INTERNATIONAL TOWER HILL MINES LTD
Form 10-Q
August 11, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2017
OR
.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-33638

INTERNATIONAL TOWER HILL MINES LTD.

(Exact Name of Registrant as Specified in its Charter)

British Columbia, Canada	**N/A**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2300-1177 West Hastings Street
Vancouver, British Columbia, Canada, V6E 2K3 **V6E 2K3**

(Address of Principal Executive Offices) (Zip code)

Registrant's telephone number, including area code: (604) 683-6332

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company x
(Do not check if a smaller reporting company)

Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of August 7, 2017, the registrant had 162,392,996 Common Shares outstanding.

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CAUTIONARY NOTE TO U.S. INVESTORS REGARDING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES AND PROVEN AND PROBABLE RESERVES

International Tower Hill Mines Ltd. (“we”, “us”, “our,” “ITH” or the “Company”) is a mineral exploration company engaged i the acquisition and exploration of mineral properties. As used in this Quarterly Report on Form 10-Q, the terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101—Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”)—CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in the United States Securities and Exchange Commission (“SEC”) Industry Guide 7 (“SEC Industry Guide 7”). Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves, and the primary environmental analysis or report must be filed with the appropriate governmental authority. In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of a mineral deposit in these categories will ever be converted into reserves.

“Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information contained in this report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

The term “mineralized material” as used in this Quarterly Report on Form 10-Q, although permissible under SEC Industry Guide 7, does not indicate “reserves” by SEC Industry Guide 7 standards. We cannot be certain that any part of the mineralized material will ever be confirmed or converted into SEC Industry Guide 7 compliant “reserves”. Investors are cautioned not to assume that all or any part of the mineralized material will ever be confirmed or converted into reserves or that mineralized material can be economically or legally extracted.

CAUTIONARY NOTE TO ALL INVESTORS CONCERNING ECONOMIC ASSESSMENTS THAT INCLUDE INFERRED RESOURCES

The Company currently holds or has the right to acquire interests in an advanced stage exploration project in Alaska referred to as the Livengood Gold Project (the “Livengood Gold Project” or the “Project”). Mineral resources that are not mineral reserves have no demonstrated economic viability. The preliminary assessments on the Project are preliminary in nature and include “inferred mineral resources” that have a great amount of uncertainty as to their existence, and are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies. There is no certainty that such inferred mineral resources at the Project will ever be realized. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements or information within the meaning of the United States Private Securities Litigation Reform Act of 1995 concerning anticipated results and developments in the operations of the Company in future periods, planned exploration activities, the adequacy of the Company's financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimates," "potential," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" (or the negative and grammatical variations of any of these terms) occur or be achieved. These forward looking statements may include, but are not limited to, statements concerning:

- the Company's future cash requirements, the Company's ability to meet its financial obligations as they come due, and the Company's ability to be able to raise the necessary funds to continue operations on acceptable terms, if at all;
- the potential to improve the block model or production schedule at the Livengood Gold Project,
- the potential for opportunities to improve recovery or further reduce costs at the Livengood Gold Project;
- the Company's ability to potentially include the results of the optimization process in a new or updated feasibility study or any future financial analysis of the Project, and the estimated cost of such optimization process;
- the Company's ability to carry forward and incorporate into future engineering studies of the Project updated mine design, production schedule, and recovery concepts identified during the optimization process;
- the potential for the Company to carry out an engineering phase that will evaluate and optimize the Project configuration and capital and operating expenses, including determining the optimum scale for the Project;
- the Company's strategies and objectives, both generally and specifically in respect of the Livengood Gold Project;
- the Company's belief that there are no known environmental issues that are anticipated to materially impact the Company's ability to conduct mining operations at the Project;
- the potential for the expansion of the estimated resources at the Livengood Gold Project;
- the potential for a production decision concerning, and any production at, the Livengood Gold Project;
- the sequence of decisions regarding the timing and costs of development programs with respect to, and the issuance of the necessary permits and authorizations required for, the Livengood Gold Project;
- the Company's estimates of the quality and quantity of the resources at the Livengood Gold Project;
- the timing and cost of any future exploration programs at the Livengood Gold Project, and the timing of the receipt of results therefrom; and
- future general business and economic conditions, including changes in the price of gold and the overall sentiment of the markets for public equity.

Such forward-looking statements reflect the Company's current views with respect to future events and are subject to certain known and unknown risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- the demand for, and level and volatility of the price of, gold;

- conditions in the financial markets generally, the overall sentiment of the markets for public equity, interest rates and currency rates;
- general business and economic conditions;
- government regulation and proposed legislation (and changes thereto or interpretations thereof);
- defects in title to claims, or the ability to obtain surface rights, either of which could affect the Company's property rights and claims;
- the Company's ability to secure the necessary services and supplies on favorable terms in connection with its programs at the Livengood Gold Project and other activities;
- the Company's ability to attract and retain key staff, particularly in connection with the permitting and development of any mine at the Livengood Gold Project;
- the accuracy of the Company's resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
- the timing of the ability to commence and complete planned work programs at the Livengood Gold Project;
- the timing of the receipt of and the terms of the consents, permits and authorizations necessary to carry out exploration and development programs at the Livengood Gold Project and the Company's ability to comply with such terms on a safe and cost-effective basis;

- the ongoing relations of the Company with the lessors of its property interests and applicable regulatory agencies;
- the metallurgy and recovery characteristics of samples from certain of the Company's mineral properties and whether such characteristics are reflective of the deposit as a whole; and
- the continued development of and potential construction of any mine at the Livengood Gold Project property not requiring consents, approvals, authorizations or permits that are materially different from those identified by the Company.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including without limitation those discussed in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2016, which are incorporated herein by reference, as well as other factors described elsewhere in this report and the Company's other reports filed with the SEC.

The Company's forward-looking statements contained in this Quarterly Report on Form 10-Q are based on the beliefs, expectations and opinions of management as of the date of this report. The Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

PART 1

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

As at June 30, 2017 and December 31, 2016

(Expressed in US Dollars - Unaudited)

	Note	June 30, 2017	**December 31, 2016**
ASSETS			
Current			
Cash and cash equivalents		$4,521,972	$22,466,493
Prepaid expenses and other		350,079	206,221
Total current assets		4,872,051	22,672,714
Property and equipment		22,803	24,800
Capitalized acquisition costs	4	55,204,041	55,204,041
Total assets		$60,098,895	$77,901,555
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		$22,950	$179,496
Accrued liabilities	5	244,308	210,182
Derivative liability	6	-	14,694,169
Total liabilities		267,258	15,083,847
Shareholders' equity			
Share capital, no par value; authorized 500,000,000 shares; 162,186,972 shares issued and outstanding at December 31, 2016 and June 30, 2017	7	265,524,796	265,569,796

Contributed surplus	7	34,092,428	34,079,301
Obligation to issue shares	7	99,492	-
Accumulated other comprehensive income		1,596,152	1,344,219
Deficit		(241,481,231)	(238,175,608)
Total shareholders' equity		59,831,637	62,817,708
Total liabilities and shareholders' equity		$60,098,895	$77,901,555

General Information and Nature of Operations (Note 1)

Commitments (Note 9)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Three and Six Months Ended June 30, 2017 and 2016

(Expressed in US Dollars - Unaudited)

		Three Months Ended		Six Months Ended	
	Note	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Operating expenses					
Consulting fees		$74,080	$63,497	$146,775	$136,687
Depreciation		998	1,325	1,997	2,640
Insurance		68,738	69,457	134,733	131,206
Investor relations		34,751	28,429	63,248	49,387
Mineral property exploration	4	668,389	1,179,662	1,379,505	1,976,167
Office		13,008	12,622	21,149	20,459
Other		5,411	5,545	9,948	10,021
Professional fees		64,899	49,116	115,118	91,950
Regulatory		17,397	21,236	74,696	57,974
Rent		35,445	35,374	70,794	70,735
Travel		16,278	19,435	47,731	38,648
Wages and benefits		579,570	521,925	1,035,984	1,092,163
Total operating expenses		(1,578,964)	(2,007,623)	(3,101,678)	(3,678,037)
Other income (expenses)					
Loss/(gain) on foreign exchange		(78,001)	2,098	(244,125)	(121,764)
Interest income		7,119	5,335	17,980	12,155
Unrealized loss on derivative	6	-	(100,000)	-	(800,000)
Other income		22,200	31,340	22,200	31,340
Total other income (expenses)		(48,682)	(61,227)	(203,945)	(878,269)
Net loss for the period		(1,627,646)	(2,068,850)	(3,305,623)	(4,556,306)
Other comprehensive income (loss)					
Unrealized gain/(loss) on marketable securities		(6,349)	11,224	(4,385)	10,751
Exchange difference on translating foreign operations		91,303	(3,225)	256,318	296,258
Total other comprehensive income (loss) for the period		84,954	7,999	251,933	307,009
Comprehensive loss for the period		$(1,542,692)	$(2,060,851)	$(3,053,690)	$(4,249,297)
Basic and diluted loss per share		$(0.01)	$(0.02)	$(0.02)	$(0.04)

Weighted average number of shares outstanding – basic and diluted	162,186,972	116,313,638	162,186,972	116,313,618

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Six Months Ended June 30, 2017 and 2016

(Expressed in US Dollars - Unaudited)

	Number of shares	Share capital	Contributed surplus	Obligation to issue shares	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2015	116,313,638	$243,692,185	$33,979,717	-	$816,435	$(230,984,980)	$47,503,357
Stock-based compensation	-	-	76,295	-	-	-	76,295
Unrealized gain on available-for-sale securities	-	-	-	-	10,751	-	10,751
Exchange difference on translating foreign operations	-	-	-	-	296,258	-	296,258
Net loss	-	-	-	-	-	(4,556,306)	(4,556,306)
Balance, June 30, 2016	116,313,638	243,692,185	34,056,012	-	1,123,444	(235,541,286)	43,330,355
Private placement	45,833,334	22,000,000	-	-	-	-	22,000,000
Share issuance costs	-	(146,735)	-	-	-	-	(146,735)
Stock-based compensation	-	-	32,231	-	-	-	32,231
Unrealized loss on available-for-sale securities	-	-	-	-	(21,545)	-	(21,545)
Exchange difference on translating foreign operations	-	-	-	-	242,320	-	242,320
Exercise of options	40,000	15,404	-	-	-	-	15,404

Reallocation from contributed surplus	-	8,942	(8,942)	-	-	-	-
Net loss	-	-	-	-	-	(2,634,322)	(2,634,322)
Balance, December 31, 2016	162,186,972	265,569,796	34,079,301	-	1,344,219	(238,175,608)	62,817,708
Share issuance costs	-	(45,000)	-	-	-	-	(45,000)
Stock-based compensation	-	-	13,127	-	-	-	13,127
Obligation to issue shares	-	-	-	99,492	-	-	99,492
Unrealized loss on available-for-sale securities	-	-	-	-	(4,385)	-	(4,385)
Exchange difference on translating foreign operations	-	-	-	-	256,318	-	256,318
Net loss	-	-	-	-	-	(3,305,623)	(3,305,623)
Balance, June 30, 2017	162,186,972	$265,524,796	$34,092,428	$99,492	$1,596,152	$(241,481,231)	$59,831,637

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2017 and 2016

(Expressed in US Dollars - Unaudited)

	Six Months Ended	
	June 30, 2017	June 30, 2016
Operating Activities		
Loss for the period	$(3,305,623)	$(4,556,306)
Add items not affecting cash:		
Depreciation	1,997	2,640
Stock-based compensation	13,127	76,295
Obligation to issue shares	99,492	-
Unrealized loss on derivative liability	-	800,000
Changes in non-cash items:		
Prepaid expenses and other	(148,207)	(157,513)
Accounts payable and accrued liabilities	(124,900)	(60,995)
Cash used in operating activities	(3,464,114)	(3,895,879)
Financing Activities		
Derivative payment	(14,694,169)	-
Share issuance costs	(45,000)	-
Cash used in financing activities	(14,739,169)	-
Effect of foreign exchange on cash	258,762	290,864
Decrease in cash and cash equivalents	(17,944,521)	(3,605,015)
Cash and cash equivalents, beginning of the period	22,466,493	6,493,486
Cash and cash equivalents, end of the period	$4,521,972	$2,888,471

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Six Months Ended June 30, 2017 and 2016

(Expressed in US dollars – Unaudited)

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

International Tower Hill Mines Ltd. (“ITH” or the "Company") is incorporated under the laws of British Columbia, Canada. The Company’s head office address is 2300-1177 West Hastings Street, Vancouver, British Columbia, Canada.

International Tower Hill Mines Ltd. consists of ITH and its wholly owned subsidiaries Tower Hill Mines, Inc. (“TH Alaska”) (an Alaska corporation), Tower Hill Mines (US) LLC (“TH US”) (a Colorado limited liability company), Livengood Placers, Inc. (“LPI”) (a Nevada corporation), and 813034 Alberta Ltd. (an Alberta corporation). The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At June 30, 2017, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A.

These unaudited condensed consolidated interim financial statements have been prepared on a going-concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

As at June 30, 2017, the Company had cash and cash equivalents of $4,521,972 compared to $22,466,493 at December 31, 2016. The Company has no revenue generating operations from which it can internally generate funds. On January 12, 2017, the Company paid $14,694,169 for the timely and full satisfaction of the final derivative payment due with respect to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project.

The Company will require significant additional financing to continue its operations in connection with advancing activities at the Livengood Gold Project and for the development of any mine that may be determined to be built at the Livengood Gold Project. In addition, any significant delays in the issuance of required permits for the ongoing work at

the Livengood Gold Project, or unexpected results in connection with the ongoing work, could result in the Company being required to raise additional funds to advance permitting efforts. The Company's review of its financing options includes pursuing a future strategic alliance to assist in further development, permitting and future construction costs.

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. The amount of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Due to this uncertainty, if the Company is unable to secure additional financing, it may be required to reduce all discretionary activities at the Project to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2017 fiscal year.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 as filed in our Annual Report on Form 10-K. In the opinion of the Company's management these financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's financial position at June 30, 2017 and the results of its operations for the six months then ended. Operating results for the six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The 2016 year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Six Months Ended June 30, 2017 and 2016

(Expressed in US dollars – Unaudited)

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. These judgments, estimates and assumptions are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. While management believes the estimates to be reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

On August 10, 2017, the Board approved these condensed consolidated interim financial statements.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of ITH and its wholly owned subsidiaries TH Alaska, TH US, LPI and 813034 Alberta Ltd. All intercompany transactions and balances have been eliminated.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable (included in prepaid expenses and other) and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the significance of the inputs used in making the measurement. The three levels of the fair value hierarchy are as

follows:

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

	Fair value as at June 30, 2017	
	Level 1	Level 2
Financial assets:		
Marketable securities	$ 19,034	$ -
Total	$ 19,034	$ -

	Fair value as at December 31, 2016	
	Level 1	Level 2
Financial assets:		
Marketable securities	$ 22,754	$ -
Total	$ 22,754	$ -
Financial liabilities:		
Derivative liability (Note 6)	$ -	$ 14,694,169
Total	$ -	$ 14,694,169

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Six Months Ended June 30, 2017 and 2016

(Expressed in US dollars – Unaudited)

4. CAPITALIZED ACQUISITION COSTS

The Company had the following activity related to capitalized acquisition costs:

Capitalized acquisition costs	Amount
Balance, December 31, 2016	$55,204,041
Acquisition costs	-
Balance, June 30, 2017	$55,204,041

The following table presents costs incurred for exploration and evaluation activities for the six months ended June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Exploration costs:		
Aircraft services	$ 4,050	$ 4,050
Assay	412,811	-
Environmental	106,905	142,499
Equipment rental	23,875	21,586
Field costs	68,128	70,357
Geological/geophysical	307,023	1,293,989
Land maintenance & tenure	415,305	412,716
Legal	37,272	28,845
Transportation and travel	4,136	2,125
Total expenditures for the period	$ 1,379,505	$ 1,976,167

Livengood Gold Project Property

The Livengood property is located in the Tintina gold belt approximately 113 kilometers (70 miles) northwest of Fairbanks, Alaska. The property consists of land leased from the Alaska Mental Health Trust, a number of smaller private mineral leases, Alaska state mining claims purchased or located by the Company and patented ground held by the Company.

Details of the leases are as follows:

a) a lease of the Alaska Mental Health Trust mineral rights having a term beginning July 1, 2004 and extending 19 years until June 30, 2023, subject to further extensions beyond June 30, 2023 by either commercial production or payment of an advance minimum royalty equal to 125% of the amount paid in year 19 and diligent pursuit of development. The lease requires minimum work expenditures and advance minimum royalties (all of which minimum royalties are recoverable from production royalties) which escalate annually with inflation. A net smelter return ("NSR") production royalty of between 2.5% and 5.0% (depending upon the price of gold) is payable to the lessor with respect to the lands subject to this lease. In addition, an NSR production royalty of 1% is payable to the lessor with respect to the unpatented federal mining claims subject to the lease described in b) below and an NSR production royalty of between 0.5% and 1.0% (depending upon the price of gold) is payable to the lessor with respect to the lands acquired by the Company as a result of the purchase of Livengood Placers, Inc. in December 2011. During the six months ended June 30, 2017 and from the inception of this lease the Company has paid $329,722 and $2,632,388, respectively.

b) a lease of federal unpatented lode mining claims having an initial term of ten years commencing on April 21, 2003 and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of $50,000 on or before each anniversary date (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of between 2% and 3% (depending on the price of gold) is payable to the lessors. The Company may purchase 1% of the royalty for $1,000,000. During the six months ended June 30, 2017 and from the inception of this lease the Company has paid $50,000 and $680,000, respectively.

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c) a lease of patented lode mining claims having an initial term of ten years commencing January 18, 2007, and continuing for so long thereafter as advance minimum royalties are paid. The lease requires an advance minimum royalty of $20,000 on or before each anniversary date through January 18, 2017 and $25,000 on or before each subsequent anniversary (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of 3% is payable to the lessors. The Company may purchase all interests of the lessors in the leased property (including the production royalty) for $1,000,000 (less all minimum and production royalties paid to the date of purchase), of which $500,000 is payable in cash over four years following the closing of the purchase and the balance of $500,000 is payable by way of the 3% NSR production royalty. During the six months ended June 30, 2017 and from the inception of this lease the Company has paid $20,000 and $185,000, respectively.

d) a lease of unpatented federal lode mining and federal unpatented placer claims having an initial term of ten years commencing on March 28, 2007, and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of $15,000 on or before each anniversary date (all of which minimum royalties are recoverable from production royalties). The Company is required to pay the lessor the sum of $250,000 upon making a positive production decision, payable $125,000 within 120 days of the decision and $125,000 within a year of the decision (all of which are recoverable from production royalties). An NSR production royalty of 2% is payable to the lessor. The Company may purchase all of the interest of the lessor in the leased property (including the production royalty) for $1,000,000. During the six months ended June 30, 2017 and from the inception of this lease the Company has paid $15,000 and $128,000, respectively.

Title to mineral properties

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps to verify title to mineral properties in which it has an interest. Although the Company has taken every reasonable precaution to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

5. ACCRUED LIABILITIES

The following table presents the accrued liabilities balances at June 30, 2017 and December 31, 2016.

	June 30, 2017	December 31, 2016
Accrued liabilities	$170,149	$ 41,682
Accrued salaries and benefits	74,159	168,500
Total accrued liabilities	$244,308	$ 210,182

Accrued liabilities at June 30, 2017 include accruals for general corporate costs and project costs of $29,506 and $140,643, respectively. Accrued liabilities at December 31, 2016 include accruals for general corporate costs and project costs of $13,406 and $28,276, respectively.

6. DERIVATIVE LIABILITY

During 2011, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The aggregate consideration for the claims and rights was $13,500,000 in cash plus an additional payment based on the five-year average daily gold price (“Average Gold Price”) from the date of the acquisition (“Additional Payment”). The Additional Payment equaled $23,148 for every dollar that the Average Gold Price exceeded $720 per troy ounce. If the Average Gold Price were less than $720, there would not have been any additional consideration due.

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At initial recognition on December 13, 2011 the derivative liability was valued at $23,100,000. As at December 12, 2016, the five-year average daily gold price was $1,354.79 resulting in a derivative liability of $14,694,169. The obligation to make the contingent payment was secured by a Deed of Trust over the rights of the Company in the purchased claims in favor of the vendors. On January 12, 2017, the Company paid $14,694,169 for the timely and full satisfaction of the final derivative payment.

7.SHARE CAPITAL

Authorized

500,000,000 Common Shares without par value. At December 31, 2016 and June 30, 2017 there were 162,186,972 shares issued and outstanding.

Share issuances

There were no share issuances during the six months ended June 30, 2017. On December 28, 2016, the Company closed a non-brokered private placement financing of 45,833,334 Common Shares at a price of $0.48 per share for gross proceeds of $22.0 million.

Obligation to issue shares

On May 24, 2017, the shareholders approved the issuance of Common Shares to the previous CEO for services rendered as CEO. On May 24, 2017, the Company recorded an obligation to issue 206,024 Common Shares valued at $99,492 (CAD $133,916). On July 13, 2017, the Company issued 206,024 Common Shares in full satisfaction of the obligation.

Deferred Share Unit Incentive Plan

On May 24, 2017 at the Company's Annual General Meeting of Shareholders, a Deferred Share Unit Incentive Plan ("DSU Plan") was approved.

As at June 30, 2017, the maximum aggregate number of Common Shares that could be issued under the DSU Plan and the 2006 Plan (as defined below) was 16,218,697, representing 10% of the number of issued and outstanding Common Shares on that date (on a non-diluted basis). As at June 30, 2017, the Company had stock options to potentially acquire 5,940,000 Common Shares outstanding under the 2006 Plan (representing approximately 3.66% of the outstanding Common Shares), leaving up to 10,278,697 Common Shares available for future grants under the DSU Plan and under the 2006 Plan (combined) based on the number of outstanding Common Shares as at that date on a non-diluted basis (representing an aggregate of approximately 6.34% of the outstanding Common Shares).

Stock options

The Company adopted an incentive stock option plan in 2006, as amended September 19, 2012 and reapproved on May 28, 2015 at the Company's Annual General Meeting (the "2006 Plan"). The essential elements of the 2006 Plan provide that the aggregate number of Common Shares of the Company's capital stock that may be made issuable pursuant to options granted under the 2006 Plan, together with shares under the DSU Plan, may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the 2006 Plan will have a maximum term of ten years. The exercise price of options granted under the 2006 Plan shall be fixed in compliance with the applicable provisions of the TSX Company Manual in force at the time of grant and, in any event, shall not be less than the closing price of the Company's Common Shares on the TSX on the trading day immediately preceding the day on which the option is granted, or such other price as may be agreed to by the Company and accepted by the Toronto Stock Exchange. Options granted under the 2006 Plan vest immediately, unless otherwise determined by the directors at the date of grant.

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During the six month period ended June 30, 2017, there were no incentive stock options granted by the Company.

A summary of the status of the stock option plan as of June 30, 2017 and December 31, 2016 and changes is presented below:

	Six Months Ended June 30, 2017			Year Ended December 31, 2016		
	Number of Options	Weighted Average Exercise Price (C$)	Aggregate Intrinsic Value	Number of Options	Weighted Average Exercise Price (C$)	Aggregate Intrinsic Value
Balance, beginning of the period	6,026,200	$ 1.61	$ 183,930	6,066,200	$ 1.60	$ Nil
Exercised	-	-	-	(40,000)	0.50	29,600
Forfeited	(86,200)	1.46	4,368	-	-	-
Balance, end of the period	5,940,000	$ 1.61	$ 78,840	6,026,200	$ 1.61	$ 183,930

Stock options outstanding are as follows:

	June 30, 2017			December 31, 2016		
Expiry Date	Exercise Price (C$)	Number of Options	Exercisable	Exercise Price (C$)	Number of Options	Exercisable
August 24, 2017	$3.17	1,650,000	1,650,000	$3.17	1,675,000	1,675,000
March 14, 2018	$2.18	313,000	313,000	$2.18	319,000	319,000
February 25, 2022	$1.11	1,030,000	1,030,000	$1.11	1,030,000	1,030,000
February 25, 2022	$0.73	570,000	570,000	$0.73	594,000	594,000
March 10, 2022	$1.11	430,000	430,000	$1.11	430,000	430,000

March 16, 2023	$1.00	1,260,000	1,260,000	$1.00	1,260,000	839,999
March 16, 2023	$0.50	657,000	657,000	$0.50	688,200	445,466
June 9, 2023	$1.00	30,000	30,000	$1.00	30,000	20,000
		5,940,000	5,940,000		6,026,200	5,353,465

A summary of the non-vested options as of June 30, 2017 and changes during the six months ended June 30, 2017 is as follows:

Non-vested options:	Number of options	Weighted average grant-date fair value (C$)
Outstanding at December 31, 2016	672,735	$ 0.25
Vested	(672,735)	$ 0.25
Outstanding at June 30, 2017	-	-

At June 30, 2017 there was no unrecognized compensation expense related to non-vested options outstanding.

Share-based payments

During the six month period ended June 30, 2017, there were no incentive stock options granted by the Company. Share-based payment charges for the six months ended June 30, 2017 totaled $13,127.

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During the six month period ended June 30, 2016, there were no incentive stock options granted by the Company. Share-based payment charges for the six months ended June 30, 2016 totaled $76,295.

The following weighted average assumptions were used for the Black-Scholes option pricing model calculations:

	YTD December 31, 2015	
Expected life of options	6 years	
Risk-free interest rate	0.97	%
Annualized volatility	80.60	%
Dividend rate	0.00	%
Exercise price (C$)	$ 0.80	

The expected volatility used in the Black-Scholes option pricing model is based on the historical volatility of the Company’s shares.

8. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in a single reportable segment, being the exploration and development of mineral properties. The following tables present selected financial information by geographic location:

	Canada	United States	Total
June 30, 2017			
Capitalized acquisition costs	$-	$55,204,041	$55,204,041
Property and equipment	8,729	14,074	22,803

Current assets	4,269,502	602,549	4,872,051
Total assets	$4,278,231	$55,820,664	$60,098,895
December 31, 2016			
Capitalized acquisition costs	$-	$55,204,041	$55,204,041
Property and equipment	8,944	15,856	24,800
Current assets	22,289,678	383,036	22,672,714
Total assets	$22,298,622	$55,602,933	$77,901,555

Three months ended	June 30, 2017	June 30, 2016
Net loss for the period – Canada	$ (333,167)	$ (248,679)
Net loss for the period - United States	(1,294,479)	(1,820,171)
Net loss for the period	$ (1,627,646)	$ (2,068,850)

Six months ended	June 30, 2017	June 30, 2016
Net loss for the period – Canada	$ (762,987)	$ (638,607)
Net loss for the period - United States	(2,542,636)	(3,917,699)
Net loss for the period	$ (3,305,623)	$ (4,556,306)

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9. COMMITMENTS

The following table discloses, as of June 30, 2017, the Company's contractual obligations including anticipated mineral property payments. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interests in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditure, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but does not exercise any lease purchase or royalty buyout options:

	Payments Due by Year						
	2017	2018	2019	2020	2021	2022 and beyond	Total
Mineral Property Leases[1]	$-	$424,668	$429,688	$434,783	$439,955	$445,204	$2,174,298
Mining Claim Government Fees	114,925	114,925	114,925	114,925	114,925	114,925	689,550
Total	$114,925	$539,593	$544,613	$549,708	$554,880	$560,129	$2,863,848

1. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the level of work that will actually be carried out by the Company. Does not include potential royalties that may be payable (other than annual minimum royalty payments). See Note 4.

10. RELATED PARTY TRANSACTIONS

In December 2011, in accordance with a Stock and Asset Purchase Agreement (the "Agreement") between the Company, Alaska/Nevada Gold Mines, Ltd. ("AN Gold Mines") and the Heflinger Group, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The Company's derivative liability, as described in Note 6 above, represented the remaining consideration for the

purchase of these claims and related rights and was paid in January 2017. Under the Agreement, the payment was made 70% to AN Gold Mines and 30% to the Heflinger Group.

Mr. Hanneman was appointed Chief Operating Officer of the Company on March 26, 2015 and subsequently appointed Chief Executive Officer of the Company effective January 31, 2017. Mr. Hanneman is a partner of the general partner, as well as a limited partner, of AN Gold Mines and holds an 11.9% net interest in AN Gold Mines.

In December 2016, the Company closed a non-brokered private placement financing through the issuance of 32,429,842 shares to Paulson & Co. Inc., 9,041,554 shares to Tocqueville Asset Management, L.P., and 4,361,938 shares to AngloGold Ashanti (U.S.A.) Exploration Inc. at a price of $ 0.48 per share. As at December 31, 2016, Paulson, Tocqueville, and AngloGold beneficially own approximately 34.2%, 19.4%, and 9.5% respectively of the Company's 162,186,972 Common Shares.

In May 2017, the Company recognized an obligation to issue 206,024 Common Shares to the Company’s previous CEO, Tom Irwin, with a value of $99,492. See Note 7.

At June 30, 2017, accounts payable and accrued liabilities included related party costs of $8,250 and $6,229, respectively

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016. All currency amounts are stated in US dollars unless noted otherwise.

Current Business Activities

General

During the six months ended June 30, 2017 and to the date of this Quarterly Report on Form 10-Q, the Company progressed on a number of opportunities with the potential for optimization and reducing the costs of building and operating a mine at the Project.

Livengood Gold Project – NI 43-101 Report of 2016 Pre-feasibility Study Results

The Company announced the results of a Pre-feasibility Study ("2016 PFS") on September 8, 2016. On October 24, 2016, the Company filed a technical report on SEDAR entitled "NI 43-101 Technical Report Pre-feasibility Study of the Livengood Gold Project, Livengood, Alaska, USA" dated October 24, 2016 ("October Report") that summarized the results of the 2016 PFS on the Livengood Gold Project.

During the first quarter, it was determined that the calculation of All In Sustaining Costs for the Livengood Project ("AISC"), as contained in Table 22-2 on page 22-6 of the October Report, was incorrect as it included, contrary to World Gold Council guidance, both initial capital costs and mining and income taxes in the AISC calculation. The Company issued a news release on March 8, 2017 advising that as a result of the restatement, the AISC for the Livengood Gold Project (the "Project") located near Fairbanks, Alaska, is projected to be $976/oz. Subsequently, on April 10, 2017, the Company filed an updated technical report on SEDAR entitled "NI 43-101 Technical Report Pre-feasibility Study of the Livengood Gold Project, Livengood, Alaska, USA" dated March 8, 2017 and signed April 10, 2017 ("April Report") reflecting the following changes:

1. The AISC calculation has been corrected to be in accordance with World Gold Council guidance, and a corrected Table 22-2 has been included. The corrected AISC number has also been included in Table 1-11 on page 1-24. Where appropriate, text changes have been made to reflect the correct numbers now shown in the tables.

2. On January 12, 2017, the Company paid USD $14.7 million for the timely and full satisfaction of the final derivative payment due with respect to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Project and the Company is now in full ownership and has no further liability with respect to this acquisition. The disclosure regarding the Livengood Property Description and Location in section 4.1.7, pages 4-5 and 4-6, has been updated accordingly.

Management Changes

On January 26, 2017, the ITH Board approved a management transition plan, which was implemented on January 31, 2017, in which Karl Hanneman, previously the Chief Operating Officer (COO), became the Chief Executive Officer (CEO), managing both the CEO and COO responsibilities, and Tom Irwin, the previous CEO, transitioned into a part-time position of Senior Advisor prior to his being considered for nomination to the Board at the Company's May 2017 Annual General Meeting (AGM). On May 24, 2017, the shareholders elected Tom Irwin as a director of the Company.

Issuance of Common Shares

On January 1, 2014, Thomas Irwin was appointed as the Chief Executive Officer of the Company. Prior to that he was the Vice President of the Company from August 2012 to December 2013, and was Alaska General Manager from January 2012 to August 2012. Mr. Irwin originally joined the Company as the Livengood Project Construction Manager in March 2011. During his tenure at the Company, Mr. Irwin assumed greater and greater responsibility for the progress of the Livengood Project, and, as CEO, successfully spearheaded the completion of the initial stage of the optimization process that produced the Company's 2016 PFS. In addition, Mr. Irwin successfully negotiated and closed two significant financings allowing the Company to continue the optimization work at Livengood and to retire the outstanding derivative payment which resulted in the Company securing a strategic land package at the Livengood Project.

During Mr. Irwin's tenure as CEO, his employment contract provided for a target bonus equal to 100% of his annual base salary. However, as a consequence of the Company's cash position in a down market, and the desire to fully fund the optimization studies on the Livengood Project, Mr. Irwin was, based on his recommendation, not awarded a bonus for any of the fiscal years during which he served as Chief Executive Officer.

Upon his transition to Senior Adviser on January 31, 2017, the Compensation Committee approved, and the Board voted to award to Mr. Irwin, subject to shareholder and regulatory approval, a one-time payment of $175,000, to be settled in Common Shares, in recognition of the exemplary efforts of Mr. Irwin on behalf of the Company during his tenure as CEO. Based on the USD-CAD exchange rate (USD 1.00 = CAD 1.3030), and the 5-day volume weighted average price of the Common Shares on the TSX (CAD 0.859), both as at January 31, 2017, the number of Common Shares to be issued to Mr. Irwin is 265,454 (less the number of Common Shares equivalent to any amounts required to be withheld under statutory withholding requirements). The 265,454 Common Shares represent 0.16% of the currently outstanding Common Shares. Mr. Irwin also received a monthly payment of $5,000 in his position as Senior Advisor.

Because the issuance to Mr. Irwin is (a) a security-based compensation arrangement, (b) to an insider and (c) not pursuant to a security based compensation arrangement previously approved by the shareholders of the Company, the TSX and the NYSE-MKT both require that such issuance be subject to shareholder approval. At the Company's 2017 Annual General Meeting of Shareholders held in Vancouver, B.C. on May 24, 2017, the shareholders approved the proposed issuance of Common Shares to Mr. Irwin as a one-time payment associated with his transition to Senior Advisor.

Subsequent to shareholder approval of the one-time payment on May 24, 2017, the Company recognized an obligation to issue 206,024 shares with a value of $99,492 based on the USD-CAD exchange rate (USD 1.00 = CAD 1.3460) and the closing price of the Common Shares on the TSX (CAD 0.650), both as at May 24, 2017. On July 13, 2017, a certificate for 206,024 Common Shares was issued to Mr. Irwin.

Deferred Share Unit Incentive Plan

On April 4, 2017, the Company adopted a Deferred Share Unit Plan (the "DSU Plan"). On May 24, 2017, at the Company's Annual General Meeting of Shareholders, the DSU Plan was approved.

The purpose of the DSU Plan is to allow the Company to grant deferred share units ("DSUs"), each of which is a unit that is equivalent in value to a Common Share, to directors, officers and employees of the Company or a subsidiary of the Company ("Eligible Persons") in recognition of their contributions and to provide for an incentive for their continuing relationship with the Company. The granting of such DSUs is intended to promote a greater alignment of

the interests of Eligible Persons with the interests of shareholders.

As at June 30, 2017, the maximum aggregate number of Common Shares that could be issued under the DSU Plan and the 2006 Plan was 16,218,697, representing 10% of the number of issued and outstanding Common Shares on that date (on a non-diluted basis). As at June 30, 2017, the Company had stock options to potentially acquire 5,940,000 Common Shares outstanding under the 2006 Plan (representing approximately 3.66% of the outstanding Common Shares), leaving up to 10,278,697 Common Shares available for future grants under the DSU Plan and under the 2006 Plan (combined) based on the number of outstanding Common Shares as at that date on a non-diluted basis (representing an aggregate of approximately 6.34% of the outstanding Common Shares).

Other Developments

On January 12, 2017, the Company paid $14.7 million for the timely and full satisfaction of the final derivative payment due with respect to acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project. On January 17, 2017, the Full Deed of Reconveyance releasing the Deed of Trust on the acquired property was recorded and the Company now fully owns this property and has no further liability with respect to this acquisition.

In connection with the Company's $22.0 million private placement completed on December 28, 2016, the Toronto Stock Exchange (the "TSX") commenced a de-listing review with respect to the Company. On April 7, 2017, the TSX issued a bulletin confirming that it had completed its review and that the Company meets the TSX's continuous listing requirements.

Next Steps and Opportunities

2017 Work Program

On January 23, 2017 the Board approved a 2017 budget of $6.3 million. The work program incorporated in this budget will seek to build upon the Project improvements announced with the 2016 PFS, focusing on improving the mineralization and alteration models used to support the resource block model, evaluating alternative block models for production schedule opportunities, and completion of several phases of metallurgical work to better define and optimize the flowsheet and recovery parameters. The 2017 work program has been specifically designed to target those aspects of the Project that could deliver the highest NPV increase for the least engineering expenditure. Preliminary work in 2016 on the block model and metallurgical recovery variability indicates a potential NPV benefit of up to $280 million and $100 million respectively.

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However, the Company cautions that, until this multi-phase metallurgical program and the updated block model are completed and the results thereof are incorporated into a revised financial model, there can be no assurance that the overall recovery increases, potential process optimizations, or block model improvements, will, in fact, be realized, or that any such increases, optimizations or improvements will have the overall effect suggested above.

During the quarter, work progressed on schedule on the 2017 program. New multi-element assay data from approximately 20,000 pulps have been incorporated into the project geologic model. Consultants are progressing on alternative block models and support for refinement of the project multiple indicator kriging (MIK) resource model. SGS Vancouver is proceeding with metallurgical work. The engineering firm of BBA Inc., who provided support for the 2016 PFS, is engaged to provide oversight on the 2017 program.

The Company has sufficient funds to complete the test programs and engineering work underway.

Results of Operations

Summary of Quarterly Results

Description	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Net loss	$ (1,627,646)	$ (1,677,977)	$ (1,109,733)	$ (1,524,589)
Basic and diluted net loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Net loss	$ (2,068,850)	$ (2,487,456)	$ (1,119,972)	$ (1,007,489)
Basic and diluted net loss per common share	$ (0.02)	$ (0.02)	$ (0.01)	$ (0.01)

Three Months Ended June 30, 2017 compared to Three Months Ended June 30, 2016

The Company incurred a net loss of $1,627,646 for the three month period ended June 30, 2017, compared to a net loss of $2,068,850 for the three month period ended June 30, 2016.

Mineral property expenditures decreased $511,273 to $668,389 for the three months ended June 30, 2017 from $1,179,662 for the three months ended June 30, 2016 due to the differences in the scope of technical work completed during the periods.

Consulting fees were $74,080 for the three month period ended June 30, 2017 compared to $63,497 for the three month period ended June 30, 2016. The increase of $10,583 is due primarily to increased media support services.

Professional fees were $64,899 for the three month period ended June 30, 2017, compared to $49,116 for the three month period ended June 30, 2016. The increase of $15,783 is due primarily to legal fees related to further work in connection with property matters.

Excluding share-based payment charges of $Nil and $11,051, respectively, wages and benefits for the three months ended June 30, 2017 increased $68,696 to $579,570 from $510,874 for the three months ended June 30, 2016 primarily due to the previous CEO stock issuance and severance for one staff reduction partially offset by lower payroll costs related to staffing changes.

Share-based payment charges

Share-based payment charges for the three month periods ended June 30, 2017 and 2016 were allocated as follows:

Expense category:	June 30, 2017	June 30, 2016
Consulting	$ 168	$ 3,588
Investor relations	-	1,005
Wages and benefits	-	11,051
	$ 168	$ 15,644

Share-based payment charges were $168 during the three months ended June 30, 2017 compared to $15,644 during the three months ended June 30, 2016. The decrease of $15,476 in share-based payment charges during the period was mainly the result of options granted becoming fully expensed.

Most other expense categories reflected moderate increases or decreases period over period reflecting the Company's efforts to maintain or reduce spending.

Other items amounted to a loss of $48,682 during the three month period ended June 30, 2017 compared to a loss of $61,227 during the three month period ended June 30, 2016. On January 12, 2017, the Company paid the final derivative payment due so there was no total other gain or loss for the three month period ended June 30, 2017 compared to the unrealized loss on the revaluation of the derivative liability of $100,000 caused by the increase in the price per ounce of gold during the three month period ended June 30, 2016. The Company had a foreign exchange loss of $78,001 during the three month period ended June 30, 2017 compared to a gain of $2,098 during the three month period ended June 30, 2016 as a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances. The average exchange rate during the three month period ended June 30, 2017 was C$1 to US$0.7437 compared to C$1 to US$0.7761 for the three month period ended June 30, 2016.

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

The Company incurred a net loss of $3,305,623 for the six month period ended June 30, 2017, compared to a net loss of $4,556,306 for the six month period ended June 30, 2016.

Mineral property expenditures decreased $596,662 to $1,379,505 for the six months ended June 30, 2017 from $1,976,167 for the six months ended June 30, 2016 due to the differences in the scope of technical work completed during the periods.

Consulting fees were $146,775 for the six month period ended June 30, 2017 compared to $136,687 for the six month period ended June 30, 2016. The increase of $10,088 is due primarily to increased media support services.

Professional fees were $115,118 for the six month period ended June 30, 2017, compared to $91,950 for the six month period ended June 30, 2016. The increase of $23,168 is due primarily to increased legal fees related to further work in connection with property matters.

Regulatory costs were $74,696 for the six months ended June 30, 2017 compared to $57,974 for the six months ended June 30, 2016. The increase of $16,722 is primarily due to higher market listing fees as a result of the Company's increased market capitalization and increased SEDAR filing fees.

Investor relations costs were $63,248 for the six months ended June 30, 2017 compared to $49,387 for the six months ended June 30, 2016. The increase of $13,861 is primarily due to increased newswire services and increased costs for the 2017 Annual General Meeting materials.

Excluding share-based payment charges of $9,322 and $53,654, respectively, wages and benefits for the six months ended June 30, 2017 decreased $11,847 to $1,026,662 from $1,038,509 for the six months ended June 30, 2016 primarily due to lower payroll costs related to staffing changes partially offset by the previous CEO stock issuance and severance for one staff reduction.

Share-based payment charges

Share-based payment charges for the six month periods ended June 30, 2017 and 2016 were allocated as follows:

Expense category:	June 30, 2017	June 30, 2016
Consulting	$ 2,957	$ 18,154
Investor relations	848	4,487
Wages and benefits	9,322	53,654
	$ 13,127	$ 76,295

Share-based payment charges were $13,127 during the six months ended June 30, 2017 compared to $76,295 during the six months ended June 30, 2016. The decrease of $63,168 in share-based payment charges during the period was mainly the result of options granted becoming fully expensed.

Most other expense categories reflected moderate increases or decreases period over period reflecting the Company's efforts to maintain or reduce spending.

Other items amounted to a loss of $203,945 during the six month period ended June 30, 2017 compared to a loss of $878,269 during the six month period ended June 30, 2016. On January 12, 2017, the Company paid the final derivative payment due so there was no total other gain or loss for the six month period ended June 30, 2017 compared to the unrealized loss on the revaluation of the derivative liability of $800,000 caused by the increase in the price per ounce of gold during the six month period ended June 30, 2016. The Company had a foreign exchange loss of $244,125 during the six month period ended June 30, 2017 compared to a loss of $121,764 during the six month period ended June 30, 2016 as a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances. The average exchange rate during the six month period ended June 30, 2017 was C$1 to US$0.7496 compared to C$1 to US$0.7518 for the six month period ended June 30, 2016.

Liquidity Risk and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed through sale of its equity securities by way of private placements and the subsequent exercise of share purchase and broker warrants and options issued in connection with such private placements. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the Company's securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no guarantee that any existing warrants/options will be exercised. There are currently no warrants outstanding.

As at June 30, 2017, the Company had cash and cash equivalents of $4,521,972 compared to $22,466,493 at December 31, 2016. The decrease of approximately $17.9 million during the six month period ended June 30, 2017 resulted mainly from financing activities of approximately $14.7 million, expenditures on the Livengood Gold Project of approximately $3.0 million, and a negative foreign currency translation impact of approximately $0.2 million.

Financing activities during the six month period ended June 30, 2017 included payment of the final derivative payment of approximately $14.7 million and share issuance costs related to a non-brokered private placement of Common Shares in December 2014 of $45,000. The Company had no cash flows from financing activities during the six month period ended June 30, 2016.

The Company had no cash flows from investing activities during the six month periods ended June 30, 2017 and 2016.

As at June 30, 2017, the Company had working capital of $4,604,793 compared to working capital of $7,588,867 at December 31, 2016. The Company expects that it will operate at a loss for the foreseeable future, but believes the current working capital will be sufficient for it to complete its anticipated 2017 work plan at the Livengood Gold

Project and satisfy its currently anticipated general and administrative costs through the 2017 fiscal year. To advance the Livengood Gold Project towards permitting and development, the Company anticipates maintaining certain essential development activities for the fiscal year ending December 31, 2017. These essential activities include maintaining environmental baseline data that in its absence could materially delay future permitting of the Livengood Gold Project.

The Company will require significant additional financing to continue its operations (including general and administrative expenses) in connection with advancing activities at the Livengood Gold Project and the development of any mine that may be determined to be built at the Livengood Gold Project, and there is no assurance that the Company will be able to obtain the additional financing required on acceptable terms, if at all. In addition, any significant delays in the issuance of required permits for the ongoing work at the Livengood Gold Project, or unexpected results in connection with the ongoing work, could result in the Company being required to raise additional funds to advance permitting efforts. The Company's review of its financing options includes pursuing a future strategic alliance to assist in further development, permitting and future construction costs, although there can be no assurance that any such strategic alliance will, in fact, be realized.

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. See "Risk Factors – We will require additional financing to fund exploration and, if warranted, development and production. Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Due to this uncertainty, if the Company is unable to secure additional financing, it may be required to reduce all discretionary activities at the Project to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2017 fiscal year.

Other than cash held by its subsidiaries for their immediate operating needs in the United States, all of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions.

Contractual Obligations and Commitments

The following table discloses, as of June 30, 2017, the Company's contractual obligations including anticipated mineral property payments. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interests in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditure, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but does not exercise any lease purchase or royalty buyout options:

	Payments Due by Year						
	2017	2018	2019	2020	2021	2022 and beyond	Total
Mineral Property Leases[1]	$-	$424,668	$429,688	$434,783	$439,955	$445,204	$2,174,298
Mining Claim Government Fees	114,925	114,925	114,925	114,925	114,925	114,925	689,550
Total	$114,925	$539,593	$544,613	$549,708	$554,880	$560,129	$2,863,848

1. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the level of work that will actually be carried out by the Company. Does not include potential royalties that may be payable (other than annual minimum royalty payments).

Other – Related Party Transactions

In December 2011, in accordance with a Stock and Asset Purchase Agreement (the "Agreement") between the Company, Alaska/Nevada Gold Mines, Ltd. ("AN Gold Mines") and the Heflinger Group, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The Company's derivative liability, as described in Note 6 to the accompanying unaudited condensed consolidated financial statements, represented the remaining consideration for the purchase of these claims and related rights and was paid in January 2017. Under the Agreement, the payment was made 70% to AN Gold Mines and 30% to the Heflinger Group.

Mr. Hanneman was appointed Chief Operating Officer of the Company on March 26, 2015 and subsequently appointed Chief Executive Officer of the Company effective January 31, 2017. Mr. Hanneman is a partner of the general partner, as well as a limited partner, of AN Gold Mines and holds an 11.9% net interest in AN Gold Mines.

In December 2016, the Company closed a non-brokered private placement financing through the issuance of 32,429,842 shares to Paulson & Co. Inc., 9,041,554 shares to Tocqueville Asset Management, L.P., and 4,361,938 shares to AngloGold Ashanti (U.S.A.) Exploration Inc. at a price of $ 0.48 per share. As at December 31, 2016, Paulson, Tocqueville, and AngloGold beneficially own approximately 34.2%, 19.4%, and 9.5% respectively of the Company's 162,186,972 common shares.

On January 1, 2014, Thomas Irwin was appointed as the Chief Executive Officer of the Company. Prior to that he was the Vice President of the Company from August 2012 to December 2013, and was Alaska General Manager from January 2012 to August 2012. Mr. Irwin originally joined the Company as the Livengood Project Construction Manager in March 2011. During his tenure at the Company, Mr. Irwin assumed greater and greater responsibility for the progress of the Livengood Project, and, as CEO, successfully spearheaded the completion of the initial stage of the optimization process that produced the Company’s 2016 PFS. In addition, Mr. Irwin successfully negotiated and closed two significant financings allowing the Company to continue the optimization work at Livengood and to retire the outstanding derivative payment which resulted in the Company securing a strategic land package at the Livengood Project.

During Mr. Irwin’s tenure as CEO, his employment contract provided for a target bonus equal to 100% of his annual base salary. However, as a consequence of the Company’s cash position in a down market, and the desire to fully fund the optimization studies on the Livengood Project, Mr. Irwin was, based on his recommendation, not awarded a bonus for any of the fiscal years during which he served as Chief Executive Officer.

Upon his transition to Senior Adviser on January 31, 2017, the Compensation Committee approved, and the Board voted to award to Mr. Irwin, subject to shareholder and regulatory approval, a one-time payment of $175,000, to be settled in Common Shares, in recognition of the exemplary efforts of Mr. Irwin on behalf of the Company during his tenure as CEO. Based on the USD-CAD exchange rate (USD 1.00 = CAD 1.3030), and the 5-day volume weighted average price of the Common Shares on the TSX (CAD 0.859), both as at January 31, 2017, the number of Common Shares to be issued to Mr. Irwin is 265,454 (less the number of Common Shares equivalent to any amounts required to be withheld under statutory withholding requirements). The 265,454 Common Shares represent 0.16% of the currently outstanding Common Shares. Mr. Irwin also received a monthly payment of $5,000 in his position as Senior Advisor.

Because the issuance to Mr. Irwin is (a) a security-based compensation arrangement, (b) to an insider and (c) not pursuant to a security based compensation arrangement previously approved by the shareholders of the Company, the TSX and the NYSE-MKT both require that such issuance be subject to shareholder approval. At the Company's 2017 Annual General Meeting of Shareholders held in Vancouver, B.C. on May 24, 2017, the shareholders approved the proposed issuance of Common Shares to Mr. Irwin as a one-time payment associated with his transition to Senior Advisor.

Subsequent to shareholder approval of the one-time payment on May 24, 2017, the Company recognized an obligation to issue 206,024 shares with a value of $99,492 based on the USD-CAD exchange rate (USD 1.00 = CAD 1.3460) and the closing price of the Common Shares on the TSX (CAD 0.650), both as at May 24, 2017. On July 13, 2017, a certificate for 206,024 Common Shares was issued to Mr. Irwin.

Off-Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Environmental Regulations

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures.

Certain U.S. Federal Income Tax Considerations for U.S. Holders

The Company has been a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes in recent years and expects to continue to be a PFIC in the future. Current and prospective U.S. shareholders should consult their tax advisors as to the tax consequences of PFIC classification and the U.S. federal tax treatment of PFICs. Additional information on this matter is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, under "Part II. Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Certain U.S. Federal Income Tax Considerations for U.S. Holders."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of June 30, 2017, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on the evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of June 30, 2017, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports filed or submitted to the SEC under the Exchange Act: (i) is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a manner that allows for timely decisions regarding required disclosures.

The effectiveness of our or any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable assurance that the objectives of the system will be met and is subject to certain limitations, including the exercise of judgement in designing, implementing and evaluating controls and procedures and the assumptions used in identifying the likelihood of future events.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 under the heading "Risk Factors."

The accompanying unaudited condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. This assumes continuing operations and the realization of assets and liabilities in the normal course of business.

As at June 30, 2017, the Company had cash and cash equivalents of $4,521,972 compared to $22,466,493 at December 31, 2016. The Company has no revenue generating operations from which it can internally generate funds. On January 12, 2017, the Company paid $14,694,169 for the timely and full satisfaction of the final derivative payment due with respect to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project.

The Company will require significant additional financing to continue its operations in connection with advancing activities at the Livengood Gold Project and for the development of any mine that may be determined to be built at the Livengood Gold Project. In addition, any significant delays in the issuance of required permits for the ongoing work at the Livengood Gold Project, or unexpected results in connection with the ongoing work, could result in the Company being required to raise additional funds to advance permitting efforts. The Company's review of its financing options includes pursuing a future strategic alliance to assist in further development, permitting and future construction costs.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Pursuant to Section 1503(a) of the Dodd-Frank Act, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose specified information about mine health and safety in their periodic reports. These reporting requirement are based on the safety and health requirements applicable to mines under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) which is administered by the U.S. Department of Labor’s Mine Safety and Health Administration (“MSHA”). During the three month period ended June 30, 2017, the Company and its subsidiaries were not subject to regulation by MSHA under the Mine Act and thus no disclosure is required under Section 1503(a) of the Dodd-Frank Act.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

10.1	Agreement, dated May 30, 2017, between Thomas Irwin and Tower Hill Mines (US) LLC.
10.2	International Tower Hill Mines Ltd. 2017 Deferred Share Unit Plan.
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Interim Balance Sheets at June 30, 2017 and December 31, 2016, (ii) the Condensed Consolidated Interim Statements of Operations and Comprehensive Loss for the Three and Six Months ended June 30, 2017 and 2016, (iii) the Condensed Consolidated Interim Statements of Changes in Shareholders' Equity for the Six Months Ended June 30, 2017 and 2016, (iv) the Condensed Consolidated Interim Statements of Cash Flows for the Six Months Ended June 30, 2017 and 2016, and (v) the Notes to the Condensed Consolidated Interim Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

International Tower Hill Mines Ltd.

By: /s/ Karl L. Hanneman
Karl L. Hanneman
Chief Executive Officer
(Principal Executive Officer)

Date: August 11, 2017

By: /s/ David Cross
David Cross
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 11, 2017