

**EARLY WARNING REPORT
FILED UNDER NATIONAL INSTRUMENT 62-103**

1. **Name and address of the offeror.**

Pilot Gold Inc.
Suite 1650, 1055 West Hastings Street
Vancouver, British Columbia V6E 2E9

(the “**Offeror**”)

2. **The designation and number or principal amount of securities and the offeror’s securityholding percentage in the class of securities of which the offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file the news release, and whether it was ownership or control that was acquired in those circumstances.**

On July 18, 2012, pursuant to the terms of a termination agreement (the “**Agreement**”) dated July 18, 2012 between the Offeror and Rae-Wallace Mining Company (the “**Company**”), the Offeror acquired 1,985,100 ordinary shares (each an “**Ordinary Share**”) in the capital of the Company.

The Ordinary Shares acquired by the Offeror pursuant to this transaction together with other Ordinary Shares of the Company held by the Offeror represent approximately 15.8% of the total issued and outstanding Ordinary Shares of the Company as of July 18, 2012 (undiluted).

3. **The designation and number or principal amount of securities and the offeror’s securityholding percentage in the class of securities immediately after the transaction or occurrence giving rise to the obligation to file a news release.**

After giving effect to the subscription for ordinary shares outlined in Item 2 above and including the 2,000,000 Ordinary Shares previously purchased by the Offeror, and assuming full exercise of the 1,000,000 ordinary share purchase warrants held by the Offeror and assuming that no other convertible securities of the Company are converted or exchanged, the Offeror would hold 4,985,100 ordinary shares of the Company, representing approximately 19.01% of all issued and outstanding Ordinary Shares of the Company, calculated on a partially diluted basis assuming the exercise of only the Offeror’s ordinary share purchase warrants.

Pursuant to the Agreement, The Offeror will also acquire, upon the closing of a going public transaction which would result in the listing of the Company’s shares on a recognized stock exchange, additional share purchase warrants exercisable for an additional 9.99% of the shares of the Company. At such time, the Offeror would hold 26.11% of the issued and outstanding shares of the Company on a partially diluted basis.

4. **The designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph 3 over which:**

- (i) **the offeror, either alone or together with joint actors, has ownership and control,**

After giving effect to the subscription for ordinary shares outlined in Item 2 above, the Offeror will own 3,985,100 Ordinary Shares, representing approximately 15.8% of the issued and outstanding ordinary shares of the Company and 1,000,000 ordinary share purchase warrants. Pursuant to the Agreement, The Offeror will also acquire, upon the closing of a going public transaction which would result in the listing of the Company's shares on a recognized stock exchange, additional share purchase warrants exercisable for an additional 9.99% of the shares of the Company.

Assuming full exercise of the ordinary share purchase warrants and together with the 3,985,100 Ordinary Shares held by the Offeror, the Offeror will hold approximately 26.11% of the issued and outstanding ordinary shares of the Company, calculated on a partially diluted basis, assuming the exercise of only the Offeror's ordinary share purchase warrants.

- (ii) **the offeror, either alone or together with joint actors, has ownership but control is held by other persons or companies other than the offeror or any joint actor,**

Not applicable.

- (iii) **the offeror, either alone or together with joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

- 5. **The name of the market in which the transaction or occurrence that gave rise to the news release took place.**

Not applicable.

- 6. **The value, in Canadian dollars, of any consideration offered per security if the offeror acquired ownership of a security in the transaction or occurrence giving rise to the obligation to file a news release.**

In consideration for the securities acquired by the Offeror pursuant to the Agreement the Offeror has agreed not to exercise its option to acquire up to a 51% interest in certain mineral properties held by the Company in Peru.

- 7. **The purpose of the offeror and any joint actors in effecting the transaction or occurrence that gave rise to the news release, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer.**

The Ordinary Shares referred to in Item 2 above were acquired for investment purposes and the Offeror may, depending on market and other conditions, increase or decrease its beneficial ownership of Ordinary Shares or other securities of the Company whether in the open market, by privately negotiated agreement or otherwise.

8. **The general nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer, entered into by the offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the news release, including agreements with respect to the acquisition, holding, disposition or voting of any securities.**

The Ordinary Shares were purchased pursuant to the Agreement which provides the Offeror with a participation right for future financings of the Company entitling the Offeror to maintain its pro rata interest in the Company until the closing of a going public transaction which would result in the listing of the Company's shares on a recognized stock exchange.

9. **The names of any joint actors in connection with the disclosure required by this form.**

Not applicable.

10. **In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value in Canadian dollars of the consideration paid by the offeror.**

In consideration for the securities acquired by the Offeror pursuant to the Agreement the Offeror has agreed not to exercise its option to acquire up to a 51% interest in certain mineral properties held by the Company in Peru.

11. **If applicable, a description of any change in any material fact set out in a previous report by the entity under the early warning requirements or Part 4 of National Instrument 62-103 in respect of the reporting issuer's securities.**

Not applicable.

12. **If applicable, a description of the exemption from securities legislation being relied on by the offeror and the facts supporting that reliance.**

Not applicable.

DATED this 20th day of July, 2012.

PILOT GOLD INC.

/s/ "J.Wenger"

Name: John Wenger

Title: Chief Financial Officer