



An exploration stage company

Condensed Interim Consolidated Financial Statements

(Expressed in US Dollars - unaudited)

Nine months ended September 30, 2016

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

	As at September 30, 2016	As at December 31, 2015
	<u>\$</u>	<u>\$</u>
Assets		
<i>Current assets</i>		
Cash and cash equivalents	3,763,750	7,811,674
Short term investments	95,932	100,743
Receivables and prepayments (Note 5)	890,926	779,931
Total current assets	<u>4,750,608</u>	<u>8,692,348</u>
<i>Non-current assets</i>		
Other financial assets (Note 6)	983,596	309,406
Deposits	1,544,720	1,408,469
Sales taxes receivable (Note 5)	1,055,373	1,128,963
Plant and equipment	290,111	322,858
Exploration properties and deferred exploration expenditures (Note 7)	81,764,015	76,647,172
Investment in associates (Note 8)	5,564,094	5,220,727
Total non-current assets	<u>91,201,909</u>	<u>85,037,595</u>
Total assets	<u>95,952,517</u>	<u>93,729,943</u>
 Liabilities and Shareholders' Equity		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities (Note 9)	647,862	477,128
Total current liabilities	<u>647,862</u>	<u>477,128</u>
<i>Non-current liabilities</i>		
Deferred tax liabilities (Note 10)	575,916	474,823
Other liabilities	86,581	129,536
Total non-current liabilities	<u>662,497</u>	<u>604,359</u>
<i>Shareholders' equity</i>		
Share capital (Note 11)	157,580,415	155,186,833
Contributed surplus (Note 11)	21,876,173	20,209,503
Accumulated other comprehensive loss	(12,802,015)	(13,938,032)
Accumulated deficit	(95,230,948)	(91,849,189)
Total shareholders' equity	<u>71,423,625</u>	<u>69,609,115</u>
Non controlling interest (Note 12)	<u>23,218,533</u>	<u>23,039,341</u>
Total liabilities and shareholders' equity	<u>95,952,517</u>	<u>93,729,943</u>

The notes on pages 5 to 14 are an integral part of these condensed interim consolidated financial statements.

These financial statements are approved by the board and authorised for issue on November 9, 2016:

"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 September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Operating expenses				
Wages and benefits	343,352	395,608	1,325,531	1,171,546
Office and general	262,318	250,507	891,134	824,186
Stock based compensation (Note 11)	54,896	188,530	398,497	873,009
Professional fees	134,652	62,783	303,319	313,213
Property investigation and technical studies	68,753	29,666	277,322	155,600
Investor relations, promotion and advertising	96,541	45,197	232,192	239,626
Depreciation	19,228	20,236	57,325	90,839
Listing and filing fees	8,117	893	50,361	45,836
Write down of deferred exploration expenditures	-	1,050,444	-	1,790,590
Loss from operations	987,857	2,043,864	3,535,681	5,504,445
Other income (expenses)				
Foreign exchange gains (losses)	(146,570)	419,223	(286,332)	229,057
Change in fair value and impairment of financial instruments	-	(15,986)	(90,595)	(143,372)
Gains (loss) from associates (Note 8)	737	7,391	1,079	(6,748)
Finance income	12,660	76,884	44,891	140,708
Net gain on sale of financial instruments (Note 6)	128,257	-	217,331	-
Other net income (Note 7d)	285,996	7,973	293,649	15,329
	281,080	495,485	180,023	234,974
Loss before tax	706,777	1,548,379	3,355,658	5,269,471
Income tax (recovery) expense	148,270	476,185	101,093	603,071
Loss for the period	855,047	2,024,564	3,456,751	5,872,542
Loss attributable to:				
Shareholders	761,782	1,592,482	3,381,759	5,364,681
Non-controlling interests	93,265	432,082	74,992	507,861
	855,047	2,024,564	3,456,751	5,872,542
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Exchange differences on translations	(98,402)	(1,703,443)	717,611	(5,672,754)
Net fair value gain (loss) on financial assets	134,716	(15,796)	467,005	(33,564)
Amounts reclassified into net loss on impairment or sale of financial assets	(41,473)	-	(48,599)	-
Other comprehensive income (loss) for the period, net of tax	(5,159)	(1,719,239)	1,136,017	(5,706,318)
Total loss and comprehensive loss for the period	860,206	3,743,803	2,320,734	11,578,860
Loss attributable to:				
Shareholders	766,941	3,383,444	2,245,742	11,070,999
Non-controlling interests	93,265	360,359	74,992	507,861
Total loss and comprehensive loss for the period	860,206	3,743,803	2,320,734	11,578,860
Loss per share				
Basic and diluted loss per share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.05
Weighted average number of Common Shares				
Basic and diluted	125,832,899	107,319,881	121,310,336	107,293,465

The notes on pages 5 to 14 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, 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 and DSU exercises	108,780	105,685	(87,518)	-	-	18,167	-	18,167
Stock based compensation	-	-	1,023,149	-	-	1,023,149	-	1,023,149
Unrealized gain on long-term investments	-	-	-	(33,564)	-	(33,564)	-	(33,564)
Recognition of non-controlling interest on acquisition of control in Orta Truva	-	-	-	-	-	-	17,494,125	17,494,125
Contributions by non-controlling interests	-	-	-	-	-	-	1,791,687	1,791,687
Cumulative translation adjustment	-	-	-	(5,672,754)	-	(5,672,754)	-	(5,672,754)
Net loss for the period	-	-	-	-	(5,364,681)	(5,364,681)	(507,861)	(5,872,542)
Balance as at September 30, 2015	107,344,277	155,186,820	20,024,328	(13,629,645)	(90,238,894)	71,342,609	22,515,802	93,858,411
Balance as at December 31, 2015	107,344,284	155,186,833	20,209,503	(13,938,032)	(91,849,189)	69,609,115	23,039,341	92,648,456
Private placement	17,893,000	2,072,798	1,281,244	-	-	3,354,042	-	3,354,042
Share issue costs on private placement	-	(52,107)	-	-	-	(52,107)	-	(52,107)
Share issuance towards mineral property acquisition	359,641	191,600	-	-	-	191,600	-	191,600
RSU and Warrant exercises (Note 11)	307,770	181,291	(118,639)	-	-	62,652	-	62,652
Stock based compensation (Note 11)	-	-	504,065	-	-	504,065	-	504,065
Cumulative other comprehensive income reclassified to the statement of loss on sale or impairment	-	-	-	(48,599)	-	(48,599)	-	(48,599)
Unrealized gain on long-term investments	-	-	-	467,005	-	467,005	-	467,005
Contributions by non-controlling interest (Note 7b and c)	-	-	-	-	-	-	254,184	254,184
Cumulative translation adjustment	-	-	-	717,611	-	717,611	-	717,611
Net loss for the period	-	-	-	-	(3,381,759)	(3,381,759)	(74,992)	(3,456,751)
Balance as at September 30, 2016	125,904,695	157,580,415	21,876,173	(12,802,015)	(95,230,948)	71,423,625	23,218,533	94,642,158

The notes on pages 5 to 14 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)**

	Nine months ended September 30,	
	2016	2015
	\$	\$
Cash flows from operating activities		
Loss for the period	(3,456,751)	(5,872,542)
Adjusted for:		
Stock based compensation	425,714	890,333
Write-down of deferred exploration expenditures	-	1,790,590
Change in fair value and impairment of financial instruments	(126,736)	143,372
Deferred Tax expense	101,093	603,071
Other non-cash items on the statement of loss	12,523	113,207
Interest income on short term investments	-	(63,204)
Value of shares received from Logan (Note 7d)	(142,527)	-
Foreign exchange not related to cash	219,754	(17,216)
Movements in working capital:		
Accounts receivable and prepayments	6,920	35,346
Accounts payable and other liabilities	(44,744)	231,777
Net cash outflow due to operating activities	<u>(3,004,754)</u>	<u>(2,145,266)</u>
Cash flows from financing activities		
Cash received from financing	3,354,042	-
Share issue costs	(52,107)	-
Cash received from exercise of share based payments	62,652	18,167
Contributions from non-controlling interest	91,250	1,791,687
Cash inflow from financing activities	<u>3,455,837</u>	<u>1,809,854</u>
Cash flows from investing activities		
Change in working capital attributable to deferred exploration expenditures	232,734	(820,262)
Sale of equity investments	249,186	-
Maturity of short term investments	7,574	3,674,551
Purchase of reclamation deposits	(95,460)	-
Purchase and proceeds of sale of property and equipment	(23,548)	7,194
Funding to Associates	(54,830)	(239,828)
Acquisition of mineral property (Note 7a)	(800,000)	-
Interest in exploration properties and deferred exploration expenditures	(4,435,381)	(4,733,309)
Recovery of tenure maintenance cost pursuant to Option Agreement (Note 7d)	130,962	-
Net sales tax recovery	-	599,181
Cash acquired with acquisition of controlling interest in Orta Truva	-	196,079
Cash received from Orta Truva for Eligible Expenditures	-	268,482
Expenditures towards Earn-in Option	-	(33,765)
Net cash outflow due to investing activities	<u>(4,788,763)</u>	<u>(1,081,677)</u>
Effect of foreign exchange rates	<u>289,756</u>	<u>(2,031,881)</u>
Net decrease in cash and cash equivalents	(4,047,924)	(3,448,970)
Cash and cash equivalents at beginning of period	7,811,674	13,842,109
Cash and cash equivalents at end of the period	<u>3,763,750</u>	<u>10,393,139</u>

See Note 15 for supplemental cash flow information

PILOT GOLD INC.

(An exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2016

(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 nine months ended September 30, 2016 (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 year ended December 31, 2015 (“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.

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.

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

Nine months ended September 30, 2016

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

5. RECEIVABLES AND PREPAYMENTS

	September 30, 2016	December 31, 2015
Sales taxes receivable	\$ 603,866	\$ 516,752
Other receivables	11,890	82,441
Receivable from non-controlling interest holder (Note 7c)	162,934	-
Prepayments	112,236	180,738
Total	\$ 890,926	\$ 779,931

Sales taxes receivable at September 30, 2016 include \$590,937 due to Orta Truva Madencilik Şanayi ve Ticaret A.Ş (“Orta Truva”); an additional \$1,055,373 is classified as non-current and is recoverable when production begins, or on sale of the licenses held by Orta Truva.

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 or 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 September 30, 2016, Pilot Gold holds Level 1 equity securities with a total fair value of \$983,596 (at December 31, 2015: \$309,406) . Certain securities were sold during the period for total proceeds of \$249,187. The balance of other financial assets includes the receipt of common shares in Logan Resources Ltd (“Logan”) during the period, (see Note 7d).

The total amount in other comprehensive income relating to available for sale financial instruments as at September 30, 2016 is \$1,002,443 (as at December 31, 2015: \$584,036).

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Currently 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 the Halilağa exploration project 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**

Nine months ended September 30, 2016

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

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

	Total December 31, 2014	TV Tower Acquisition	Additions/ Allocations	Write-down of asset	Total September 30, 2015	Total December 31, 2015	Acquistition Costs	Additions/ Allocations	Recovery from third party earn-in	Total September 30, 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
USA										
Kinsley Mountain (Note 7b)	17,401,260	-	1,599,240	-	19,000,500	19,097,080	-	508,205	-	19,605,285
Goldstrike	8,651,362	-	434,311	-	9,085,673	9,685,941	-	3,165,696	-	12,851,637
Black Pine (Note 7a)	-	-	-	-	-	-	1,010,926	94,131	-	1,105,057
Portfolio Projects (Note 7d)	4,329,054	-	159,562	(1,790,590)	2,698,026	2,439,710	-	62,505	(369,322)	2,132,893
Total USA	30,381,676	-	2,193,113	(1,790,590)	30,784,199	31,222,731	1,010,926	3,830,537	(369,322)	35,694,872
Turkey										
TV Tower (Note 7c)	-	43,014,485	2,098,635	-	45,113,120	45,424,441	-	644,702	-	46,069,143
Total Turkey	-	43,014,485	2,098,635	-	45,113,120	45,424,441	-	644,702	-	46,069,143
Total	30,381,676	43,014,485	4,291,748	(1,790,590)	75,897,319	76,647,172	1,010,926	4,475,239	(369,322)	81,764,015

a) Black Pine, USA

On June 14, 2016, the Company acquired 100% of the Black Pine (Mineral Gulch) project from Western Pacific Resources Corporation (“Western Pacific”) for total consideration of \$1,010,926 consisting of \$800,000 cash and 300,000 common shares of the Company (“Common Shares”) with a fair value of C\$0.67 each (Note 11b), as well as transaction costs of \$54,327. A 0.5% Net Smelter Return royalty has been granted to Western Pacific.

b) Kinsley Mountain, USA

The Company holds a 79.1% interest in Kinsley Gold LLC (“KG LLC”) (Note 12), the entity that holds the underlying lease and directly held claims that comprise the Kinsley Mountain property (together, “Kinsley”). The non-controlling interest holder is Intor Resources Corporation (“Intor”).

The value of the non-controlling interest in KG LLC increased by \$91,250 during the nine months ended September 30, 2016 upon receipt of funding from Intor, the non-controlling interest holder.

c) TV Tower, Turkey

The Company holds a 60% interest in Orta Truva, the entity that holds the TV Tower property (Note 12). The non-controlling interest holder is Teck Madencilik Şanayi Ticaret A.Ş (“TMST”). The Company holds a receivable from TMST with regards to operating expenditures on the TV Tower property through to the end of 2016 net of amounts already received of \$162,934.

d) Logan

On July 7, 2016, the Company signed an Option Agreement with Logan under which Logan may earn up to an 80% interest in up to four of the following nine of the Company’s properties: Drum, Griffon, Antelope, Sandy, Easter, Brik, Stateline, Viper, and Anchor (the “Properties”). Logan may earn an initial 51% interest in four of the nine Properties (the “Selected Properties”) by incurring \$1,000,000 in cumulative exploration costs within the first year, and an additional 19% interest in the Selected Properties by incurring an additional \$2,000,000 in exploration expenditures within the first 3 years, and issuing 1,000,000 of its shares to Pilot Gold on completion of the 70% earn-in requirement. Logan may earn an additional 10% (to a total of 80%) interest in any of the Selected Properties by completing a prefeasibility study on that Property, prepared in accordance with National Instrument 43-101. As consideration for entering into the Option Agreement, Logan issued a total of 4,231,037 shares to the Company, and has reimbursed the Company a total of 100% of the annual holding costs paid by the Company for the Properties for 2016 to 2017. Logan will be responsible to maintain the Properties in good standing during the period of earn-in, and for the Properties not selected upon earn-in, must also reimburse Pilot Gold for claims fees for the ensuing year.

The fair value of Logan shares received of \$380,886, was allocated proportionally based on total expenditures incurred to date on each of the Properties. The cash reimbursement amount for annual holding costs of \$209,271 was allocated directly against each one of the individual Properties based on the actual holding costs paid. Of the total consideration, \$220,835 was recognised as Other Income in relation to Drum, Sandy and Viper, each of which had previously been impaired; and the remaining \$369,322 was recorded against the deferred exploration expenditures of the remaining five Properties.

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

Nine months ended September 30, 2016

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

8. INVESTMENT IN ASSOCIATES

Pilot Gold owns 40% of the Halilağa project through a 40% ownership stake in Truva Bakır Maden İşletmeleri A.Ş. ("Truva Bakır"), a Turkish company that is controlled (60%) by TMST. Truva Bakır is private, and as such the fair value of the Company's investment is not determinable through an active market.

	Truva Bakır
At December 31, 2015	\$ 5,220,727
Share of income	1,080
Funding	54,830
Foreign exchange differences	287,457
At September 30, 2016	\$ 5,564,094

The summarised financial information as at September 30, 2016 for Truva Bakır on a 100% basis is as follows:

	Truva Bakır
Current assets	\$ 212,704
Non-current assets	13,768,336
Current liabilities	(70,806)
Total net assets	\$ 13,910,234
% interest held	40%
Company's share of net assets	\$ 5,564,094
Income	2,699
% interest held	40%
Company's share of Income	1,079

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2016	December 31, 2015
Trade payables	\$ 465,497	\$ 266,870
Other payables	17,762	56,018
Accrued liabilities	164,603	154,240
Total	\$ 647,862	\$ 477,128

Accounts payable and accrued liabilities are non-interest bearing and are normally settled on 30-day terms.

10. DEFERRED TAX LIABILITY

A deferred tax liability of \$575,916 has been recognised in the period ended September 30, 2016 arising from foreign exchange differences in the tax basis of the TV Tower mineral property held by Orta Truva.

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

Nine months ended September 30, 2016

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

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

Unlimited Common Shares with no par value.

b) Issued

On June 14, 2016 as partial consideration for the acquisition of the Black Pine property (Note 7a) 300,000 Common Shares were issued with a fair value of C\$0.67 per Common Share.

On March 4, 2016, the Company completed a non-brokered private placement for a total of \$3,354,042 (C\$4,473,250) (the "Private Placement"). Under the Private Placement, a total of 17,893,000 units of the Company ("Units") were issued at a price of C\$0.25 per Unit. Each Unit consists of one Common Share and one half of one Common Share purchase warrant ("Private Placement Warrant"). Each Private Placement Warrant entitles the holder to acquire one Common Share at an exercise price of C\$0.40 for a period of 2 years.

The Units were valued using the residual method whereby the fair value of the warrant was determined to be C\$0.19 using the Black-Scholes valuation method and the following inputs: Stock price at issue C\$0.475, exercise price C\$0.40, risk free rate 0.52%, annualized volatility 62% and a 2 year expected life. Volatility was determined using the Company's share price volatility over the 2 years prior to issuance. The resulting allocation of the warrant fair value to the consideration received was Warrants: \$1,281,244 (C\$1,708,250) and Common Shares: \$2,072,799 (C\$2,764,469). A total of \$52,107 in transaction costs were recognised in equity.

c) Stock-based compensation

For the nine months ended September 30, 2016, the Company has capitalized a total of \$78,352 of stock-based compensation to exploration properties and deferred exploration expenditures. For the nine months ended September 30, 2016, the Company charged a total of \$425,714 of stock-based compensation expense to the statement of loss relating to stock-based compensation of which \$27,217 is attributed to property investigation and technical studies.

Pilot Gold Stock Option Plan

Options granted under the Pilot Gold Stock Option Plan (2014) are exercisable over period of five 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 recorded to share capital.

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

	Options	Weighted Average Exercise Price
	#	C\$
Balance, December 31, 2015	6,925,333	1.55
Options granted	4,707,500	0.52
Options expired	(1,828,332)	2.10
Options forfeited	(857,502)	0.98
Options cancelled	(955,000)	2.13
Balance, September 30, 2016	7,991,999	0.81

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

Nine months ended September 30, 2016

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

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

At September 30, 2016, 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	4,632,500	4.34	0.54	1,480,000	0.56
C\$1.00 to C\$1.99	3,269,499	1.66	1.14	2,509,277	1.13
C\$2.00 to C\$2.99	40,000	1.35	2.13	40,000	2.13
C\$3.00 to C\$3.99	50,000	4.53	3.45	50,000	3.45
	7,991,999	3.23	0.81	4,079,277	0.96

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 weighted average fair value of Options granted during the nine month period ended September 30, 2016 was determined using Black-Scholes to be C\$0.26 per Option. The weighted average significant inputs into the model were share price of C\$0.49 at the grant date, exercise price of C\$0.52, volatility of 65%, dividend yield of 0%, an expected Option life of 5 years, and an annual risk-free interest rate of 0.71%. A 3.7% forfeiture rate is applied to the Option expense.

Restricted Share Units

Restricted Share Units ("RSUs") granted under the Pilot Gold RSU plan (2015) to employees and service providers of the Company vest in thirds at the end of each year from the date of grant.

Transactions relating to RSUs are summarised below:

	RSUs
	#
Balance, December 31, 2015	406,910
RSUs granted	125,000
RSUs forfeited	(97,787)
RSUs exercised	(103,770)
Balance, September 30, 2016	330,353

Expiry Date	RSUs outstanding	Weighted average remaining contractual life	RSUs vested
	#	(in years)	#
December 31, 2018	235,353	2.25	31,867
December 31, 2019	95,000	3.25	-
	330,353	2.54	31,867

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

Nine months ended September 30, 2016

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

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)*Deferred Share Units*

Deferred Share Units (“DSUs”) granted under the Pilot Gold DSU plan (2015) to Directors of the Company, have no expiration date and are redeemable upon termination of service.

Transactions relating to Deferred Share Units (“DSUs”) are summarised below:

	DSUs
	#
Balance, December 31, 2015	255,000
DSUs granted	153,000
Balance, September 30, 2016	408,000

d) Warrants:

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

	Number of Warrants	Weighted average exercise price
	#	C\$
Balance, December 31, 2015	4,218,157	2.00
Warrants issued (Note 11b)	8,946,500	0.40
Warrants expired	(4,218,157)	2.00
Warrants exercised	(204,000)	0.40
Balance, September 30, 2016	8,742,500	0.40

Outstanding Warrants have a remaining contractual life of 1.46 years.

12. NON-CONTROLLING INTEREST

Summary financial information for KG LLC and Orta Truva is as set out below. The information below is before intercompany eliminations. The loss in Orta Truva relates to foreign exchange and the deferred tax expense (Note 10).

a) Summarised Balance Sheet

	KG LLC		Orta Truva	
	As at September 30, 2016	As at December 31, 2015	As at September 30, 2016	As at December 31, 2015
Current				
Assets	\$ 103,092	\$ 248,793	\$ 851,183	\$ 1,606,396
Liabilities	(16,642)	(26,144)	(183,386)	(914,081)
Total Current net assets	86,450	222,649	667,797	692,315
Non-Current				
Assets	20,870,515	20,303,891	23,775,080	23,171,223
Liabilities	(52,800)	(52,800)	(611,032)	(474,823)
Total Non-current net assets	20,817,715	20,251,091	23,164,048	22,696,400
Net Assets	\$ 20,904,165	\$ 20,473,740	\$ 23,831,845	\$ 23,388,715

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

Nine months ended September 30, 2016

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

12. NON-CONTROLLING INTEREST (continued)

b) Summarised Statement of Loss

	KG LLC			
	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Statement of loss	\$ 4,737	\$ 568	\$ 5,338	\$ 5,655
Other comprehensive loss	-	-	-	-
Loss and other comprehensive loss	\$ 4,737	\$ 568	\$ 5,338	\$ 5,655

	Orta Truva			
	Three months ended September 30,		Nine months ended September 30,	Period from March 12 to September 30,
	2016	2015	2016	2015
Statement of loss	\$ 230,687	\$ 234,971	\$ 184,688	\$ 1,266,700
Other comprehensive loss	-	-	-	-
Loss and other comprehensive loss	\$ 230,687	\$ 234,971	\$ 184,688	\$ 1,266,700

c) Summarised cash flows

	KG LLC		Orta Truva	
	Nine months ended September 30,		Nine months ended September 30,	Period from March 12 to September 30,
	2016	2015	2016	2015
Net cash flow from:				
operating activities	\$ (5,338)	\$ (5,655)	\$ (106,644)	\$ (252,938)
financing activities	406,605	2,102,428	500,000	2,379,121
investing activities	(546,968)	(1,842,070)	(1,404,927)	(1,984,125)
Net increase (decrease) in cash	(145,701)	254,703	(1,011,571)	142,058
Cash at the beginning of the period	247,414	118,543	1,108,096	-
Cash at the end of the period	\$ 101,713	\$ 373,246	\$ 96,525	\$ 142,058

13. 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 nine months ended September 30, 2016 is \$143,270 with an additional \$41,576 in contingent rental expenditures which consist of operating costs.

In August 2016, the lease agreement providing access to the Drum property was amended to include a commitment to spend \$750,000 on that property by December 31, 2017. Drum is one of the properties optioned to Logan; expenditures incurred pursuant to the Option Agreement with Logan at Drum (if any) will satisfy this new obligation, but ultimately remain a commitment to the Company as the leaseholder

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

Nine months ended September 30, 2016

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

13. COMMITMENTS (continued)

Total future minimum lease payments, under non-cancellable operating leases as at September 30, 2016 are as follows:

Year	
2016	\$ 58,219
2017	224,319
2018	142,585
2019	130,671
2020+	511,575
	\$ 1,067,369

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.

14. SEGMENT INFORMATION

The Company's operations are in one segment, the exploration for gold, copper and other precious and base metals. At September 30, 2016 and December 31, 2015, respectively, Pilot Gold has three geographic locations: Canada, the USA, and Turkey. The total assets attributable to the geographic locations relate primarily to the exploration properties and deferred exploration expenditures held by the Company and its associates, and have been disclosed in Notes 7 and 8. The net loss is distributed by geographic segment per the table below:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Canada	\$ 720,897	\$ (322,441)	\$ 2,285,178	\$ 1,557,603
USA	(20,042)	1,085,599	753,926	2,360,831
Turkey	154,192	1,261,406	417,647	1,954,108
	\$ 855,047	\$ 2,024,564	\$ 3,456,751	\$ 5,872,542

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

	September 30, 2016	December 31, 2015
Canada	\$ 108,534	\$ 108,603
USA	145,817	166,500
Turkey	35,760	47,755
	\$ 290,111	\$ 322,858

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

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

Nine months ended September 30, 2016

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

15. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing transactions:

	Nine months ended September 30,	
	2016	2015
Non-cash financing and investing transactions		
Common Shares issued in partial consideration for mineral property (Note 7a)	\$ (156,600)	\$ -
Common Shares issued towards lease payments on mineral property	(35,000)	-
Stock based compensation within deferred exploration expenditures (Note 11)	78,352	(135,262)
Value of shares received pursuant to Option Agreement (Note 7d)	380,886	-
	\$ 267,639	\$ (135,262)

16. 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 \$466,625 in expenditures, reflected in the Company's consolidated statement of loss and comprehensive loss. As at September 30, 2016, Oxygen holds a refundable deposit of \$242,416 on behalf of the Company. Additionally, as at September 30, 2016 the Company held a payable to Oxygen of \$86,291. Amounts payable were settled subsequent to period end. See also Note 13 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 & Geoscience, the Chief Financial Officer & Corporate Secretary, and the Country Managers. The aggregate total compensation paid, is shown below:

	Nine months ended September 30,	
	2016	2015
Salaries and other short-term employee benefits	\$ 736,689	\$ 897,770
Share-based payments	498,008	507,728
Total	\$ 1,234,697	\$ 1,405,498

17. SUBSEQUENT EVENTS

On October 27, 2016 the Company announced that it has entered into an agreement (the "Bought-Deal") with a syndicate of underwriters (the "Underwriters") whereby the Underwriters have agreed to purchase on a bought-deal basis, 20,900,000 units of the Company ("Bought-Deal Unit") consisting of one Common Share and one half Common Share purchase warrant (each whole Common Share purchase warrant, a "Bought-Deal Warrant"), at a price of C\$0.60 per Bought-Deal Unit. Each Bought-Deal Warrant will entitle the holder to acquire one Common Share at a price of C\$0.90 for a period of 2.5 years.

The Company granted the Underwriters an option (the "Underwriters' Option"), exercisable at any time, in whole or in part, until the date that is 30 days following the closing of the Bought-Deal, to purchase up to an additional 3,135,000 Bought-Deal Units. On November 2, 2016, the Underwriters notified the Company that they would exercise the Underwriters' Option in full.

The Bought-Deal is expected to close on November 16, 2016.