attributable to the shareholders</b>								
Exchange differences on translating foreign operations	2,108	(1,880)	(1,655)	650	(1,756)	(1,084)	(121)	809
Net value gain (loss) on financial assets	124	440	117	(151)	132	14	917	(322)
<b>Loss per share from continuing operations and attributable to the shareholders</b>								
Basic and diluted	0.01	(0.02)	(0.02)	(0.01)	(0.04)	(0.03)	(0.03)	(0.03)

The most significant contributors to the loss for the quarter ended June 30, 2014 are wages and benefits and office and general expenses, collectively \$0.91 million as well as non-cash stock-based compensation of \$0.22 million. The overall loss this quarter is lower than the previous quarter due to a number of factors; our non-allocated wages expenditures are lower by \$0.10 million this period than in the previous quarter due to greater continuing work qualifying for capitalisation. Stock-based compensation is also lower than the previous quarter by \$0.23 million due to a grant of Options in the previous quarter that included Options that vested immediately. Additionally, fair value losses related to our available-for-sale financial instruments were also significantly higher (by \$0.27 million) in the quarter ended March 31, 2014 than at June 30, 2014.

The most significant contributors to the loss for the quarter ended March 31, 2014 were salaries and office and general expenses and non-cash stock-based compensation expenditures, collectively \$1.30 million. The quarter ended March 31, 2014 has higher losses compared to the previous quarter due mostly to a \$0.14 million write-down of Arasanlı and fair value losses relating to our impaired available-for-sale financial instruments (\$0.28 million), offset by lower wages and salary costs (\$0.17 million less than in the previous period) arising from somewhat lower activity at our projects during the first quarter of 2014 as compared to that of the fourth quarter of 2013. Cash outflows from operations for the period were relatively comparable to those of preceding quarters. Exchange differences on translating foreign operations are reflective of the difference between historical rates used to translate the equity accounts on the balance sheets of the non-US dollar functional currency entities, and the period end rates used to translate the assets and liabilities.

The loss for the quarter ended December 31, 2013, consists mostly of cash outflows related to salaries and office and general expenses and non-cash stock-based compensation expenditures, collectively \$1.03 million. Salaries for the quarter are higher than in previous periods reflecting the accrual of the 2013 bonus to employees (paid in 2014). Other cash outflows include investor relations expenditures, property investigation and professional fees totalling \$0.19 million. Additionally there was \$0.27 million in foreign exchange gains recorded in the period arising from the change in the USD versus the C\$. Net cash outflow for operating activities is \$0.51 million for the quarter. There were no losses attributable to the non-controlling interest. The increase in net value gain on financial assets compared to the previous quarter is due to the gain on receipt of shares of TriMetals Mining Inc.

The loss for the quarter ended September 30, 2013, includes cash flows relating to operating expenditures of \$0.69 million, consisting mostly of salaries and office and general expenses. The loss includes non-cash stock-based compensation expenditures of \$0.35 million which was lower than in previous periods due to the vesting of certain Options granted in the previous year. Consistent with previous quarters, net cash outflows were primarily directed to the exploration and development of the Company's exploration properties, and in funding paid to our associates. Other comprehensive income includes the fair value losses on our available-for-sale financial assets.

In the quarter ended June 30, 2013, loss from operations included a \$1.28 million write-down of deferred expenditures at the New Boston property. A further \$1.12 million loss was recognized on our impaired available-for-sale financial instruments, offset by interest income of \$0.12 million. The net fair value gain on financial assets includes the reclassification of fair value losses to date of our investment in certain securities, to the statement of loss.

In the quarter ended March 31, 2013, loss from operations was \$2.47 million with a further \$0.39 million in losses recognized on our derivative and impaired available-for-sale financial instruments. These losses were offset by \$0.12 million in interest income and \$0.11 million in foreign exchange gains.

In the quarter ended December 31, 2012, our loss from operations of \$3.06 million includes \$0.98 million for the write-down of the Regent property to net realisable value and \$0.63 million relating to 2012 bonuses to employees and service providers paid in 2013. An additional \$0.73 million in losses recognized on impairment of certain of available-for-sale investments previously recognized in other comprehensive income.

In the quarter ended September 30, 2012, our loss from operations of \$2.05 million included \$0.54 million in the write-down of deferred exploration expenditures. This was offset by the reversal of the write-down of the balance of Value Added Tax receivable previously recorded by our Turkish subsidiary of \$0.31 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

We have no revenue-producing operations, and earn only minimal income through investment income on treasury, management fees from joint venture projects at which we are the operator, the proceeds from property option agreements, or as a result of the disposal of an exploration asset.

Pursuant to the closing of the 2014 Bought-Deal, three related and concurrent financings that closed in November 2013, and net of expenditures incurred, as at the date of this MD&A the Company has approximately \$27.30 million available in cash and short-term investments. With no debt, the Company's working capital balance as at this date of this MD&A is approximately \$27.16 million.

The receipt of proceeds from the 2014 Bought-Deal positions the Company to advance our material properties without the need to raise additional capital in the medium-term. On an ongoing basis, management evaluates and adjusts its planned level of activities, including planned exploration, development, permitting activities, and committed administrative costs, to ensure that adequate levels of working capital are maintained. We believe that this approach, given the relative size of Pilot Gold, is reasonable. There are no known restrictions on the ability of our subsidiaries to transfer or return funds to the parent company in Canada.

Our 2014 budget, including exploration and administration, was revised in July 2014 following a review of activities and costs incurred to date, and those planned for the remainder of the year. The total amended 2014 budget is \$16.20 million, an increase of \$4.0 million over that which had previously been approved. We currently anticipate spending approximately \$4.68 million at TV Tower, \$5.11 million at Kinsley, \$0.60 million at Halilaga, and \$1.31 million on other exploration property interests, including Cadillac's Goldstrike project, assuming closing of that transaction. Budgeted general and administrative costs of \$4.31 million include salaries, professional fees and those costs associated with running the Company's offices in Vancouver, Nevada and Turkey, as well as for investment in capital equipment and review of new opportunities. We currently anticipate spending up to \$1.4 million to extinguish working capital obligations of Cadillac, should that transaction close.

Management believes that the available funds are sufficient for current operations and will enable Pilot Gold to execute its planned exploration and development program on its material properties for at least one year, assuming no other factors change.

A summary of the planned use of proceeds detailed in the Company's short form prospectus dated March 26, 2014 (the "Prospectus"), predicated on the base financing amount contemplated in the 2014 Bought-Deal is as follows:

<b>Activity or Nature of Expenditure (through the end of 2015)</b>	<b>Approximate Use of Net Proceeds (C\$)</b>
Exploration and Development of Kinsley	7.79 million
Exploration and Development of TV Tower	5.47 million
Exploration and Development on portfolio of other mineral property interests in Nevada and Turkey	2.60 million
Working Capital	2.72 million
<b>Total</b>	<b>18.58 million</b>

The determination of the use of proceeds contemplated the balance of cash and short term investments prior to closing the 2014 Bought-Deal.

Although our amended budget for 2014, as described in this MD&A remains generally in line with the forecast above, recent exploration successes at Kinsley and TV Tower has resulted in an acceleration of activity and expenditure at each of those properties. Cash expenditures at Kinsley for the three months ended June 30, 2014 total \$3.64 million, and at TV Tower for the same period expenditures total \$1.99 million. The Company's intention to undertake more detailed analyses of the illustrative economics of Halilağa was not previously contemplated, nor were the costs associated with the proposed acquisition of Cadillac. Treasury designated for Working Capital and the portfolio properties will be reallocated to satisfy these incremental planned expenditures.

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

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

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

### ***Investments***

At the effective date of this MD&A, the market value of our portfolio of investment holdings is approximately \$0.90 million, and includes (i) 625,000 NEV Shares valued at \$0.50 million, and (ii) securities in other exploration companies with a total value of \$0.40 million as at the date of this MD&A.

### ***Contractual obligations***

#### ***Mineral Properties and Capital Expenditures***

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

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

Most of our property obligations are not firm commitments (with such obligations being eliminated should we choose to no longer invest funds exploring the property). The Company has also agreed to a program and budget at Kinsley and is incurring expenditures pursuant to the TV Tower Agreement. Additional detail on advance royalty payments ("ARPs") and minimum expenditure obligations are detailed in the AIF and Annual MD&A.

As described in our AIF, the Company has certain minimum expenditures to complete on the Gold Bug property by the end of the second year of the related agreement to maintain the Gold Bug lease in good standing, with any shortfall to be paid to the lessor in cash. The Company has incurred \$0.30 million at the date of this MD&A, and plans a first pass drill program to satisfy the minimum obligation.

#### ***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, pursuant to 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 six months ended June 30, 2014 is \$0.14 million.

Total future minimum lease payments, under non-cancellable operating leases as at June 30, 2014 are as follows:

Year	
2014	\$ 0.15 million
2015	0.17 million
2016	0.15 million
2017	0.15 million
2018+	1.10 million
	<b>\$1.72 million</b>

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.

Pilot Gold had no other commitments for material capital expenditures as at June 30, 2014.

## RELATED PARTY TRANSACTIONS

### *Administration and Technical Services Agreement - Oxygen Capital Corporation*

As described in the Annual MD&A, the Company has entered into an administration and technical services agreement with Oxygen, a private company owned by three directors and an officer of the Company. Pursuant to the Oxygen Agreement, and without limiting or abrogating the duties of Pilot Gold's President and Chief Executive Officer or its Chief Financial Officer and Corporate Secretary, Oxygen provides the Company:

- technical and administrative services, staff and expertise on an as-needed basis that would not necessarily otherwise be available to Pilot Gold at this stage of the Company's development, and
- access to and the use of the assets including IT infrastructure contained in head office space leased by Oxygen.

Pilot Gold shares a head office with a number of other private and public companies all of whom have a similar arrangement with Oxygen. Oxygen allocates the costs of personnel (plus tax and applicable benefits), assets and infrastructure to the various companies based upon the estimated time spent by personnel on Company activities. Oxygen allocates all expenses at cost and exists to consolidate employees and office infrastructure in one entity so that expenses may be more efficiently allocated; there is no mark-up or additional direct charge to the Company from Oxygen or its owners under the Oxygen Agreement.

Employees of Oxygen providing services to the Company do so pursuant to a secondment agreement, and take direction from the President & Chief Executive Officer and Chief Financial Officer of the Company. Oxygen has no management role in Pilot Gold.

Transactions with Oxygen during the six months ended June 30, 2014 total \$0.42 million in expenses and an immaterial amount in deferred exploration expenditures relating to mineral properties reflected in the Annual Financial Statements. As at June 30, 2014, the Company held a payable to Oxygen of \$0.17 million. Amounts payable were settled subsequent to June 30, 2014. The Company also has a deposit of \$0.30 million with Oxygen to be used against the final three months of service with that company upon termination of the Oxygen Agreement. Although Oxygen does not charge a management fee or mark-up on cost of its services, from time to time direct costs invoiced to Oxygen by an owner of that company may be passed along to the Company.

### *Associates*

The Company's associates are also related parties. Cash paid to each in the comparative periods is shown below:

	Six-months ended June 30,	
	2014	2013
Truva Bakır	\$0.13 million	\$0.11 million
Orta Truva	\$0.77 million	\$2.60 million
<b>Total</b>	<b>\$0.90 million</b>	<b>\$2.71 million</b>

As at June 30, 2014, we had outstanding receivables due from Orta Truva of \$0.74 million of which \$0.44 million was attributable to the Earn-in Option and \$0.30 million to Investment in Associates. A \$0.2 million receivable was outstanding from Truva Bakır at June 30, 2014. The majority of amounts due at June 30, 2014 from our Associates had been collected as of the date of this MD&A.

### *Compensation of key management personnel*

Key management includes members of the Board, the President and CEO, the VP Exploration (and United States country manager), the Chief Financial Officer & Corporate Secretary, and the Turkish country manager in each geographic location in which the Company undertakes exploration activities.

The aggregate compensation paid, or payable to key management for employee services directly or via Oxygen is shown below:

	Quarter ended June 30, 2014	Year ended December 31, 2013
Salaries and other short-term employee benefits	\$ 0.57 million	\$ 1.19 million
Share-based payments	0.60 million	1.34 million
<b>Total</b>	<b>\$1.07 million</b>	<b>\$2.53 million</b>

## OFF BALANCE SHEET ARRANGEMENTS AND INDEMNIFICATIONS

The Company has no off-balance sheet arrangements. As summarized in the Annual MD&A, the Company has certain indemnification agreements with each of Newmont Mining Corporation, TMST, Orta Truva and Oxygen. Each of these respective indemnification agreements provide that Pilot Gold is required to indemnify the counterparty in the event of particular losses suffered or incurred by that particular counterparty as it relates to the respective agreements.

## CHANGES IN ACCOUNTING POLICES AND NEW ACCOUNTING PRONOUNCEMENTS

For information on the Company's accounting policies and new accounting pronouncements, please refer to our disclosure in our Annual Financial Statements, at Note 4.

## CRITICAL ACCOUNTING 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. Factors that could affect these estimates are discussed in our AIF, under the heading, "*Risk Factors*". Subject to the impact of such risks, the carrying value of Pilot Gold's financial assets and liabilities approximates their estimated fair value.

### *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 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.

#### *iii) 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.

During the six-months ended June 30, 2014, the Company wrote down the value of deferred exploration expenditures relating to the Arasanlı exploration property in Turkey, further to a review and prioritization of the Company's portfolio of mineral property assets. Arasanlı had previously been classified as held-for-sale. There were no indicators of impairment on the Company's other assets.

*iv) Investment in associates and Earn-in Option*

Recoverability of the carrying amount of Pilot Gold's interest in associates in Turkey 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. Changes in any of the assumptions used to determine impairment testing could materially affect the result of this analysis.

*v) 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.

*Estimates and assumptions*

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is described below. The Company bases 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 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 expenditures 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 and assumptions are reasonable.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

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

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

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

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

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

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

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

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

- (iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Pilot Gold's loans and receivables are comprised of 'Receivables' and 'Cash', and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- (iv) Held to maturity: Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. They are measured at amortized cost less any allowance for impairment. Amortization of premiums or discounts and losses due to impairment are included in current period income (loss).
- (v) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables and accrued liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

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

### ***Risks Associated With Financial Instruments***

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

#### ***Liquidity Risk***

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

#### ***Market Risk***

The significant market risk to which we are exposed is foreign exchange risk. The results of our operations are exposed to currency fluctuations. To date, we have raised funds entirely in Canadian dollars. The majority of our mineral property expenditures, including cash calls from our 60% partner on each of TV Tower and Halilağa, are incurred in USD. The fluctuation of the Canadian dollar in relation to the USD and the Turkish lira will have an impact on Pilot Gold's financial results.

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

A 1% increase or decrease in the exchange rate of the USD relative to the Canadian dollar would result in a \$0.25 million increase or decrease respectively in the Company's cash and short-term investment balance. Although our exposure relating to operating activity in Turkey from fluctuations of the Turkish lira remains



minimal given the nature, type, and currency (USD) of expenditure, recent volatility in that currency relative to the USD has increased the potential for an impact on the Company's cash and short-term investment balance. A significant strengthening in the value of the Turkish lira compared to the USD could adversely impact the economics associated with Halilağa.

We have not entered into any derivative contracts to manage foreign exchange risk at this time.

#### *Credit Risk*

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

#### *Interest Rate Risk*

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

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

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are substantially unchanged from those described under the heading "*Risk Factors*" in our AIF and in the Annual MD&A, each available on Pilot Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com). In particular, there remain significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development. So long as the increased volatility of the prices of gold, copper, other precious and base metals and other minerals persist, companies at a similar stage and in the same industry as Pilot Gold will face challenges raising capital to conduct operations.

The specific risks noted in our AIF dated March 14, 2014, and others in particular relating to permitting for operations, may limit the Company's ability to develop and/or further explore its mineral property interests and may limit the ability of the Company to satisfy earn-in expenditure requirements on our material projects.

Difficulty in accessing capital on favourable terms may limit the Company's ability to develop and/or further explore the mineral properties in which we have an interest and may limit our ability to meet capital calls with respect to our associates. Further, the recent strengthening of the USD (the currency in which the Company incurs the majority of its operating costs) against the Canadian dollar (the currency in which Pilot Gold has historically raised capital) will impact the rate at which the Company's treasury is consumed.

### **PROPOSED TRANSACTIONS**

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

With the exception of the proposed transaction to acquire all of the issued and outstanding common shares of Cadillac and an ongoing review of opportunities to expand our property portfolio in the United States, there are no proposed asset or business acquisitions or dispositions before the Board for consideration, other than those discussed in this MD&A and those in the ordinary course. While we remain focused on our plans to continue exploration and development on our material properties, should we enter into agreements in the future on new properties, we may be required to make cash payments and complete work expenditure commitments under those agreements.

### **OUTSTANDING SHARE DATA**

There are 103,017,333 Common Shares and 14,362,524 Warrants to purchase Common Shares issued and outstanding as at June 30, 2014. At the date of this MD&A there are 103,017,333 Common Shares and 14,362,524 Warrants to purchase Common Shares issued and outstanding.

As at June 30, 2014 there were 8,885,000 Options outstanding issued to directors, officers, employees, and key consultants. At the date of this MD&A there are 8,885,000 Options outstanding.

The Company's Deferred Share Unit plan ("DSU") and Restricted Unit ("RSU") plan were approved by the Company's shareholders at the Company's Annual and Special Meeting on May 12, 2014. There are no units issued under either the DSU plan or the RSU plan as of the date of this MD&A.

The Company has not declared any dividends since incorporation.

## LEGAL MATTERS

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

## SUBSEQUENT EVENTS NOT OTHERWISE DESCRIBED HEREIN

With the exception of transactions and activities described in this MD&A, there were no subsequent events.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Based on a review of its internal control procedures at the end of the period covered by this MD&A, management has determined that the Company's internal controls over financial reporting have been effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in Pilot Gold's internal controls over financial reporting that occurred during the six months ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

### *Disclosure Controls and Procedures*

Disclosure controls and processes have been designed to ensure that information required to be disclosed by Pilot Gold is compiled and reported to management as appropriate to allow timely decisions regarding required disclosure. Pilot Gold's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of June 30, 2014, that the disclosure controls and procedures are effective to provide reasonable assurance that material information related to Pilot Gold is made known to them by employees and third party consultants working for Pilot Gold and its subsidiaries. There have been no significant changes in our disclosure controls and procedures during the six-months ended June 30, 2014.

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

## ADDITIONAL INFORMATION

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

## APPROVAL

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

*(signed) "Matthew Lennox-King"*  
Matthew Lennox-King

*(signed) "John Wenger"*  
John Wenger

President and Chief Executive Officer  
August 12, 2014

Chief Financial Officer and Corporate Secretary

## SCIENTIFIC AND TECHNICAL DISCLOSURE

With the exception of Halilağa and TV Tower, the Company's material exploration projects and those in which we have an interest are early stage and do not contain any mineral resource estimates as defined by NI 43-101. The potential quantities and grades disclosed herein relating to targets at Kinsley are conceptual in nature and there has been insufficient exploration to define a mineral resource for the targets disclosed in this MD&A. It is uncertain if further exploration will result in these targets being delineated as a mineral resource.

The existence of similar features at TV Tower's K2 exploration target as those at the Halilağa deposit do not mean that a mineral resource will be found to exist at K2 or, if found to exist, that it will be of similar grade or quantity that is found at Halilağa.

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

- "Technical Report on the Kinsley Project, Elko County, Nevada, U.S.A.", effective February 15, 2012, and dated March 26, 2012;
- "Independent Technical Report for the TV Tower Exploration Property, Çanakkale, Western Turkey", effective January 21, 2014, and dated February 20, 2014; "Technical Report on the Kinsley Project, Elko County, Nevada, U.S.A.", effective February 15, 2012, and dated March 26, 2012; and
- "Preliminary Economic Assessment Technical Report for the Halilağa Project, Turkey", effective August 27, 2012, and dated October 10, 2012,

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

Our Disclosure Documents were prepared by or under the supervision of an independent QP. Readers are encouraged to review the full text of the Disclosure Documents qualifying the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mineral resource estimates relating to Halilağa and TV Tower are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined at Halilağa and TV Tower may differ from the one indicated by drilling results and the difference may be material. Although there has been no economic analysis summarized in this MD&A relating to the Halilağa PEA, readers are cautioned that the Halilağa PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the Halilağa PEA will be realized. Further studies, including engineering and economics, are required (typically as a Pre-Feasibility Study) with regards to infrastructure and operational methodologies. Moreover, the illustrative mine plan and economic model detailed in the Halilağa PEA include the use of a significant portion of Inferred resources, which are considered to be too speculative geologically to be used in an economic analysis, except as permitted by NI 43-101 for use in PEAs. Additional disclosure and cautionary notes relating to the Halilağa PEA are summarized in the AIF.

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

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

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

This MD&A, contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws, which include, but are not limited to, statements or information concerning, future financial or operating performance of Pilot Gold and its business, operations, properties and condition, anticipated use of proceeds of the 2014 Bought-Deal, closing of the Cadillac Agreement, the future price of gold, silver, copper, molybdenum and other metal prices, the potential quantity and/or grade of minerals, the potential size of a mineralized zone or potential expansion of mineralization, proposed exploration and development of Pilot Gold’s exploration property interests, the timing and amount of estimated future production, costs of production and mine life of the various mineral projects of Pilot Gold, the interpretation and actual results of historical production at certain of our exploration properties, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by our joint venture partners or other third parties, the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration, acquisition and development activities, estimated exploration budgets and timing of expenditures and community relations activities, requirements for additional capital, Pilot Gold’s ability to fully fund cash-calls made by its joint venture partner for ongoing expenditure at Halilağa; completion of expenditure obligations under the option and earn-in agreements to which the Company is a party, government regulation of mining operations, environmental risks and reclamation expenses, title disputes, the ability to maintain or convert the underlying licences for Halilağa and TV Tower in accordance with the requirements of applicable mining laws in Turkey; government regulation of exploration and mining operations; environmental risks, including satisfaction of requirements relating to the submissions and successful defence of EIA reports and other claims or existing, pending or threatened litigation or other proceedings, limitations of insurance coverage, future issuances of Common Shares to satisfy earn-in obligations or the acquisition of exploration properties and the timing and possible outcome of regulatory and permitting matters and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of Pilot Gold to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “will”, “projects”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

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

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

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others: general business, economic, competitive, political, regulatory and social uncertainties; disruptions or changes in the credit or securities markets and market fluctuations in prices for Pilot Gold’s securities; judgement of management when exercising discretion in their use of proceeds from the 2014 Bought-Deal; potential dilution of Common Share voting power or earnings per share as a result of the exercise of Options or Warrants, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Company is an exploration and

development stage company with no history of pre-tax profit and no income from its operations and there can be no assurance that the Company's operations will be profitable in the future; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental risks and hazards, cave-ins, pitwall failures, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, insurrection or acts of war or terrorism; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization; Pilot Gold's ability to renew existing licences and permits or obtain required licences and permits; changes in government legislation and regulation; fluctuations in commodity prices; requirements for future funding to satisfy contractual obligations and additional capital needs generally; changes or disruptions in market conditions; market price volatility; uncertainties associated with minority interests and joint venture operations; risks arising from having the majority of the Company's operations occur in foreign jurisdictions, those associated with the Company's indemnified liabilities and the potential for increased infrastructure and/or operating costs or reclamation costs; the Company has limited operating history and no history of earnings; reliance on a finite number of properties; limits of insurance coverage and uninsurable risk; contests over title to properties; environmental risks and hazards; regulation of State Forest Land in Turkey; limitations on the use of community water sources; the need to obtain and maintain licences and permits and comply with laws and regulations or other regulatory requirements; competitive conditions in mineral exploration and mining business; the ability of the Company to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; influence of third party stakeholders; risks of litigation; the Company's designation as a "passive foreign investment company"; the Company's system of internal controls; conflicts of interest; credit and/or liquidity risks; fluctuations in the value of Canadian and United States dollars relative to each other; changes to the Company's dividend policy; the risks involved in the exploration, development and mining business generally; and the factors discussed in the section entitled "*Risk Factors*" in the AIF. Although we have attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

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

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

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

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. There is also no certainty that these inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied. The mineral resource estimates referenced in this press release use the terms "Indicated Mineral Resources" and "Inferred Mineral Resources". While these terms are defined in and required by Canadian regulations (under NI 43-101), these terms are not recognized by the U.S. Securities and Exchange Commission ("SEC"). "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant "reserves" as in-place tonnage and grade without reference to unit measures. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Pilot Gold is not an SEC registered company.