

# Pilotgold

An exploration stage company

Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars - unaudited)  
Three months ended March 31, 2015

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

	As at March 31, 2015	As at December 31, 2014
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	10,151,843	13,842,109
Short term investments	3,689,560	4,028,676
Receivables and prepayments (Note 5)	1,731,582	1,518,565
<b>Total current assets</b>	<u>15,572,985</u>	<u>19,389,350</u>
<i>Non-current assets</i>		
Other financial assets (Note 6)	417,836	514,089
Deposits	1,416,550	1,283,024
Other receivables	973,860	-
Plant and equipment	362,863	409,358
Exploration properties and deferred exploration expenditures (Note 7)	74,279,579	30,381,676
Earn-in option (Note 7b)	-	19,786,018
Investment in associates (Notes 7b and 8)	5,527,962	15,083,066
<b>Total non-current assets</b>	<u>82,978,650</u>	<u>67,457,231</u>
<b>Total assets</b>	<u>98,551,635</u>	<u>86,846,581</u>
<b>Liabilities and Shareholders' Equity</b>		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities (Note 9)	903,495	1,620,799
<b>Total current liabilities</b>	<u>903,495</u>	<u>1,620,799</u>
<i>Non-current liabilities</i>		
Other liabilities	115,025	115,640
<b>Total non-current liabilities</b>	<u>115,025</u>	<u>115,640</u>
<i>Shareholders' equity</i>		
Share capital (Note 10)	155,134,692	155,081,135
Contributed surplus (Note 10)	19,582,077	19,088,696
Accumulated other comprehensive loss	(12,254,037)	(7,923,327)
Accumulated deficit	(86,494,235)	(84,874,213)
<b>Total shareholders' equity</b>	<u>75,968,497</u>	<u>81,372,291</u>
Non controlling interests (Note 11)	21,564,618	3,737,851
<b>Total liabilities and shareholders' equity</b>	<u>98,551,635</u>	<u>86,846,581</u>

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

These financial statements are approved by the board and authorised for issue on May 12, 2015:

"Donald McInnes", Director

"Sean Tetzlaff", Director

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

	Three months ended March 31,	
	2015	2014
	\$	\$
Operating expenses		
Stock based compensation (Note 10)	487,006	448,258
Wages and benefits	376,620	489,981
Office and general	268,740	360,513
Professional fees	110,781	181,569
Investor relations, promotion and advertising	100,848	163,792
Property investigation and technical studies	94,928	87,925
Listing and filing fees	42,519	45,386
Depreciation	37,457	43,177
Write down of deferred exploration expenditures	-	143,031
	<u>1,518,899</u>	<u>1,963,632</u>
Loss from operations		
	<u>1,518,899</u>	<u>1,963,632</u>
Other income (expenses)		
Foreign exchange gains (losses)	(64,630)	70,232
Change in fair value and impairment of financial instruments (Note 6)	(59,711)	(278,814)
Loss from associates (Note 8)	(8,552)	(41,760)
Other net income	3,101	13,139
Finance income	25,116	48,559
	<u>(104,676)</u>	<u>(188,644)</u>
<b>Loss for the period</b>	<u>1,623,575</u>	<u>2,152,276</u>
<b>Loss attributable to:</b>		
Share holders	1,620,022	2,152,276
Non-controlling interests	3,553	-
	<u>1,623,575</u>	<u>2,152,276</u>
<b>Other comprehensive loss</b>		
Items that may be reclassified subsequently to net income		
Exchange differences on translations	(4,403,506)	(1,880,757)
Net fair value gain on financial assets (Note 6)	5,038	417,670
Amounts reclassified into net loss on impairment of financial assets	-	22,655
	<u>(4,398,468)</u>	<u>(1,440,432)</u>
Other comprehensive loss for the period, net of tax		
	<u>(4,398,468)</u>	<u>(1,440,432)</u>
<b>Total loss and comprehensive loss for the period</b>	<u>6,022,043</u>	<u>3,592,708</u>
<b>Attributable to:</b>		
Share holders	5,954,285	3,592,708
Non-controlling interests	67,758	-
	<u>6,022,043</u>	<u>3,592,708</u>
<b>Total loss and comprehensive loss for the period</b>	<u>6,022,043</u>	<u>3,592,708</u>
<b>Loss per share</b>		
Basic and diluted loss per share	<u>\$ 0.02</u>	<u>\$ 0.02</u>
Weighted average number of Common Shares		
Basic and diluted	107,276,147	89,941,777

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

**PILOT GOLD INC.**

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

	Number of Common Shares #	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Accumulated deficit \$	Total shareholders' equity \$	Non-controlling interest \$	Total equity \$
Balance as at December 31, 2013	89,940,333	133,117,092	16,319,202	(4,096,784)	(78,165,115)	67,174,395	2,423,077	69,597,472
Share issue costs	-	(172,382)	-	-	-	(172,382)	-	(172,382)
Option exercise	5,000	7,826	(2,946)	-	-	4,880	-	4,880
Stock based compensation	-	-	527,479	-	-	527,479	-	527,479
Net impairment of long-term investments recognised in the statement of loss	-	-	-	22,655	-	22,655	-	22,655
Unrealized gain on long-term investments	-	-	-	417,670	-	417,670	-	417,670
Contributions by non-controlling interest	-	-	-	-	-	-	484,130	484,130
Cumulative translation adjustment	-	-	-	(1,880,757)	-	(1,880,757)	-	(1,880,757)
Net loss for the period	-	-	-	-	(2,152,276)	(2,152,276)	-	(2,152,276)
Balance as at March 31, 2014	89,945,333	132,952,536	16,843,735	(5,537,216)	(80,317,391)	63,941,664	2,907,207	66,848,871
Balance as at December 31, 2014	107,235,497	155,081,135	19,088,697	(7,923,327)	(84,874,213)	81,372,292	3,737,851	85,110,143
Option exercise	48,780	53,557	(35,390)	-	-	18,167	-	18,167
Stock based compensation (Note 10)	-	-	528,770	-	-	528,770	-	528,770
Unrealized gain on long-term investments	-	-	-	5,038	-	5,038	-	5,038
Recognition of non-controlling interest on acquisition of control in Orta Truva (Note 7b)	-	-	-	-	-	-	17,494,126	17,494,126
Contributions by non-controlling interests (Notes 7b & 15)	-	-	-	-	-	-	403,952	403,952
Cumulative translation adjustment	-	-	-	(4,335,748)	-	(4,335,748)	(67,758)	(4,403,506)
Net loss for the period	-	-	-	-	(1,620,022)	(1,620,022)	(3,553)	(1,623,575)
Balance as at March 31, 2015	107,284,277	155,134,692	19,582,077	(12,254,037)	(86,494,235)	75,968,497	21,564,618	97,533,115

The notes on pages 5 to 15 are an integral part of these condensed interim consolidated financial statements.

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

	Three months ended March 31	
	2015	2014
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(1,623,575)	(2,152,276)
Adjusted for:		
Stock based compensation	500,210	467,189
Write-down of deferred exploration expenditures (Note 10c)	-	143,031
Change in fair value and impairment of financial instruments	59,711	278,814
Other non-cash expenditures on the statement of loss	50,949	97,816
Foreign exchange not related to cash	128,835	(11,165)
Interest income on short term investments	(120)	(14,544)
Movements in working capital:		
Accounts receivable and prepayments	(59,908)	(46,610)
Accounts payable and other liabilities	(184,907)	64,992
Net cash outflow due to operating activities	<u>(1,128,805)</u>	<u>(1,172,753)</u>
<b>Cash flows from financing activities</b>		
Cash received from option exercise	16,122	-
Share issue costs	-	(172,383)
Contributions from non-controlling interests	124,960	484,130
Net cash inflow (outflow) from financing activities	<u>141,082</u>	<u>311,747</u>
<b>Cash flows from investing activities</b>		
Change in working capital attributable to deferred exploration expenditures	(386,332)	193,412
Cash received from Orta Truva for Eligible Expenditures	-	755,652
Eligible Expenditures on TV Tower (Note 7b)	-	(867,635)
Funding to Associates	(50,906)	(405,973)
Maturity of short term investments	-	2,898,885
Purchase and proceeds of sale of property and equipment	-	7,153
Cash acquired with acquisition of controlling interest in Orta Truva	196,079	-
Expenditures towards option to earn-in	(33,765)	(578,459)
Interest in exploration properties and deferred exploration expenditures	(1,469,217)	(1,358,260)
Purchase of reclamation deposits	-	(45,700)
Net cash inflow (outflow) due to investing activities	<u>(1,744,141)</u>	<u>599,075</u>
Effect of foreign exchange rates	<u>(958,402)</u>	<u>(262,058)</u>
Net decrease in cash and cash equivalents	(3,690,266)	(523,989)
Cash and cash equivalents at beginning of period	13,842,109	9,806,384
Cash and cash equivalents at end of the period	<u>10,151,843</u>	<u>9,282,395</u>

See Note 14 for supplemental cash flow information

**PILOT GOLD INC.**

**(An exploration stage company)**

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

Three months ended March 31, 2015

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

**1. GENERAL INFORMATION**

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

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

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

**2. BASIS OF PRESENTATION**

These unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 (the “Interim Financial Statements”) have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements for the period ended December 31, 2014 (“Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Annual Financial Statements, except as described below.

*Changes in accounting policies*

The Company has adopted the following revised standards, effective January 1, 2015. There was no consequential impact upon adoption.

*IFRS 8 – Operating segments*

IFRS 8, Operating segments, was amended to require (i) disclosure of judgements made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity’s assets when segment assets are reported.

*IAS 24 – Related party transactions*

IAS 24 – Related party transactions was amended to (i) revise the definition of “related party” to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements.

*Basis of consolidation*

On March 12, 2015 the Company acquired an additional 20% interest in Orta Truva Madencilik Şanayi ve Ticaret A.Ş (“Orta Truva”) increasing its total ownership interest to 60% (Note 7b) As a consequence of the acquisition the principal subsidiaries of Pilot Gold and their geographic locations as at March 31, 2015 now also includes:

<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Location</u>	<u>Ownership interest and voting power held</u>
Orta Truva Madencilik Şanayi ve Ticaret A.Ş.	Mineral exploration	Turkey	60%

**PILOT GOLD INC.**

(An exploration stage company)

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

Three months ended March 31, 2015

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

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

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

**5. RECEIVABLES**

	<b>March 31, 2015</b>	December 31, 2014
Sales taxes receivable	\$ 1,281,779	\$ 98,738
Receivable from Orta Truva for expenditures on TV Tower	-	1,102,104
Other receivables	184,515	64,324
Prepayments	265,288	253,399
	<b>\$ 1,731,582</b>	<b>\$ 1,518,565</b>

Sales taxes receivable at March 31, 2015 include \$884,482 in refundable VAT due to Orta Truva. Receivables from Orta Truva as at March 31, 2015 are eliminated on consolidation pursuant to the acquisition of a controlling interest in Orta Truva (Note 7b).

**6. OTHER FINANCIAL ASSETS**

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

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

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

As at March 31, 2015, Pilot Gold holds Level 1 equity securities with a total fair value of \$417,836. As at December 31, 2014 the Company held Level 1 equity securities with a total fair value of \$514,089.

The total amount in other comprehensive income relating to available for sale financial instruments as at March 31, 2015, is \$583,618.

**7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

None of the Company's properties have any known body of commercial ore or any established economic deposit; all are currently in the exploration stage. Expenditures at Halilağa are recorded in the Company's investment in Truva Bakır, an equity-accounted associate (Note 8).

The deferred exploration expenditures relating to the company's interest in several exploration properties in Nevada and Utah have been aggregated and are described as 'Portfolio Projects' in the table below:

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

Three months ended March 31, 2015

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

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

	Total January 1, 2014	Additions/ Allocations	Total March 31, 2014	Total January 1, 2015	TV Tower Acquisition (Note 7b)	Additions/ Allocations	Total March 31, 2015
	\$	\$	\$	\$	\$	\$	\$
<b>USA</b>							
Kinsley Mountain (Note 7a)	11,078,278	1,360,487	12,438,765	<b>17,401,260</b>	-	605,405	<b>18,006,665</b>
Goldstrike	-	-	-	<b>8,651,362</b>	-	122,964	<b>8,774,326</b>
Portfolio Projects	3,805,491	52,544	3,858,035	<b>4,329,054</b>	-	55,563	<b>4,384,617</b>
Total USA	14,883,769	1,413,031	16,296,800	<b>30,381,676</b>	-	783,932	<b>31,165,608</b>
<b>Turkey</b>							
TV Tower (Note 7b)	-	-	-	-	43,014,485	99,486	<b>43,113,971</b>
Total Turkey	-	-	-	-	43,014,485	99,486	<b>43,113,971</b>
Total	14,883,769	1,413,031	16,296,800	<b>30,381,676</b>	<b>43,014,485</b>	<b>883,418</b>	<b>74,279,579</b>

*a) Kinsley Mountain*

The Company holds a 79.1% interest in Kinsley Gold LLC ("KG LLC") (Note 11), the entity that holds the underlying lease and directly held claims that comprise the Kinsley Mountain property (together, "Kinsley").

The value of the non-controlling interest in KG LLC increased by \$124,960 during the three months ended March 31, 2015 upon receipt of funding from the non-controlling interest holder, Intor Resources Corporation.

*b) TV Tower*

On March 12, 2015, pursuant to having satisfied the following requirements (the "Earn-in Obligations"), the Company acquired an additional 20% interest in Orta Truva, such that the Company now holds a 60% interest in Orta Truva:

- Incur \$21 million in eligible exploration expenditures ("Eligible Expenditures"); and
- Issue 6,555,000 Common Shares and 3,000,000 Common Share purchase warrants ("Teck Warrants") to Teck Madencilik Sanayi Ticaret A.Ş ("TMST") (Note 10d).

TMST, a subsidiary of Teck Resources Limited holds the remaining 40% interest. Orta Truva holds or has beneficial interest in the licenses that comprise TV Tower

The transaction did not meet the definition of a business combination, and was therefore accounted for as an acquisition of an asset in exchange for assets surrendered. Accordingly, the acquisition has been recorded at cost, including transaction costs comprising primarily legal fees of \$272,119.

Pursuant to the funding mechanism outlined in the TV Tower share-purchase and joint venture agreement, and in order to maintain the relative interests of TMST and the Company in Orta Truva until the Earn-in Obligations were satisfied, 60% of the Eligible Expenditures in a given period were advanced by the Company to TMST and accounted for as a component of the Earn-in Option, a non-current asset, the remaining 40% was recorded to the Company's interest in Orta Truva. The total carrying value of the Earn-in Option and the Company's 40% interest in Orta Truva (the "Consideration") as at March 12, 2015 were the total consideration exchanged for a 60% interest in Orta Truva.

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

Three months ended March 31, 2015

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

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

The Consideration was allocated to the assets acquired based on relative fair values on a 60% basis, the remaining 40% was allocated to non-controlling interest:

<b>Assets acquired and liabilities assumed:</b>	
Cash	\$ 196,027
Reclamation deposit	157,360
Current sales tax receivable	884,482
Long term VAT receivable	976,898
Net current payables	(1,546,843)
TV Tower mineral property	43,014,485
	43,682,409
<b>Consideration paid:</b>	
Earn-in Option	17,628,283
Investment in Orta Truva	8,287,882
Transaction costs	272,119
Total value of 60% interest acquired	26,188,284
Non-controlling 40% interest	17,494,125
	\$ 43,682,409

Net current payable at the time of acquisition includes \$1,609,422 of amounts payable to a subsidiary of the Company that is eliminated on consolidation.

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

Pilot Gold owns 40% of Halılağa through a 40% ownership stake in Truva Bakır Maden İşletmeleri A.Ş. ("Truva Bakır"), a Turkish company, controlled (60%) by TMST.

	<b>Truva Bakır</b>	<b>Orta Truva</b>	<b>Total</b>
At December 31, 2014	<b>\$ 5,937,563</b>	<b>\$ 9,145,503</b>	<b>\$ 15,083,066</b>
Share of gain (loss)	2,118	(10,670)	(8,552)
Funding	89,229	4,175	93,404
Exchange differences	(500,948)	(851,126)	(1,352,074)
Acquisition of controlling interest (Note 7b)	-	(8,287,882)	(8,287,882)
At March 31, 2015	\$ 5,527,962	-	\$ 5,527,962

Pilot Gold now holds a 60% interest in Orta Truva after acquiring a further 20% interest on March 12, 2015 (Note 7b).

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

Three months ended March 31, 2015

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

**8. INVESTMENT IN ASSOCIATES (continued)**

The summarised financial information as at March 31, 2015 for Truva Bakır on a 100% basis and reflecting adjustments made by the Company, including adjustments for differences in accounting policies is as follows:

	<b>Truva Bakır</b>
Current assets	\$2,075,363
Non-current assets	11,928,783
Current liabilities	(184,240)
Total net assets	\$13,819,906
Gain/(loss)	5,296
% interest held	40%
Company's share of net assets	\$5,527,962

As at March 31, 2015, the Company has outstanding receivables from Truva Bakır of \$55,750.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>March 31, 2015</b>	December 31, 2014
Trade payables	\$ 624,056	\$ 650,851
Other payables	44,112	119,306
Accrued liabilities	149,304	765,971
Amounts due to Truva Bakır	86,023	28,395
Amounts due to Orta Truva	-	22,511
Amounts due to TMST	-	33,765
	<b>\$ 903,495</b>	<b>\$ 1,620,799</b>

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

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

Three months ended March 31, 2015

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

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS***a) Authorized*

Unlimited Common Shares with no par value.

*b) Stock-based compensation**Pilot Gold Stock Option Plan*

Options granted to date under the Pilot Gold Stock Option Plan, as amended (the "Option Plan") to date are exercisable over periods of five or ten years. Options granted to Directors vest immediately, the remaining Options vest in thirds at the end of each year from the date of grant. Any consideration paid by the optionee on the exercise of Options is credited to share capital. Option transactions and the number of Options outstanding are summarized as follows:

	Shares	Weighted Average Exercise Price
	#	C\$
Balance, December 31, 2014	8,885,000	2.18
Options granted	957,000	1.14
Options forfeited or exercised	-	-
<b>Balance, March 31, 2015</b>	<b>9,842,000</b>	<b>2.08</b>

At March 31, 2015, Pilot Gold had incentive Options issued to directors, officers, employees and key consultants to the Company outstanding as follows:

Range of prices	Number of Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of Options exercisable	Weighted average exercise price of Options exercisable
	#	(in years)	C\$	#	C\$
C\$0.01 to C\$0.99	250,000	3.82	0.88	83,333	0.88
C\$1.00 to C\$1.99	4,662,000	3.73	1.15	2,113,333	1.13
C\$2.00 to C\$2.99	1,585,000	2.85	2.15	1,211,667	2.15
C\$3.00 to C\$3.99	3,345,000	5.34	3.45	3,345,000	3.45
	<b>9,842,000</b>	<b>4.14</b>	<b>2.08</b>	<b>6,753,333</b>	<b>2.46</b>

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

The fair value of Options granted during the period determined using Black-Scholes was C\$0.65 per Option. The significant inputs into the model were share price of C\$1.14 at the grant date, exercise price of C\$1.14, volatility of 70%, dividend yield of 0%, an expected Option life of 5 years, and an annual risk-free interest rate of 0.64%. A 3.7% forfeiture rate is applied to the Option expense.

**PILOT GOLD INC.**

(An exploration stage company)

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

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

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

*Cadillac Acquisition Stock Option Plan*

Pursuant to the acquisition of Cadillac Mining Corporation during the year ended December 31, 2014 and as adjusted for the transaction exchange ratio of 0.12195, the Company assumed 67,072 Cadillac Options each of which is exercisable for a Common Share. Of these 12,195 Cadillac Options expired during the year ended December 31, 2014. Option transactions during the three months ended March 31, 2015 are summarised below:

	Shares	Weighted Average Exercise Price
	#	C\$
Balance, December 31, 2014	54,877	0.59
Options exercised	(48,780)	0.41
Options forfeited or granted	-	-
<b>Balance, March 31, 2015</b>	<b>6,097</b>	<b>2.05</b>

Outstanding options have an exercise price of C\$2.05 and remaining contractual life of 0.41 years.

*c) Restricted Share Units and Deferred Share Units*

The Pilot Deferred Share Unit Plan (2014) (the "DSU Plan") was approved on May 12, 2014. Under the terms of the DSU Plan, the Board may, from time to time grant directors of the Company, an irrevocable right to receive Deferred Share Units ("DSUs") in such numbers and for such terms as may be determined by the Board. Upon redemption of a vested unit, at the time of the director's retirement from all positions with the Company (the "Separation Date"), the Company has the option to settle with (i) one Common Share of the Company or (ii) an amount in cash equal to fair value of the shares on the Separation Date determined as the weighted average of the trading price per Share on the TSX for the last five trading days ending on that date.

On February 3, 2015, the Company granted under the terms of the DSU Plan, 315,000 DSUs to directors of the Company, each with a fair value of \$1.14. 60,000 DSUs will expire on December 15, 2015. The expense is recorded in the consolidated statement of comprehensive loss in share-based compensation and credited to equity under Contributed Surplus since the payment in cash or Common Shares is at the option of the Company.

The Pilot Restricted Share Unit Plan (2014) (the "RSU Plan") was approved on May 12, 2014. Under the terms of the RSU Plan, the Board may, from time to time, grant to employees, officers and consultants to the Company, an irrevocable right to receive Restricted Share Units ("RSUs") in such numbers and for such terms as may be determined by the Board. RSUs granted under the RSU Plan to date are exercisable over three years. RSUs granted vest in thirds at the end of each year from the date of grant.

On February 3, 2015, the Company granted 721,910 RSUs to employees and service providers of the Company each with a fair value of \$1.14 and an expiry date of December 31, 2018.

For the three months ended March 31, 2015, the Company has capitalized a total of \$27,926 of stock-based compensation to exploration properties and deferred exploration expenditures. For the three months ended March 31, 2015, the Company charged a total of \$500,843 of stock-based compensation expense to the statement of loss relating to Options, DSUs and RSUs, of which \$13,837 is attributed to property investigation.

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

Three months ended March 31, 2015

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

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

As at March 31, 2015 the Company had the following Warrants outstanding:

Exercise price	Number of Warrants outstanding and exercisable	Weighted average remaining contractual life
C\$	#	(in years)
2.00	4,218,164	1.42
3.00	3,000,000	0.22
<b>2.42</b>	<b>7,218,164</b>	<b>0.92</b>

There were no exercises, cancellations, expiries or forfeitures of warrants in the three months ended March 31, 2015.

**11. NON-CONTROLLING INTEREST**

Summary financial information for KG LLC and Orta Truva is as set out below. The information below is before inter-company eliminations. The loss in Orta Truva relates to the write down of capitalised costs associated with certain licences that have not been renewed.

## a) Summarised Balance Sheet

	KG LLC		Orta Truva
	As at March 31, 2015	As at December 31, 2014	As at March 31, 2015
Current			
Assets	\$ 81,827	\$ 136,611	\$ 3,252,875
Liabilities	(446,894)	(476,146)	(1,774,803)
<b>Total Current net assets</b>	<b>(365,067)</b>	<b>(339,535)</b>	<b>1,478,072</b>
Non-Current			
Assets	19,129,074	18,482,243	18,926,222
Liabilities	(52,800)	(51,600)	-
<b>Total Non-current net assets</b>	<b>19,076,274</b>	<b>18,430,643</b>	<b>18,926,222</b>
<b>Net Assets</b>	<b>\$18,711,207</b>	<b>\$ 18,091,108</b>	<b>\$ 20,404,294</b>

## b) Summarised Statement of Loss

	Three months ended		Period
	March 31, 2015	March 31, 2014	March 12 to March 31, 2015
Statement of Loss	\$ -	\$ -	\$ 8,883
Other comprehensive Loss	\$ -	\$ -	\$ 169,395
<b>Loss and other comprehensive Loss</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178,278</b>

**PILOT GOLD INC.**  
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**Notes to the Condensed Interim Consolidated Financial Statements**  
Three months ended March 31, 2015  
(Expressed in United States Dollars, unless otherwise noted - unaudited)

**11. NON-CONTROLLING INTEREST (continued)**

c) Summarised cash flows

	Kinsley		Orta Truva
	Three months ended		Period
	March 31, 2015	March 31, 2014	March 12 to March 31, 2015
Net cash flow from:			
operating activities	\$ -	\$ -	\$ -
financing activities	476,687	782,157	-
investing activities	(530,564)	(513,623)	9,482
Net cash (decrease) increase in cash	(54,247)	268,534	9,482
Cash at the beginning of the period	118,543	27,675	196,078
Cash at the end of the period	<b>64,296</b>	296,209	<b>205,560</b>

During and subsequent to the period of Earn-in the Company has been the operator at the TV Tower property through a separate 100% owned Turkish subsidiary that provides services to Orta Truva; cash flows relating to exploration costs at the TV Tower property have been recorded within that subsidiary in the three months ended March 31, 2015.

**12. COMMITMENTS**

*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 three months ended March 31, 2015 is \$62,737.

Total future minimum lease payments, under non-cancellable operating leases as at March 31, 2015 are as follows:

Year	
2015	\$ 209,168
2016	232,835
2017	227,591
2018	113,121
2019+	698,005
	<b>\$ 1,480,720</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 INC.****(An exploration stage company)****Notes to the Condensed Interim Consolidated Financial Statements**

Three months ended March 31, 2015

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

**13. SEGMENT INFORMATION**

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At March 31, 2015 and at December 31, 2014, Pilot Gold has three geographic locations: Canada, the USA, and Turkey. The total assets attributable to the geographic locations relate primarily to the exploration properties and deferred exploration expenditures held by the Company and its associates, and have been disclosed in Note 7. The net loss is distributed by geographic segment per the table below:

	<b>Three months ended March 31,</b>	
	<b>2015</b>	2014
Canada	\$ 1,039,450	\$ 1,805,089
USA	280,412	251,646
Turkey	303,713	95,541
	<b>\$ 1,623,575</b>	<b>\$ 2,152,276</b>

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

	<b>March 31,</b>	December 31,
	<b>2015</b>	2014
Canada	\$ 72,896	\$ 85,027
USA	238,228	268,562
Turkey	51,739	55,769
	<b>\$ 362,863</b>	<b>\$ 409,358</b>

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

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

Non-cash financing and investing transactions:

	<b>March 31,</b>	March 31,
	<b>2015</b>	2014
Non-cash financing and investing transactions		
Change in fair value of financial instruments recognised in OCI	\$ 5,038	\$ 417,670
Reclassification of losses from OCI into statement of loss	-	22,655
Stock based compensation within Exploration properties and deferred exploration expenditures (Note 10)	27,926	60,290
	<b>\$ 32,964</b>	<b>\$ 500,615</b>

**PILOT GOLD INC.**

**(An exploration stage company)**

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

Three months ended March 31, 2015

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**15. RELATED PARTY TRANSACTIONS**

In addition to the following, the Company's related parties include its subsidiaries, and associates over which it exercises significant influence. Transactions with the Company's associates are described at Note 8.

*Oxygen Capital Corp*

Oxygen is a private company owned by three directors and one officer of the Company. Oxygen provides services to the Company and provides access to technical personnel, office rental, the use of the assets including Information Technology infrastructure and other administrative functions on an as-needed basis that would not necessarily otherwise be available to Pilot Gold at this stage of the Company's development. Oxygen does not charge a fee to the Company, allocating all expenses at cost. Related party transactions during the period total \$163,858 in expenditures, reflected in the Company's consolidated statement of loss and comprehensive loss and statement of financial position. As at March 31, 2015, Oxygen holds a refundable deposit of \$250,715 on behalf of the Company. Additionally, as at March 31, 2015 the Company held a payable to Oxygen of \$66,187. Amounts payable were settled subsequent to March 31, 2015. See also Note 12 for details on commitments related to lease arrangements.

*Compensation of key management personnel*

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

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Salaries and other short-term employee benefits	\$ 465,803	\$ 319,519
Share-based payments	379,673	468,276
<b>Total</b>	<b>\$ 845,476</b>	<b>\$ 787,795</b>