



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the nine months ended September 30, 2016**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Nine months ended September 30, 2016

This Management's Discussion and Analysis, dated as of November 9, 2016, is for the nine months ended September 30, 2016 (the "**MD&A**"), and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2016 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, 2015, dated March 17, 2016 (the "**AIF**"), available under our company profile on SEDAR at [www.sedar.com](http://www.sedar.com). Our reporting currency is the United States dollar ("**\$**", or "**USD**"); dollar figures in this MD&A are expressed in USD unless otherwise stated. Canadian dollars herein are expressed as "C\$". As at September 30, 2016, the value of C\$1.00 was approximately \$0.76; the nominal noon rate as per the Bank of Canada.

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*", "*Industry and Economic Factors that May Affect our Business*" and "*Other Risks and Uncertainties*" materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

## HIGHLIGHTS AND SIGNIFICANT SUBSEQUENT EVENTS

- Announced a bought deal financing of up to C\$14.42 million (the "**2016 Bought-Deal**")<sup>1</sup>
- Continued to report gold results at Goldstrike from the ongoing infill and step-out drill program, focused along the 7 km-long, 2 km-wide "Historic Mine Trend". A second Reverse Circulation ("**RC**") drill was added to the project in September. Highlights from drilling to date include<sup>2</sup>:
  - **3.28 g/t** gold over **38.1 m** in PGS048
  - **2.64 g/t** gold over **41.4 m** in PGS051C,
    - including **3.22 g/t** gold over **32.0 m**
  - **2.24 g/t** gold over **58.8 m** in PGS054C,
    - including **2.77 g/t** gold over **36.2 m**
  - **0.96 g/t** gold over **76.2 m** in PGS058,
  - **29.1 g/t** gold over **6.1 m** in PGS076,
  - **1.08 g/t** gold over **45.7 m** in PGS097,
  - **0.86 g/t** gold over **67.1 m** in PGS104.
- Acquired the past-producing Black Pine heap leach gold mine (formerly referred to as the Mineral Gulch project) from Western Pacific Resources Corporation ("**Western Pacific**") as part of our continuing effort to identify and secure oxidized Carlin-style gold systems, similar in nature and target size to Kinsley and Goldstrike<sup>3</sup>.
- Entered into an Option Agreement ("**Logan Option Agreement**") with Logan Resources Ltd ("**Logan**") under which Logan may earn up to an 80% interest in up to four of Pilot Gold's nine portfolio properties, in eastern Nevada and western Utah, including the Drum, Griffon, Antelope, Sandy, Easter, Brik, Stateline, Viper, and Anchor gold properties<sup>4</sup>.
- Reported preliminary cyanide soluble test results from metallurgical core holes drilled earlier in the year; most holes contain oxide with a very high percentage of cyanide soluble gold. Eight out of the ten core holes returned an average of 88.4% cyanide solubility<sup>5</sup>.
- Staked additional claims around Goldstrike to cover projected extensions of the mineralized system, including 3 new targets areas covering approximately 8 km<sup>2</sup> located to the west, north and east of the Goldstrike property.

<sup>1</sup> See press releases of October 27, 2016; including the exercise of the over-allotment Option awarded to the syndicate of underwriters to purchase an additional 15% of the number of Units.

<sup>2</sup> See press releases of May 24, 2016, June 17, 2016, June 27, 2016, August 4, 2016, August 31, 2016 and October 6, 2016

<sup>3</sup> See press release of June 16, 2016

<sup>4</sup> See press release of July 7, 2016

<sup>5</sup> See press release of August 31, 2016

The Company has delineated deposits at each of Kinsley (Western Flank), TV Tower (Küçükdağ) ("KCD") and at Halılağa (Kestane). The Company's Goldstrike and Black Pine projects and other targets on its property interests are early stage and do not contain any mineral resource estimates as defined by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). With the exception of those deposits already delineated, the potential quantities and grades disclosed in this MD&A are conceptual in nature, and there has been insufficient exploration to define a mineral resource estimate for other 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 the respective NI 43-101 Technical Reports, and can be viewed under Pilot Gold's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## OUTLOOK

Our exploration activities and budget in 2016 are focused on the Goldstrike and Kinsley projects, located in the Great Basin of Utah and Nevada. Goldstrike and Kinsley both feature targets with Carlin-style shallow, oxide gold mineralization, providing us the ability to make low-cost discoveries with meaningful grades and significant growth potential. Should results continue to warrant, and pending receipt of necessary permits, we expect to increase the number of drills operating on our projects in order to advance exploration quickly and efficiently.

The Company has a working capital balance of approximately \$3.00 million (as at the date of this MD&A) providing the capital necessary to continue making discoveries and building value, while maintaining the optionality of our advanced project interests in Turkey. Closing of the 2016 Bought-Deal, including the exercise of the over-allotment option, will provide an additional \$9.97 million in capital to advance our project interests. Pilot Gold's share of expenditures for the nine months ended September 30, 2016, as compared to our share of budgeted cash exploration and development expenditures on our property interests are summarized<sup>1</sup> (in 000s) as:

Project	Pilot Gold ownership	Minerals	Actual cash expenditures through Q3 2016	Budgeted expenditures through Q3 2016	Budgeted expenditures for 2016
Goldstrike	100%	gold	\$ 3,088	\$ 3,340	\$ 4,769
Kinsley	79%	gold	\$ 442	\$ 485	\$ 504
TV Tower	60%	gold, silver, copper	\$ 342	\$ 520	\$ 725
Halılağa	40%	copper, gold, molybdenum	\$ 54	\$ 230	\$ 307
Portfolio projects	100%	gold, silver, copper	\$ 148	\$ 196	\$ 244
<b>Total</b>			<b>\$ 4,074</b>	<b>\$ 4,771</b>	<b>\$ 6,549</b>

<sup>1</sup> In July 2016, an amended budget was approved by the Company's Board of Directors (the "Board"), as a reflection of successful drilling at Goldstrike to date and the availability of the proceeds of a private placement financing (the "2016 Private Placement"), which closed in March 2016. Budgeted expenditures for Q3 2016 shown are those of the amended budget. Amounts shown as budgeted expenditures for the entirety of 2016 reflect the amendment.

During the nine months ended September 30, 2016, we incurred approximately \$7.0 million in cash exploration and administration expenditures (amended approved 2016 annual budget: \$10.41 million). Absent an acquisition or other unplanned initiatives, and assuming closing of the 2016 Bought-Deal, at the end of 2016 we expect to have approximately \$11.45 million in cash, cash equivalents and short term deposits, compared with approximately \$2.52 million as at the date of this MD&A.

### Goldstrike

The program objective for 2016 is to advance the property to an initial mineral resource estimate by the end of the first quarter of 2017, incorporating new and historical drill hole data over a broad area. The initial 2016 exploration program and budget at Goldstrike was \$2.16 million, and was increased first to \$2.33 million and then to \$4.77 million after a successful drill program through the first half of the year. A second drill was added to the project in early September 2016. Drilling through mid-September focused on resource definition drilling in a 1400 m x up to 400 m portion of the Goldstrike Graben known as the Main Zone. The 2016 RC drilling program will continue through year end, with an average of 10 drill holes completed per week. Areas of focus are located to the north and west of the Main Zone, and include the Peg Leg Graben zone, over an area 1.5 km-long, and up to 250 m wide, and the 2 km<sup>2</sup> Dip Slope zone, host to several historical pits.

Metallurgical testing is underway using material recovered from 10 large-diameter core holes drilled earlier in the year, with final results expected by early 2017. Metallurgy will encompass bottle rolls, column testing and comminution test work, in order to provide sufficient data for modeling and prediction of gold recovery over a wide range of mineralization types and feed sizes.

We have an approved Notice of Intent ("NOI"), and have received 4 amendments to the NOI at Goldstrike allowing for more than 9.76 acres of disturbance in which exploration activity can occur. In March 2016, we applied to the U.S. Bureau of Land Management ("BLM") for a full Plan of Operations ("PoO"); we expect the approval process may take up to one year. Provided the Company receives an approved PoO in the first half of 2017, significant exploration activities contemplated for the 2017 program includes RC drilling of greater than 40,000 metres, and advanced metallurgical studies. The Company expects to report a first time mineral resource estimate in a revised technical report during Q1 2017.

### *Kinsley*

At Kinsley, we believe the initial mineral resource estimate released in December 2015 represents a stepping stone along the way to realizing the potential of a much larger gold system. As of the date of this MD&A, the 2016 exploration program at Kinsley is substantially complete with analysis of results underway in order to generate high priority targets for a proposed exploration program in 2017. Although we expect the remaining field program, including data analysis and further targeting, to be under budget with total remaining costs to be relatively minimal, we may modify the program depending on results.

### *Black Pine*

Consistent with our plan to enhance our asset portfolio, on June 14, 2016 we acquired the Black Pine property located in southeastern Idaho, a past producing Carlin-style oxide gold mine. Surface oxide mineralization at Black Pine has been identified over a 12 km<sup>2</sup> area in historic soil and rock samples and in over 1,866 historic drill holes. The Company anticipates continuing a data compilation exercise and surface geologic activities through the end of 2016 and into early 2017 in advance of potential late 2017 first pass drill program. Expenditures on Black Pine through the end of 2016 are currently forecast to be approximately \$0.15 million.

## **EXPLORATION AND DEVELOPMENT PROJECTS – OVERALL PERFORMANCE**

### ***Goldstrike (100% owner and operator)***

Goldstrike was acquired in August 2014, and has become a focal exploration project for the Company. Goldstrike is a Carlin-style, sediment-hosted gold property located in Washington County, southwest Utah (50 km northwest of St. George), with a stratigraphic and structural setting and gold mineralization similar to other sediment-hosted gold systems in the Great Basin of Nevada and Utah. Goldstrike is host to a past-producing mine with an extensive exploration database, a large number of shallow drill holes with unmined oxide gold intercepts, and numerous untested gold targets. The property currently includes 866 owned and leased federal lode claims on BLM land, 41 leased patented claims, and two Utah State leased parcels, and totals, 7,453 ha in size.

Following an extensive compilation and data analysis exercise in late 2014 and 2015, we completed a 2,877 metre, 18 hole RC drill program designed to test project potential and to validate historic results. Results from Pilot Gold's first-year drill program, published in late 2015 and early 2016, indicate that shallow oxide gold mineralization is present north and down-dip of the existing pits along the 7 km-long, 2 km-wide Historic Goldstrike Mine Trend. The 2016 program was designed to target unmined and/or undrilled areas between, adjacent to, and under the historic pits, with an objective to advance Goldstrike to a resource estimate by Q1 2017.

Infill and step-out drilling from the 2016 program, have focussed on the 1,400 x 300 m Main Zone in the eastern portion of the Historic Mine Trend, and continue to intercept significant, primarily oxide gold mineralization. Through 2016 to the date of this MD&A, the Company has reported assay results from 77 RC drill holes and 10 core drill holes, with assays pending from an additional 54 holes. For the nine months ended September 30, 2016, expenditures, including non-cash items, capitalized to Goldstrike were \$3.17 million (year ended December 31, 2015: \$1.03 million), including: drilling and assaying (\$1.61 million), land claim and lease payments (\$0.38 million), salaries (\$0.55 million) and analyses and surveys (\$0.30 million).

### ***Kinsley (79.1% owner and operator)***

Kinsley is a Carlin-type past-producing mine located south of Newmont Mining's Long Canyon deposit in northeast Nevada. Comprised of 513 claims on BLM land, plus 5 leased patents totalling, 4,187 ha., Kinsley has a stratigraphic, structural, and mineralization style similar to other sediment-hosted gold systems in the eastern Great Basin.

Pilot Gold's interest in Kinsley is approximately 79.1%. Intor Resources Corporation ("**Intor**") holds the remaining 20.9% interest and is funding its pro-rata share of expenditures in 2016.

An initial resource estimate on the property, effective October 15, 2015 and dated December 16, 2015, defines a high-grade zone at the Western Flank along with near-surface oxide ounces in the vicinity of the historic mine, and in a separate zone of mineralization in the Secret Canyon Shale approximately 150 m east of the Western Flank zone which remains open to the east and west.

Preliminary metallurgical testing of sulphide material from the Western Flank gold deposit, hosted in Secret Canyon Shale suggests that a marketable gold concentrate, grading up to 312 g/t Au, can be produced via flotation. Recoveries of up to 95% are achieved when combined with leaching of the tails. Initial metallurgical results from the primary host rock in the historical mining operation at Kinsley yielded up to 83% gold, producing a concentrate grade of up to 52.3 g/t gold.

During the nine-month period ended September 2016, the Company completed a five hole, 2,376 m drill program, with a focus primarily on the area immediately below and southwest of the historic Main Pit. This limited program was designed to test a structural, stratigraphic and induced polarization target southwest of the Main Pit. The Company is currently reviewing results received to date from the 2016 RC drill program in order to generate high priority targets for a proposed exploration program in 2017.

In the nine months ended September 30, 2016 approximately \$0.51 million in expenditures were capitalized at Kinsley (year ended December 31, 2015, \$1.70 million), including Intor's 20.9% share (recognized in the Interim Financial Statements as a component of Non-Controlling Interest). Expenditures through September 30, 2016 included drilling and assaying (\$0.26 million), land and lease payments (\$0.15 million), and salaries (\$0.06 million).

#### ***TV Tower (60% owner and operator)***

The 9,065 hectare TV Tower gold-silver-copper property is located in northwestern Turkey in a regional industrialized zone that includes base metal mines, large open pit coal mines, a major power plant, ceramics factories, and deep water ports.

Our interest in TV Tower is held through a 60% shareholding in Orta Truva Madencilik Sanayi ve Ticaret Anonim Şirketi ("**Orta Truva**"), the legal entity that holds title to the licenses that comprise the property.

Teck Madencilik Sanayi Ticaret A.Ş. ("**TMST**"), a subsidiary of Teck Resources Limited ("**Teck**"), is our joint venture partner at TV Tower and holds the remaining 40% of Orta Truva. Each partner is funding its pro-rata share of exploration and development programs. We consolidate our interest in Orta Truva, with the full value of the project reflected in our exploration properties and deferred exploration expenditures, and the value ascribed to TMST's 40% interest in Orta Truva captured as a Non-Controlling Interest in the Interim Financial Statements.

To date, we have identified a contiguous area greater than 50km<sup>2</sup> of epithermal and porphyry-related alteration across this gold-silver-copper district, including a large silver-gold resource at the project's KCD deposit and three closely-situated copper-gold porphyries. The principal focus of the Company at TV Tower, has been on i) the Kayalı-Karaayı zone at the southern end of the tenure, host to a largely contiguous, oxidized epithermal gold system stretching over four km east to west, and the Valley and Hilltop copper-gold porphyries, and ii) the KCD gold-silver deposit in the north. There remain multiple untested targets across the rest of the tenure.

The amended approved program and budget for 2016 is \$1.2 million (our share: \$0.72 million), and includes field exploration activities, permitting and tenure management costs, and ongoing community and social relations activities. Our share of expenditures for the nine months ended September 30, 2016 totalled \$0.34 million.

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

The Halilağa property is located 15 km southeast of the Valley and Hilltop porphyries at TV Tower. The 8,866 hectare Halilağa property has road access and electrical grid power. Labour, supply centres and industrial service providers are available in the region. The deposit is located in favourable terrain and is characterized by high copper and gold grades at surface with little-to-no overburden. The Company's interest in Halilağa is held through a 40% shareholding in Truva Bakır Maden İşletmeleri A.Ş. ("**Truva Bakır**"). TMST is project operator and holds the remaining 60% of this Turkish entity.

A revised preliminary economic assessment (the "**Revised Halilağa PEA**") was released in January 2015. Within the preliminary parameters of a PEA, the Revised Halilağa PEA illustrates a robust, low strip, technically simple and scalable open-pit mine, utilizing conventional milling and flotation methods. The project requires modest up-front capital, demonstrates a rapid payback of initial capital, has low cash costs, and generates a strong after-tax IRR, and cash flow. The illustrative project, as outlined in the Revised Halilağa PEA, is relatively insensitive to changes in commodity and exchange rates, requires modest pre-production capital expenditure, and yields a payback period (after-tax) of 1.3 years. Although preliminary in nature and derived from broadly factored assumptions including \$1,200/oz gold, \$2.90/lb. copper, and a discount rate of 7%, the conceptual project in the Revised Halilağa PEA was designed to demonstrate the optimal development scenario for the deposit in the context of today's capital market conditions. Advancing Halilağa toward feasibility would require additional metallurgical testing, geotechnical drilling and resource definition drilling. We have developed a high-level program and illustrative budget that we expect would satisfy the requirements to make a feasibility decision and continue to discuss opportunities for the project with Teck and third-parties.

For the nine months ended September 30, 2016, our share of expenditures incurred at Halilağa was \$0.11 million (year ended December 31, 2015: \$0.39 million), against a total budget of \$0.23 million for the same period. Expenditures reflect costs associated with permitting and tenure costs, ongoing community and social relations activities, certain field and desktop analyses and legal costs relating to the matter described in this MD&A.

### **SELECTED FINANCIAL INFORMATION**

Management is responsible for the financial statements referred to in this MD&A, and provides officers' disclosure certifications filed with the Canadian provincial securities commissions. The Company's Audit Committee has been delegated the responsibility to approve the Interim Financial Statements and 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, 2015 (the "**Annual Financial Statements**"), which have been prepared using accounting policies in compliance 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. Our accounting policy is to defer all exploration and evaluation expenditures relating to our mineral exploration property interests that qualify for deferral. Details of new accounting standards, effective the reporting period beginning January 1, 2016 and from which there was no material effect, are found in Note 5 of the Annual Financial Statements.

Management has determined that Pilot Gold Inc. has a C\$ functional currency because the parent entity raises its financing and incurs head office expenses in Canadian dollars ("C\$"). 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 operates in one industry – the exploration for gold, copper, and other precious and base metals, and in 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.

### **Results of Operations**

The following financial data (in \$ millions, except per share data) are derived from our unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 and 2015 respectively:

	<b>Three months</b>		<b>Nine months</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Total revenues	-\$nil	-\$nil	-\$nil	-\$nil
Net loss for the period and attributable to shareholders	\$0.76	\$1.59	\$3.38	\$5.36
Basic and diluted loss per share and attributable to shareholders	\$0.01	\$0.01	\$0.03	\$0.05

### ***Nine months ended September 30, 2016 vs. nine months ended September 30, 2015***

Losses from operations for the three-months (\$0.99 million) and nine months (\$3.54 million) ended September 30, 2016, were lower than the \$2.04 million and \$5.50 million losses incurred in the respective comparative periods, due mostly to exploration property write-downs recorded in the three and nine month comparative periods of \$1.05 million and \$1.79 million, respectively, with no such write-downs taken in 2016. The largest contributions to the loss in both the three and nine month periods in 2016 are from wages and benefits of \$1.33 million, and office and general expenditures of \$0.89 million, through the nine months ended. Office and general expenditures incurred in Canada and wages and benefits relating to certain Canadian personnel are incurred on a cost-recovery basis through an administration and technical services agreement (the "**Oxygen Agreement**") with Oxygen Capital Corporation ("**Oxygen**"), a related party (see also in this MD&A, "**Related Party Transactions**").

Net cash operating outflows were \$3.00 million in the nine months ended September 30, 2016, compared to \$2.15 million in the comparative quarter, primarily due to higher wages and benefits and office and general costs in 2016 as compared to the same period in 2015.

#### ***Wages and benefits***

Wages and benefits in the three and nine months ended September 30, 2016 are \$0.34 million and \$1.33 million, respectively. Total wages and benefits are lower than the three month comparative period (three months to September 30, 2015: \$0.40 million) reflecting a lower number of employees currently on staff, but higher over the nine month period (nine months to September 30, 2015: \$1.17 million) due to severance costs paid in Q1 2016.

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.

#### ***Office and General***

Office and general expenditures for the nine months ended September 30, 2016 of \$0.89 million are higher than the 2015 comparative period (\$0.82 million), due to an increase in directors' fees, and recruitment costs. The three months office and general expenditures of \$0.26 million were approximately in line with the comparative 2015 period of \$0.25 million.

#### ***Stock-based compensation***

The expense reflects (i) the relative value of a Company-wide grant of employee stock options ("**Options**") to purchase common shares of the Corporation ("**Common Shares**"), Restricted Share Units ("**RSUs**") and Deferred Share Units ("**DSUs**") in March 2016, and (ii) the diminishing impact of Options granted in prior periods as they vest. Stock-based compensation expense should be expected to vary from period to period depending on several factors, including whether Options, RSUs or DSUs are granted in a period, and the timing of vesting or cancellation of such equity instruments. Typically, Options, RSUs and DSUs will be granted once each year, resulting in a higher expense in the particular quarter of the grant (from those that vest immediately), as opposed to those other quarters of the year.

Stock-based compensation expense for the three and nine months ended September 30, 2016, totaled \$0.05 million and \$0.40 million respectively (September 30, 2015: \$0.19 million and \$0.87 million, respectively). The large decrease in the three and nine months ended September 30, 2016 is due to the vesting of previously awarded higher value Options, as well as the forfeiture of certain Options during the period ended September 30, 2016. These amounts do not include values recorded as part of property investigation expense or capitalized to mineral properties (\$0.11 million collectively for the nine months ended September 30, 2016, and \$0.14 million in the comparative period). 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 on 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. 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.

*Other income (net)*

Other income, net of expenses of \$0.28 million and \$0.18 million for the three and nine months ended September 30, 2016 respectively, consisted primarily of (i) foreign exchange losses, (ii) finance income, (iii) net gain on sale of available-for-sale ("AFS") financial assets and (iv) income and loss pick-up from our associates. The nine month period also includes impairments and fair value losses on our AFS financial assets. With the exception of net gains on sale of AFS financial assets, these same items were significant components of other income (net) for the comparative periods in 2015 (\$0.50 million and \$0.23 million, respectively).

The main contributor to the change over the comparative periods was foreign exchange on our USD cash balances in our companies with foreign functional currencies, that were \$0.42 million and \$0.23 million gains in the three and nine months ended September 30, 2015, and were \$0.15 million and \$0.29 million losses in the three and nine months ended September 30, 2016 as the USD slowed its depreciation relative to the Canadian dollar. Foreign exchange losses in 2016 were offset by \$0.22 million received as part of the Logan Option Agreement on three properties that had previously been impaired, and a \$0.22 million net gain on sale of AFS financial assets.

Our AFS equity investments showed a \$0.47 million increase in fair value over the 3 months ended September 30, 2016; these gains were recorded in other comprehensive income.

*Other comprehensive loss*

The net balance of other comprehensive loss consists of the impact of exchange gains and losses from the translation of our foreign operations with a non-USD functional currency as well as the fair value gains and losses on our unimpaired AFS financial assets and fair value gains on our impaired AFS financial assets. For the three and nine months ended September 30, 2016 the impact of foreign exchange were losses of \$0.10 million and gains of \$0.72 million, respectively (three and nine months ended September 30 2015, losses of: \$1.70 million and \$5.67 million, respectively). The impact from exchange differences will vary from period to period depending on the rate of exchange.

The Canadian dollar appreciated 6.5% relative to the value of the USD in the period between January 1, 2016 and September 30, 2016 (12.4% depreciation during the same period of the comparative year). Net fair value gains on our AFS financial assets were \$0.13 million and \$0.47 million for the three and nine months ended September 30, 2016 respectively, as compared to losses of \$0.02 million and \$0.03 million in the three and nine months periods ended September 30, 2015 respectively.

**Financial Position**

The following financial data are derived from our consolidated financial statements as at September 30, 2016 and December 31, 2015:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Total assets	\$95.95 million	\$93.73 million
Non-current financial liabilities	\$0.09 million	\$0.13 million
Cash dividends declared	\$nil	\$nil

*Total assets*

The \$2.22 million increase in total assets reflects the receipt of \$3.35 million from the 2016 Private Placement, the receipt of \$0.38 million in Logan common shares as part of the Logan Option Agreement, and the increase of our AFS financial assets by \$0.47 million, offset by non-deferred cash expenditures including primarily, wages and salaries, office and general, investor relations costs and professional fees of \$2.76 million, in aggregate.

Notwithstanding 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. 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 a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related deferred expenditures are written-off.

### *Non-current financial liabilities*

At September 30, 2016, and December 31, 2015, our non-current liabilities include (i) reclamation work to be performed on exploration properties, and (ii) liabilities recorded in recognition of a statutory 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. As at September 30, 2016, a deferred tax liability was recognised on the controlling interest in Orta Truva, arising from foreign exchange on the tax basis of our assets held in Turkey. This is not classified as a financial liability.

### *Shareholders' equity*

On March 4, 2016, we closed the non-brokered 2016 Private Placement, issuing 17,893,000 units of Company ("PP Units") at a price of C\$0.25 per PP Unit for aggregate gross proceeds of \$3,354,042 (C\$4,473,250)<sup>6</sup>. Each PP Unit consists of one Common Share and one-half of one Common Share purchase warrant ("PP Warrant"). Each full PP Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C\$0.40 until March 2018.

The weighted average fair value of the 4,707,500 Options granted during the nine months ended September 30, 2016, determined using Black-Scholes, was 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 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. In the nine months ended September 30, 2016 the Company granted 125,000 RSUs and 153,000 DSUs, each with a fair value of C\$0.49, and a total of 2,197,500 options expired or were forfeited.

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

Refer also to discussion in this MD&A under heading, "Outstanding Share Data". The Company has not declared any dividends since incorporation, and does not expect this will change in the near future.

## **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 interim and annual consolidated financial statements for each of the past eight quarters. 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 that which is disclosed in the consolidated Annual Financial Statements.

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

	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
<b>Loss attributable to the shareholders</b>								
Loss for the period	(762)	(973)	(1,647)	(1,610)	(1,592)	(2,152)	(1,620)	(1,977)
Exchange differences on translating foreign operations	(98)	(14)	830	(347)	(1,703)	434	(4,403)	(1,823)
Net value gain (loss) on financial assets	135	239	86	39	(16)	(23)	5	(18)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)

The largest contributors to the loss for the three months ended September 30, 2016 are wages and benefits of \$0.34 million, office and general costs of \$0.26 million, and professional fees of \$0.13 million, as well as the non-cash impact from foreign exchange of \$0.15 million. These losses are offset by the accounting for \$0.22 million in cash and shares received as part of the Logan Option Agreement on three previously impaired exploration properties, and a net gain on sale of \$0.13 million of certain of our AFS financial assets. Lower staff numbers and foreign exchange losses contribute to the losses not being as great as in previous quarters.

The loss for the three months ended June 30, 2016 is composed primarily of general exploration and technical studies expenses of \$0.10 million, wages and salaries of \$0.45 million, office and general costs of \$0.24 million, offset by net gains on the sale of available for sale investments of \$0.09 million, which resulted in lower losses than in previous quarters due to overall lower expenditures and foreign exchange losses than in previous quarters.

The loss for the three months ended March 31, 2016 is composed primarily of wages and salaries of \$0.53 million, office and general costs of \$0.39 million and non-cash stock based compensation expense of \$0.29 million, offset by a decrease to the deferred tax liability of \$0.13 million, which resulted in higher losses than in previous quarters due to higher wages and salaries due to the termination pay of some Turkish employees, resulting in an overall net cash operating outflow of \$1.35 million.

<sup>6</sup> See press release of March 18, 2016.



The loss for the quarter ended December 31, 2015 includes the non-cash write down of \$0.30 million in deferred exploration expenditures relating to the Drum exploration property. The other most significant expenditures for the quarter are: (i) wages and salaries not allocated to projects of \$0.55 million, which are higher than in other quarters due to reduced activity at the properties toward year-end; (ii) slightly higher office and general costs of \$0.32 million; and (iii) Property Investigation and costs of technical studies of \$0.18 million, that include expenditures in relation to the pursuit of opportunities to extract value from the Turkish portfolio.

The loss for the quarter ended September 30, 2015 included the write down of the Viper property for \$1.05 million. The write down for the Gold Bug property in the prior quarter was lower at \$0.74 million, however total expenditures and cash flows overall were lower in the quarter ended September 30, 2015 due to lower overall operating expenditures, including office and general of \$0.25 million. Also having an impact on a lower loss than prior period were foreign exchange gains of \$0.42 million, and stock based compensation expense of \$0.19 million.

The largest contributor to the loss for the quarter ended June 30, 2015 includes a non-cash write down of the Gold Bug property \$0.74 million. There was no similar write-down in the prior quarter. The overall loss and cash outflow also includes expenses relating to wages and benefits of \$0.40 million and office and general of \$0.30 million, each of which is similar to the prior quarter, and non-cash stock based compensation of \$0.20 million, which is lower than the prior quarter reflective of the timing of vesting provisions.

The loss for the quarter ended March 31, 2015 primarily consists of non-cash stock based compensation of \$0.49 million and wages and benefits of \$0.38 million. Overall losses were lower than in the preceding quarter due in the most part to the recognition of an accrual of the 2014 bonus to employees recorded in the prior period, and paid in the quarter ended March 31, 2015.

The most significant contributors to the loss for the quarter ended December 31, 2014 are wages and benefits of \$0.64 million, property investigation of \$0.31 million, office and general costs of \$0.30 million, and non-cash stock based compensation costs of \$0.29 million. The greater loss for the three months ended December 31, 2014 over the subsequent quarter was driven by additional wages and benefits costs relating to the accrual of the 2014 bonus.

## RELATED PARTY TRANSACTIONS

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

In 2013 the Company entered into an administration and technical services agreement with Oxygen, a related party. Oxygen is a private company currently owned by three directors of the Company (Dr. O'Dea, and Messrs. McInnes and Tetzlaff). Pursuant to the Oxygen Agreement, Oxygen provides the Company, on a cost-recovery basis, the following services, which are invoiced and settled on a monthly basis:

- 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 assets located in, office space leased by Oxygen.

Pilot Gold shares a head office with other private and public companies each of which has an arrangement with Oxygen. Oxygen allocates the costs of personnel (plus applicable benefits), assets and infrastructure to the various companies based upon the estimated time spent by personnel on Company activities. Oxygen exists to consolidate employees and office infrastructure in one entity so that costs may be more efficiently allocated. Oxygen does not mark-up costs or charge a fee to the Company. 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 nine months ended September 30, 2016 total \$0.47 million, and are reflected in the Interim Financial Statements. As at September 30, 2016, the Company held a payable to Oxygen of \$0.09 million (settled subsequent to period end), and a deposit of \$0.24 million with Oxygen for use against the final three months of service upon termination of the arrangement.

### *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:

	<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
Salaries and other short-term employee benefits	\$ 0.74 million	\$ 0.90 million
Share-based payments	0.50 million	0.51 million
<b>Total</b>	<b>\$ 1.23 million</b>	<b>\$ 1.41 million</b>

## LIQUIDITY AND CAPITAL RESOURCES

The properties in which we currently have an interest are in the exploration and development stage. 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. 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. In particular, the Company's access to capital and its liquidity will be impacted by global macroeconomic trends, fluctuating commodity prices and general investor sentiment for the mining and metals industry. There are no known restrictions on the ability of our subsidiaries to transfer or return funds to the parent company in Canada.

As at the date of this MD&A, including cash contributed by our partners at Kinsley and TV Tower for use in accordance with approved budgets at each property, the Company has approximately \$2.79 million available in cash, cash equivalents, and short-term investments. Our global budget, including exploration and administration for 2016, was amended and increased in July 2016 to \$10.4 million (previously: \$7.06 million). We currently anticipate spending approximately \$4.77 million at Goldstrike, \$0.50 million at Kinsley, \$0.72 million at TV Tower, and approximately \$0.30 million at the Halilağa. Budgeted general and administrative costs of \$3.73 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 equipment and review of new opportunities.

With no debt, the Company's working capital balance as at the date of this MD&A is approximately \$3.00 million. 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. Management believes that available funds, in aggregate with the net proceeds of the 2016 Bought-Deal, are sufficient for current operations for at least one year, assuming no other factors change. We do not expect there to be any material impact on continuing operations arising from the transactions involving the Black Pine property or the Logan Option Agreement.

### *2016 Bought-Deal*

The successful closing of the 2016 Bought-Deal will provide additional capital to advance our planned exploration programs and Goldstrike, Kinsley and our other mineral property interests. Recent improvement in commodity prices and capital market conditions for mining and metals companies, and our past history of raising sufficient capital to carry out our plans give management confidence in our ability to raise additional funds when needed.

### *Private Placement Financing*

At the time of closing the 2016 Private Placement it was expected that proceeds therefrom would be used to advance the Company's Goldstrike and Kinsley gold projects and for general working capital purposes. Subsequent to closing the 2016 Private Placement, the Company was presented with an opportunity to acquire Black Pine in furtherance of its goal to advance a portfolio of past producing Carlin-style oxide gold mines in the western United States; accordingly, a portion of the proceeds of the 2016 Private Placement earmarked for Goldstrike, Kinsley and working capital were used to fund a portion of the Black Pine Acquisition. The diversion in cash did not have any impact on the Company's exploration programs and activities at either Goldstrike or Kinsley however it did draw down the available balance of working capital.

### *2014 Bought-Deal*

The receipt of proceeds from the bought deal prospectus offering which closed April 2, 2015 (the "**2014 Bought-Deal**") positioned the Company to advance our material properties through 2015. Expenditures to date have been used for such purposes. A reconciliation to the planned use of proceeds through December 31, 2015 as disclosed in the Company's short form prospectus dated March 26, 2014 is presented in the December 31, 2015 MD&A. Aggregate expenditures subsequent to the close of the 2014 Bought-Deal through 2015 were generally in line with forecasted amounts. Our share of cash expenditures at Kinsley for 2014 and 2015 totalled \$6.57 million, and expenditures at TV Tower for the same period totalled \$6.4 million. Exploration successes at TV Tower in 2014 led to an accelerated program, and consequentially slightly higher expenditures than forecast. Remaining treasury designated for Working Capital and the portfolio properties in the 2014 Bought-Deal was reallocated to i) enable the Company to undertake the acquisition of Cadillac and consequential commencement of a drill program at the Goldstrike property in 2015, and ii) more recently to acquire the Black Pine project from Western Pacific.

## ***Contractual obligations***

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

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

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

Although most of our property obligations are eliminated should we choose to no longer invest funds exploring the property, we have certain notable obligations:

Kinsley and TV Tower: Pursuant to the respective operating agreements and elections by members to participate in funding the 2016 Program and Budget for each project, the Company must incur its pro rata share of the approved budgets for Kinsley and TV Tower.

### ***Advance Royalty Payments & Minimum Annual Exploration Expenditures***

As detailed in the MD&A for the year ended December 31, 2015, in accordance with certain underlying lease agreements, to maintain the associated lease agreements in good standing, we are required to make advance royalty payments ("**ARPs**") to the underlying property owners of the Kinsley and Antelope projects; we are also required to make minimum annual exploration expenditures at certain of our exploration properties, including at Kinsley and Goldstrike. The Company has met, and continues to incur all such minimum expenditure commitments at the date of this MD&A and there has been no change to these commitments since December 31, 2015.

In August 2016, the lease agreement providing access to the Drum property was amended to include a commitment to spend \$0.75 million on that property by December 31, 2017. Drum is one of the properties optioned to Logan; expenditures incurred pursuant to the Logan Option Agreement at Drum (if any) will satisfy this new obligation, but ultimately remain a commitment to the Company as the leaseholder.

### ***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. 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 \$0.18 million (see also in this MD&A, "**Related Party Transactions**").

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

Year	
2016	\$ 0.06 million
2017	0.22 million
2018	0.14 million
2019	0.13 million
2020+	0.51 million
	<b>\$ 1.06 million</b>

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

### ***Indemnifications***

As described in our AIF, Pilot Gold is party to certain agreements giving rise to certain indemnifications for losses suffered or incurred by the counterparty to such agreements. There have been no claims or notices in regard to any such indemnifications.

### ***Surety Bonds***

As of the date of this MD&A, the Company is in the process of replacing certain of its existing bonding deposits (in aggregate, \$0.97 million) in the United States with surety bonds of the same amount arranged through a third-party. These bonds are, and will be held in favour of the BLM and the United States Forestry Service (the "**USFS**") as financial support for environmental reclamation and exploration permitting. The surety bonds are secured by a \$0.15 million deposit the "**Collateral**") and are subject to fees competitively determined in the market place. The obligations associated with these instruments are generally related to performance requirements that the Company addresses through its ongoing operations. As specific requirements are met, the BLM and USFS as beneficiaries of the different instruments will return the instrument to the issuing entity. As these instruments are associated with ongoing and active exploration properties, they will remain outstanding until the earlier of the date that the Company has discharged its remediation obligations, or determines to self-fund the underlying bonding obligations.

Although the Company has advanced the Collateral, receipt of the balance of capital originally advanced to the BLM and USFS is pending.

## ***Investments***

At the effective date of this MD&A, the market value of our portfolio of investment holdings, comprising securities in exploration companies, is \$0.89 million.

## ***Off Balance Sheet Arrangements***

The Company has no off-balance sheet arrangements other than those discussed above under "*Surety Bonds*".

## **LEGAL MATTERS**

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

In January 2016, the Turkish Council of State (the "**Danıştay**", or "**Supreme Court**") overturned a decision of the Çanakkale Administrative Court (the "**Çanakkale Court**") to annul the previously received and approved EIA reports for Halilağa and TV Tower. The matters were then sent by the Çanakkale Court for re-examination with a directive to re-process each case and re-approve the validity of the respective EIAs. The Çanakkale Court determined it did not have the authority to re-approve the EIAs and returned the matters to a higher level of the Danıştay in Ankara. A motion in support of the Ministry of Environment and Urban Planning (the defendant) was subsequently submitted requesting that this higher level of Supreme Court expedite its review and to reinstate the EIAs; Pilot Gold understands that the Danıştay has now reviewed the matter, and forwarded it back to the Çanakkale Court for final ruling, however the matter remains outstanding.

Pilot Gold does not believe there to be any threat to the validity of tenure, nor any legal impediment to prevent ongoing exploration activities outside of the EIA-contemplated areas as a consequence of the ongoing EIA challenge.

With the exception of the EIA-related challenges, 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.

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

For information on the Company's accounting policies, please refer to our disclosure in our Annual Financial Statements at Note 3 and Note 5.

## **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, and each of its subsidiaries and associates, is the currency of the primary economic environment in which the entity operates. The US and Turkish subsidiaries of the parent entity, have a US dollar functional currency, while the parent entity itself, and its remaining subsidiaries, have a Canadian dollar functional currency. Determination of functional currency involves 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, and the carrying value of its exploration property interests and deferred exploration expenditures.

Recoverability of the carrying amount of Pilot Gold's exploration property interests is dependent on successful development and commercial exploitation or, alternatively, sale of the respective assets. Changes in any of the assumptions used to determine impairment testing could materially affect the result of this analysis.

Management did not identify any indicators of impairment on the Company's assets in the nine months ended September 30, 2016. Significant classes of assets reviewed for recoverability and impairment include the following:

*a. Exploration and evaluation expenditure*

The application of the Company's accounting policy for exploration expenditures 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, nor can there be any assurance that the Company will be able to arrange sufficient financing to bring such ore bodies into production.

*b. Investment in associate*

Recoverability of the carrying amount of Pilot Gold's interest in its associate in Turkey is dependent on successful development and commercial exploitation, or alternatively, sale of Halılađa. Changes in any of the assumptions used to determine impairment testing could materially affect the result of this analysis.

*c. Value-added tax receivables*

The Company incurs indirect taxes, including value-added tax, on purchases of goods and services at its Turkish exploration and development projects. Indirect tax balances are recorded at their estimated recoverable amounts within current or long-term assets, net of provisions, and reflect the Company's best estimate of their recoverability under existing tax rules in the respective jurisdictions in which they arise. Recoverable indirect taxes owed to Orta Truva are reflected on the Company's consolidated statement of financial position; such recoverable taxes due to Truva Bakır are reflected within the balance of the Company's investment in that entity. Management's assessment of recoverability involves judgments regarding balance sheet classification and the probable outcomes of claimed deductions and/or disputes. The provisions and balance sheet classifications made to date may be subject to change and such change may be material.

*iii) Deferred tax assets and liabilities*

The Company is subject to assessments by various taxation authorities, which may interpret legislation differently and judgement is required in determining the global tax provision.

*Estimates and assumptions*

The key assumptions concerning the estimation uncertainty that is inherent in forecasting future events at a particular reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company bases its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments 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 NI 43-101 compliant mineral resource 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.

*ii) Deferred tax assets and liabilities*

The determination of the Company's tax expense for the period and deferred tax liabilities involves significant estimation by management. In determining these amounts, management makes estimates of the expected timing of the reversal of deferred tax assets and liabilities.

## **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.

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, we classify 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. 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:** AFS investments are non-derivatives that are either designated in this category or not classified in any of the other categories. AFS 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). AFS investments are classified as non-current, unless the investment matures within 12 months, or management expects to dispose of them within 12 months. Pilot Gold has classified certain of its long-term investments in this category. Interest on AFS investments, calculated using the effective interest method, is recognized in the statement of loss as part of interest income. Dividends on AFS 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 AFS 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', 'Deposits' and 'Cash', and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- (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). Pilot Gold's short term investments are in this category.
- (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, through preparation and management of detailed budgets, 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 C\$. The majority of our mineral property expenditures, including cash calls from our partner on Halılađa are incurred in USD. The fluctuation of the C\$ in relation to the USD and Turkish Lira ("TL") will have an impact on Pilot Gold's financial results.

Further, although only a portion of our expenditures, including General and Administrative costs are incurred in Canadian dollars, we record our assets located in Canada in C\$. As our operating results and financial position are reported in the consolidated financial statements in USD, 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 C\$ compared to the \$.

A 1% increase or decrease in the exchange rate of the USD relative to the C\$ would result in a \$0.02 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 TL remains minimal given the nature, type, and currency of expenditure (USD), 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 TL 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 its cash and short term investments with high credit quality banking institutions in Canada, the USA and Turkey. Credit risk is mitigated on these financial instruments in accordance with the Company's investment policy.

#### *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 by diversifying investments with a number of different highly rated financial institutions. Fluctuations in interest rates when cash and cash equivalents mature impact interest income earned.

### **OUTSTANDING SHARE DATA**

There are 125,904,695 Common Shares and 8,742,500 Warrants issued and outstanding as at September 30, 2016, and 125,918,028 Common Shares and 8,742,500 Warrants issued and outstanding as at the date of this MD&A. An additional 24,035,000 Common Shares and 12,017,500 Warrants will be issued as a consequence of closing the 2016 Bought-Deal, expected to be on or about November 16, 2016.

As at September 30, 2016 there were 7,991,999 Options outstanding issued to directors, officers, employees, and key consultants of the Company. Of the total number of Options granted 4,079,277 are exercisable as at September 30, 2016. As at the date of this MD&A there were 7,978,666 Options outstanding of which 4,065,944 are exercisable.

As at the September 30, 2016, and as at the date of this MD&A there were 330,353 restricted share units outstanding issued pursuant to the RSU plan, of which 31,867 were exercisable, and 408,000 deferred share units outstanding issued pursuant to the DSU plan.

### **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 continuing discussions with Teck and various third-parties to unlock the value and potential of our Turkish business, there are no proposed asset or business acquisitions or dispositions before the Board for consideration. 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.

### **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 as described under the heading "*Risk Factors*" in our AIF, available on Pilot Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com). In particular, there are currently significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development. There are also significant uncertainties relating to the global economy, increased volatility in the prices of gold, copper, other precious and base metals and other minerals, as well as increasing volatility in the foreign currency exchange markets which impact our business and may impact our ability to remain a going concern.

More specifically, while the ongoing volatility in the price of gold and copper and continued uncertainties in capital markets do not have a direct impact on the Company's ability to carry out exploration, the Company may be impacted should it become more difficult to gain access to capital (e.g. debt or equity financing for the purposes of mineral exploration and development) when and if needed, and may need to modify or curtail its exploration and development programs. 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 continued strength of the USD (the currency in which the Company incurs the majority of its operating costs) against the C\$ (the currency in which Pilot Gold has historically raised capital) impacts the rate at which the Company's treasury is consumed.

The specific risks noted in our AIF, those described in our Final Short Form Prospectus, dated November 9, 2016 relating to the 2016 Bought-Deal, the recent political unrest in Turkey, 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 expenditure requirements on our material projects.

## **OTHER RISKS AND UNCERTAINTIES**

The Company's operations are subject to a number of risks and other uncertainties, including risks related to the Company's foreign operations, government, environmental and other regulations and operating costs. Occurrence of various factors and uncertainties of risk cannot be accurately predicted and could cause actual results to differ significantly from our current expectations and result in a material adverse effect on the Company's operations, liquidity, or ultimate profitability. A comprehensive discussion of the Company's risks and uncertainties is set out in our AIF. The reader is directed to carefully review this discussion for a proper understanding of these risks and uncertainties.

### *Political policy risk*

Certain of the Company's material mineral property interests are located in Turkey. As such, these property interests are subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with foreign governments, expropriation of property without fair compensation, adverse determination or rulings by governmental authorities, adverse actions by governmental authorities, changes in policy relating to the extractive industries or in the personnel administering them, nationalization, currency fluctuations and devaluations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, restrictions on foreign investment, potential implementation of exchange controls and royalty and government take increases and other risks arising out of foreign governmental sovereignty, as well as risks of loss due to civil strife, acts of war, guerrilla activities, and insurrections. The Company's property interests may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within the control of the Company including, among other things, adverse legislation in Turkey, any lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific exploration or extraction obligations, and land use requirements over lands administered by the Turkish Ministry of Forestry. The political and security situation in certain areas outside of Turkey is unsettled and volatile. The recent attempted military coup in Turkey also suggests the potential for volatility or varying degrees of civil unrest within the country and within its political and bureaucratic institutions, the result of which is not yet fully known. There remains the potential for further such disturbances, which may adversely affect the Company and its business interests in Turkey.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on our business, financial condition and results of operations. Furthermore, in the event of a dispute arising from our activities, we may be subject to the exclusive jurisdiction of courts or arbitral proceedings outside of North America or may not be successful in subjecting persons to the jurisdiction of courts in North America, either of which could unexpectedly and adversely affect the outcome of a dispute.

## **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.

Pilot Gold's officers certify the design of Pilot Gold's ICFR using the Internal Control – Integrated Framework (2013) issued by The Committee for Sponsoring Organizations of the Treadway Commission. There were no changes to the internal controls over financial reporting that occurred during the nine months ended September 30, 2016 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 September 30, 2016, that the disclosure controls and procedures are effective in providing 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 nine months ended September 30, 2016.

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

## **SUBSEQUENT EVENTS NOT OTHERWISE DESCRIBED HEREIN**

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

## **ADDITIONAL INFORMATION**

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

## **APPROVAL**

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

(signed) "Cal Everett"

Cal Everett

President and Chief Executive Officer

November 9, 2016

(signed) "John Wenger"

John Wenger

Chief Financial Officer and Corporate Secretary

## **SCIENTIFIC AND TECHNICAL DISCLOSURE**

The written disclosure of technical information in the MD&A has been approved by Moira Smith, Ph.D., P.Geo., Pilot Gold Vice-President Exploration and Geoscience, and a Qualified Person ("QP") for the purposes of NI 43-101. Dr. Smith reviewed and validated that the scientific or technical information contained in this MD&A is consistent with that provided by the QPs responsible for the NI 43-101 Technical Reports for the respective projects, and has verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Dr. Smith has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

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

- "*Updated Technical Report and Estimated Mineral Resources for the Kinsley Project, Elko and White Pine Counties, Nevada, USA*", effective October 15, 2015, and dated December 16, 2015 as prepared by Michael M. Gustin, CPG, Moira Smith, Ph.D., P.Geo., and Gary Simmons, B.Sc. MMSA;
- "*Independent Technical Report for the TV Tower Exploration Property, Çanakkale, Western Turkey*", effective January 21, 2014, and dated February 20, 2014, as 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;
- "*Revised Preliminary Economic Assessment Technical Report for the Halilağa Project, Turkey*", effective December 20, 2014 and dated February 16, 2015, as prepared by Gordon Doerksen, P. Eng., Dino Pilotto, P.Eng. and Stacy Freudigmann, P.Eng. of JDS Energy and Mining Inc.; Greg Abrahams, P.Geo and Maritz Rykaart, P.Eng. of SRK; Gary Simmons of GL Simmons Consulting LLC.; Garth Kirkham, P.Geo. of Kirkham Geosystems Ltd.; and James Gray, P.Geo. of Advantage Geoservices Ltd.; and
- "*Technical Report on the Goldstrike Project, Washington County, Utah, U.S.A.*", effective April 1, 2016 and dated October 7, 2016, as prepared by Michael M. Gustin, CPG, Moira Smith, Ph.D., P.Geo.

and news releases (collectively the "**Disclosure Documents**", each prepared by or under the supervision of a QP) 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. 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 are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that which is indicated by drilling results, and the difference may be material. Furthermore, readers are cautioned that the Revised 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 Revised 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 Revised 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 Revised Halilağa PEA are summarized in the AIF.

As to Halilağa, 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, 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 regularly 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, including statements or information concerning, future financial or operating performance of Pilot Gold and its business, operations, properties and condition; the potential quantity, recoverability 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 and the Corporation's anticipated expenditures.

Forward-looking statements and forward-looking information is often, but not always, 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. 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, 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, the anticipated size, timing and closing of the 2016 Bought-Deal; anticipated use of proceeds of the 2016 Bought-Deal; future issuances of Common Shares and Warrants; 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; the timing and likelihood of deployment of additional drill rigs to our projects, successful delivery of results of metallurgical testing, the release of an initial resource report at Goldstrike, the timing and amount of estimated future production, illustrative costs of production and mine life of the various mineral projects of Pilot Gold, the amenability of mineralization to produce a high-grade concentrate at Kinsley (as there can be no assurances as to the results of the metallurgical testing and no inferences should be drawn therefrom), the accuracy of any metallurgical testing completed to date, successful resolution of disputes (if any) and anticipated costs and expenditures, 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; Pilot Gold's ability to fully fund cash-calls made by its joint venture partner for ongoing expenditure at Halilağa; satisfaction of expenditure obligations under 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, and the application thereof in accordance with the rule of law; the timing and possible outcome of regulatory and permitting matters; successful resolution of the challenges to the EIAs described in this MD&A or those that might arise in the future, 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.

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 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, including those relating to internal political or military unrest; fluctuations in and the future price of gold, copper, silver and other metal prices; disruptions or changes in the credit or securities markets and market fluctuations in prices for Pilot Gold's securities; the need to satisfy legal and regulatory requirements with respect to the 2016 Bought-Deal; the timely receipt of regulatory approvals; judgement of management when exercising discretion in their use of proceeds from the 2016 Private Placement and 2016 Bought-Deal; potential dilution of Common Share voting power or earnings per share as a result of the exercise of Options, RSUs, DSUs, or Warrants, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; 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, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, military coups or attempts thereof, insurrection or acts of war or terrorism; expropriation of property without fair compensation; adverse determination or rulings by governmental authorities; adverse actions by governmental authorities; changes in policy relating to the extractive industries or in the personnel administering them; 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; requirements for future funding to satisfy contractual obligations and additional capital needs generally; 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 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.

Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. 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. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

#### ***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.