

INTERNATIONAL TOWER HILL MINES LTD

Form 10-K

March 11, 2015

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2014**

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**  
(State or other jurisdiction of incorporation or organization)

**N/A**  
(I.R.S. Employer Identification No.)

**2300-1177 West Hastings Street,  
Vancouver, British Columbia, Canada**  
(Address of principal administrative offices)

**V6E 2K3**  
(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

**Title of Each Class:**  
Common Shares, no par value

**Name of Each Exchange on Which Registered:**  
NYSE MKT

Securities registered pursuant to Section 12(g) of the Act: **N/A**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  No

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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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

Based on the last sale price on the NYSE MKT of the registrant's Common Shares on June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) of \$0.72 per share, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$62,192,230.

As of March 9, 2015, the registrant had 116,313,638 Common Shares outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

To the extent specifically referenced in Part III, portions of the registrant's definitive Proxy Statement on Schedule 14A to be filed with the Securities and Exchange Commission in connection with the registrant's 2015 Annual Meeting of Shareholders are incorporated by reference into this report.

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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 in the acquisition and exploration of mineral properties. As used in this Annual Report on Form 10-K, 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 Annual Report on Form 10-K, 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.

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**FORWARD LOOKING STATEMENTS**

This Annual Report on Form 10-K 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 potential for opportunities to improve the economics of the Livengood Gold Project by reducing certain capital and operating costs;
- the potential for higher head grades at the 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;
- 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 potential for cost savings due to the high gravity gold concentration component of some of the Livengood Gold Project mineralization;
- 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 the planned future exploration programs at the Livengood Gold Project, and the timing of the receipt of results therefrom;
- 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; and

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- the 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;
- 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 our property rights and claims;
- conditions in the financial markets generally, the overall sentiment of the markets for public equity, interest rates and currency rates;
- 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;



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- 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 this Annual Report on Form 10-K, 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 Annual Report on Form 10-K 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.

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**GLOSSARY OF TERMS**

The following is a glossary of certain terms that may be used in this report.

<b>alteration</b>	Changes in the chemical or mineralogical composition of a rock, generally produced by weathering or hydrothermal solutions
<b>anomalous</b>	Departing from the expected or normal
<b>As</b>	Arsenic
<b>Au</b>	Gold
<b>basalt</b>	A dark coloured igneous rock, commonly extrusive the fine grained equivalent of gabbro
<b>biotite</b>	A common rock forming mineral of the mica group
<b>Board</b>	The Board of Directors of ITH
<b>chert</b>	A hard, dense microcrystalline or cryptocrystalline sedimentary rock, consisting chiefly of interlocking crystals of quartz less than about 30 microns in diameter
<b>CIL</b>	Carbon in Leach
<b>clastic</b>	Pertaining to a rock or sediment composed principally of fragments derived from pre-existing rocks or minerals and transported some distance from their places of origin; also said of the texture of such a rock
<b>chip sample</b>	A series of small pieces of ore or rock taken at regular intervals across a vein or exposure
<b>cm</b>	Centimeters
<b>common shares</b>	The common shares without par value in the capital of ITH as the same are constituted on the date hereof
<b>conglomerate</b>	A coarse grained clastic sedimentary rock, composed of rounded to sub-angular fragments larger than 2mm in diameter set in a fine-grained matrix of sand or silt, and commonly cemented by calcium carbonate, iron oxide, silica or hardened clay
<b>Corvus</b>	Corvus Gold Inc., a company subsisting under the laws of British Columbia which was spun off from the Company in August, 2010
<b>cutoff grade</b>	The lowest grade of mineralized material that qualifies as ore in a given deposit, that is, material of the lowest assay value that is included in a resource/reserve estimate
<b>deformation</b>	A general term for the processes of folding, faulting, shearing, compression, or extension of rocks as a result of various earth forces
<b>deposit</b>	A mineralized body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures. Such a deposit does not qualify as a commercially mineable ore body or as containing reserves or ore, unless final legal, technical and economic factors are resolved
<b>diamond drill</b>	A type of rotary drill in which the cutting is done by abrasion rather than percussion. The cutting bit is set with diamonds and is attached to the end of the long hollow rods through which water is pumped to the cutting face. The drill cuts a core of rock which is recovered in long cylindrical sections, an inch or more in diameter
<b>dip</b>	The angle that a stratum or any planar feature makes with the horizontal, measured perpendicular to the strike and in the vertical plane
<b>dike</b>	A tabular body of igneous rock that cuts across the structure of adjacent rocks or cuts massive rocks
<b>director</b>	A member of the Board of Directors of ITH
<b>disseminated</b>	Fine particles of mineral dispersed throughout the enclosing rock
<b>epigenetic</b>	Of or relating to a mineral deposit of origin later than that of the enclosing rocks
<b>g/t</b>	Grams per metric tonne
<b>gabbro</b>	A group of dark coloured, basic intrusive igneous rocks the approximate intrusive equivalent of basalt

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<b>grade</b>	To contain a particular quantity of ore or mineral, relative to other constituents, in a specified quantity of rock
<b>heap leaching</b>	A method of recovering minerals from ore whereby crushed rock is stacked on a non-porous liner and an appropriate chemical solution is sprayed on the top of the pile (the heap ) and allowed to percolate down through the crushed rock, dissolving the desired mineral(s) as it does so. The chemical solution is then collected from the base of the heap and is treated to remove the dissolved mineral(s)
<b>host</b>	A rock or mineral that is older than rocks or minerals introduced into it or formed within it
<b>host rock</b>	A body of rock serving as a host for other rocks or for mineral deposits, or any rock in which ore deposits occur
<b>hydrothermal</b>	A term pertaining to hot aqueous solutions of magmatic origin which may transport metals and minerals in solution
<b>ITH</b>	International Tower Hill Mines Ltd., a company existing under the laws of British Columbia
<b>intrusion</b>	The process of the emplacement of magma in pre-existing rock, magmatic activity. Also, the igneous rock mass so formed
<b>intrusive</b>	Of or pertaining to intrusion, both the process and the rock so formed
<b>km</b>	Kilometers
<b>lode</b>	A vein of metal ore in the earth.
<b>m</b>	Meters
<b>mm</b>	Millimeters
<b>mafic</b>	Said of an igneous rock composed chiefly of dark, ferromagnesian minerals, also, said of those minerals
<b>magma</b>	Naturally occurring molten rock material, generated within the earth and capable of intrusion and extrusion, from which igneous rocks have been derived through solidification and related processes
<b>magmatic</b>	Of, or pertaining to, or derived from, magma
<b>massive</b>	Said of a mineral deposit, especially of sulphides, characterized by a great concentration of ore in one place, as opposed to a disseminated or veinlike deposit
<b>mineral reserve</b>	The economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined
<b>mineral resource</b>	Under NI 43-101, mineral resource means a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge
<b>mineralization</b>	The concentration of metals and their chemical compounds within a body of rock
<b>NI 43-101</b>	National Instrument 43-101 of the Canadian Securities Administrators entitled Standards of Disclosure for Mineral Projects
<b>NSR</b>	Net smelter return
<b>NYSE MKT</b>	NYSE MKT (formerly, the American Stock Exchange)
<b>ophiolite</b>	An assemblage of mafic and ultramafic igneous rocks ranging from spilite and basalt to gabbro and peridotite, and always derived from them by later metamorphism, whose origin is associated with an early phase of the development of a geosyncline

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<b>RC</b>	A method of drilling whereby rock cuttings generated by the drill bit are flushed up from the bit face to the surface through the drill rods by air or drilling fluids for collection and analysis
<b>Sb</b>	Antimony
<b>sedimentary</b>	Pertaining to or containing sediment (typically, solid fragmental material transported and deposited by wind, water or ice that forms in layers in loose unconsolidated form), or formed by its deposition
<b>September 2013 Study</b>	The technical report entitled Canadian National Instrument 43-101 Technical Report on the Livengood Gold Project, Feasibility Study, Livengood, Alaska dated September 4, 2013 and prepared by certain Qualified Persons under NI 43-101, as filed under the Company's profile on SEDAR
<b>sill</b>	A tabular igneous intrusion that parallels the planar structure of the surrounding rock
<b>strike</b>	The direction taken by a structural surface
<b>tabular</b>	Said of a feature having two dimensions that are much larger or longer than the third, or of a geomorphic feature having a flat surface, such as a plateau
<b>tectonic</b>	Pertaining to the forces involved in, or the resulting structures of, tectonics
<b>tectonics</b>	A branch of geology dealing with the broad architecture of the outer part of the earth, that is, the major structural or deformational features and their relations, origin and historical evolution
<b>TSX</b>	Toronto Stock Exchange
<b>ultramafic</b>	Said of an igneous rock composed chiefly of mafic minerals
<b>vein</b>	An epigenetic mineral filling of a fault or other fracture, in tabular or sheet-like form, often with the associated replacement of the host rock; also, a mineral deposit of this form and origin
<b>volcaniclastic</b>	Pertaining to a clastic rock containing volcanic material in whatever proportion, and without regard to its origin or environment

**USE OF NAMES**

In this Annual Report on Form 10-K, unless the context otherwise requires, the terms we, us, our, ITH, International Tower Hill, the Company or the Corporation refer to International Tower Hill Mines Ltd. and its subsidiaries.

**CURRENCY**

All dollar amounts in this Annual Report on Form 10-K are presented in United States dollars unless otherwise stated. References to C\$ refer to Canadian currency.

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**PART I**

**ITEM 1. BUSINESS**

**Overview**

ITH is a mineral exploration company engaged in the acquisition and exploration of mineral properties. 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 or the Project. The Company is in the process of optimizing the Livengood Gold Project as discussed below. The Company has not yet begun preparation for the extraction of mineralization from the deposit or reached commercial production. The Company controls 100% of the Livengood Gold Project, which has a mineral resource of 731 million measured tonnes at an average grade of 0.61 g/tonne (14.4 million ounces at 0.3 g/tonne cut-off), 71 million indicated tonnes at an average grade of 0.56 g/tonne (1.3 million ounces at 0.3 g/tonne cut-off) and 266 million inferred tonnes at an average grade of 0.52 g/tonne (4.4 million ounces at 0.3 g/tonne cut-off). In 2013 the Company issued the results of a feasibility study that was summarized in the September 2013 Study which converted a portion of the mineral resources at the Project into proven reserves of 434 million tonnes at an average grade of 0.69 g/tonne (9.6 million ounces) and probable reserves of 20 million tonnes at an average grade of 0.70 g/tonne (454,000 ounces) based on a gold price of \$1,500 per ounce. All work presently planned by the Company is directed at maintaining necessary environmental baseline activities at the Livengood Gold Project and focusing efforts on Project optimization opportunities, including those identified in the September 2013 Study and those subsequently developed by the Company. A more complete description of the Livengood Gold Project and the current activities is set forth in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Annual Report on Form 10-K.

Since 2006, the Company has focused primarily on the acquisition and exploration of mineral properties in Alaska and Nevada by acquiring through staking, purchase, lease or option (primarily from AngloGold Ashanti (U.S.A.) Exploration Inc. (AngloGold)) in a transaction which closed on August 4, 2006) interests in a number of mineral properties in Alaska (Livengood Gold Project, Terra, LMS, BMP, Chisna, Coffee Dome, West Tanana, Gilles, West Pogo, Caribou, Blackshell and South Estelle) and Nevada (North Bullfrog and Painted Hills) that it believed had the potential to host large precious or base metal deposits. Some of these, such as the Painted Hills, Gilles, West Tanana, Caribou and Blackshell properties, were, in light of disappointing exploration results, dropped or returned to the respective optionors or lessors, and the associated costs written off while others, such as the South Estelle property, have been sold. Since early 2008, the Company's primary focus has been the exploration and advancement of the Livengood Gold Project and the majority of its resources have been directed to that end. In August 2010, ITH undertook a corporate spin-out arrangement transaction whereby all of its mineral property interests other than the Project were transferred to Corvus and Corvus was spun out as an independent and separate public company. Following the completion of that transaction, the sole mineral property held by the Company is the Livengood Gold Project. Since the completion of such transaction, the Company has focused exclusively on the ongoing exploration and potential development of the Livengood Gold Project.

The head office and principal administrative address of ITH is located at Suite 2300 1177 West Hastings Street, Vancouver, British Columbia, Canada V6E 2K3, and its registered and records office is located at 1300 777 Dunsmuir Street, Vancouver, BC V6B 1N3.

**Recent Developments**

*Livengood Gold Project Developments*

During the year ended December 31, 2014 and to the date of this Annual Report on Form 10-K, the Company progressed on a number of opportunities identified in the September 2013 Study and opportunities subsequently developed by the Company with the potential for optimization and reducing the costs of building and operating a mine at the Project. The 2014 work has developed an improved production schedule, as compared to the schedule outlined in the September 2013 Study, and generated detailed work plans for 2015. During 2014, in addition to the mine production scheduling and detailed metallurgical test work review, power supply alternatives were reviewed to determine how changing energy supply dynamics might impact the Project assumptions regarding electrical generation and the resulting costs. Construction and operations camp alternatives were reviewed to better define the

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costs of supporting the manpower requirements for the Project. The Company has also continued to advance environmental baseline work in support of future permitting in order to better position the Project for a construction decision when warranted by market conditions. The 2015 work plans will include additional metallurgical tests and engineering and focus on all aspects of the Project, including confirmation of the flow sheet and optimizing the operating costs. Once defined, these operating costs will then be used to evaluate and optimize the Project configuration and capital costs, including determination of the optimum scale for the Livengood Gold Project. The Company will also continue to advance environmental baseline work in support of future permitting and to evaluate alternatives for fresh water supply with potential to reduce Project costs.

*Financing*

During the fourth quarter of 2014, the Company closed a non-brokered private placement financing through the issuance of 18,245,000 common shares issued at C\$0.46 per share for gross proceeds of approximately \$7.3 million. The financing closed on December 11, 2014. Total share issuance costs for this non-brokered private placement financing amounted to \$24,828. This financing will allow the Company to continue to pursue opportunities for Project optimization with its 2015 work plan as further described below.

*Management Change*

In December 2014, the Company announced the resignation of Mr. Tom Yip, its Chief Financial Officer, effective December 31, 2014. Mr. Yip will provide transitional services to the Company as a consultant to ensure financial continuity and oversight for a period of three to six months following December 31, 2014. The Company is evaluating the most cost effective structure to fill the role of chief financial officer and is searching for a replacement for Mr. Yip.

**2015 Outlook**

During 2015, the Company will continue to investigate opportunities as identified in the September 2013 Study and those subsequently developed by the Company for optimization and reducing Project costs. The Company also plans to continue critical baseline environmental studies to maintain the integrity of six years of historical data already compiled.

*2015 Metallurgical, Field, and Engineering Work Plan*

Due to the potential importance of the head grade evaluation performed during 2014, a significant multi-phase metallurgical test work program is already underway in an attempt to validate the observed higher calculated head grades. For subsequent phases of this program, bulk samples of several thousand kilograms of each of the major rock types have been selected and are being prepared for shipment. The objectives of the 2015 metallurgical test program are to:

- Optimize the gravity circuit
- Optimize the grind size and power consumption
- Optimize the reagent consumption
- Optimize the leach retention time
- Confirm the overall recoveries by rock type
- Provide additional confirmation of the Project head grades.

Review of the feasibility test work to date indicates that there is a potential that further optimization of the parameters noted above could result in capital and operating expenditure reductions for the Project. **However, until this multi-phase metallurgical program has been completed, there can be no assurance that the head grade differences observed to date, or the potential process optimizations and cost savings opportunities identified, will in fact be realized.**

Field work will be conducted in 2015 to advance the environmental baseline and to evaluate alternatives for fresh water supply with potential to reduce Project costs.



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Once the test work and field work are completed and the process costs are better defined, these costs will then serve as input to an engineering phase that will evaluate and optimize the Project configuration and capital and operating expenditures, including determining the optimum scale for the Project, any of which may be different than that assumed in the September 2013 Study. In order to support the completion of this work plan, the Company anticipates spending approximately \$10 million, including general and administrative expenses, during the 2015 fiscal year ending December 31, 2015.

The Company remains open to a strategic alliance to help support the future development of the Project while considering all other appropriate financing options. The size of the gold resource, the favorable location, and the proven team are some of the reasons the Company would potentially attract a strategic partner with a long term development horizon who understands the Project is highly leveraged to gold prices.

## **Regulatory, Environmental and Social Matters**

All of the Company's currently proposed exploration is under the jurisdiction of the State of Alaska. In Alaska, low impact, initial stage surface exploration such as stream sediment, soil and rock chip sampling does not require any permits. The State of Alaska requires an APMA (Alaska Placer Mining Application) exploration permit for all substantial surface disturbances such as trenching, road building and drilling. These permits are also reviewed by related state and federal agencies that can comment and require specific changes to the proposed work plans to minimize impacts on the environment. The permitting process for significant disturbances generally requires 30 days for processing and all work must be bonded. The Company currently has all necessary permits with respect to its exploration activities in Alaska. Although the Company has never had an issue with the timely processing of APMA permits, there can be no assurances that delays in permit approval will not occur.

ITH has created a Technical Committee, which has adopted a formal, written charter. As set out in its charter, the overall purpose of the Technical Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the Company's continuing commitment to improving the environment and ensuring that activities are carried out and facilities are operated and maintained in a safe and environmentally sound manner that reflects the ideals and principles of sustainable development. The primary function of the Technical Committee is to monitor, review and provide oversight with respect to the technical aspects of the Company's projects as well as monitor policies, standards, accountabilities and programs relative to health, safety, community relations and environmental-related matters. The Technical Committee also advises the Board and makes recommendations for the Board's consideration regarding health, safety, community relations and environmental-related issues.

Although not set out in a specific policy, the Company strives to be a positive influence in the local communities where its mineral projects are located, not only by contributing to the welfare of such communities through donations of money and supplies, as appropriate, but also through hiring, when appropriate, local workers to assist in ongoing exploration programs. The Company considers building and maintaining strong relationships with such communities to be fundamental to its ability to continue to operate in such regions and to assist in the eventual development (if any) of mining operations in such regions, and it attaches considerable importance to commencing and fostering such relationships from the beginning of its involvement in any particular area.

## **Corporate Structure**

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ITH was incorporated under the *Company Act* (British Columbia) under the name Ashnola Mining Company Ltd. on May 26, 1978. ITH's name was changed to Tower Hill Mines Ltd. on June 1, 1988, and subsequently changed to International Tower Hill Mines Ltd. on March 15, 1991. ITH has been transitioned under, and is now governed by, the *Business Corporations Act* (British Columbia). On November 15, 2005, the shareholders resolved to amend the Company's Articles to increase its authorized capital from 20,000,000 common shares without par value to 500,000,000 common shares without par value. This increase became effective on April 20, 2006.

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ITH has three material subsidiaries:

- Tower Hill Mines, Inc. ( TH Alaska ), a corporation incorporated in Alaska on June 27, 2006, which holds most of the Company s Alaskan mineral properties and is 100% owned by ITH;
- Tower Hill Mines (US) LLC, a limited liability company formed in Colorado on June 27, 2006, which carries on the Company s administrative and personnel functions and is wholly owned by TH Alaska; and
- Livengood Placers, Inc., a corporation incorporated in Nevada on June 11, 1998, which holds certain Alaskan properties and is 100% owned by TH Alaska.

The following corporate chart sets forth all of ITH s material subsidiaries:

**Segment and Geographical Information**

The Company operates in a single reportable operating segment, being the exploration and development of mineral properties. The Company s long-lived assets are geographically distributed as shown in the following table. The Company did not have revenues from external customers in any of the periods shown below.

**December 31, 2014**

**December 31, 2013**

**December 31, 2012**

Canada:	\$	10,477	\$	11,994	\$	14,317
United States:		55,230,692		55,259,960		55,248,961
Total:	\$	55,241,169	\$	55,271,954	\$	55,263,278

### Competition

ITH is an exploration stage company. The Company competes with other mineral resource exploration and development companies for financing, technical expertise and the acquisition of mineral properties. Many of the companies with whom the Company competes have greater financial and technical resources. Accordingly, these competitors may be able to spend greater amounts on the acquisition, exploration and development of mineral properties. This competition could adversely impact the Company's ability to finance further exploration and to achieve the financing necessary for the Company to develop its mineral properties.

### Availability of Raw Materials and Skilled Employees

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, logistical planning, preparation of feasibility studies, permitting, construction and operation of a mine, financing and accounting. Since commencing its current operations in mid-2006, the Company has found and retained appropriate employees and consultants and believes it will continue to be able to do so.

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All of the raw materials the Company requires to carry on its business are readily available through normal supply or business contracting channels in Canada and the United States. Since commencing exploration activities at the Livengood Gold Project in mid-2006, the Company has been able to secure the appropriate personnel, equipment and supplies required to conduct its contemplated programs. While it has experienced difficulty in procuring some equipment, such as drill equipment or services, experienced drillers and timely assay laboratory services in previous years, the recent overall slowdown in the mineral exploration business has resulted in more equipment and services being made available on a timely basis. As a result, the Company does not believe that it will experience any shortages of required personnel, equipment or supplies in the foreseeable future.

**Employees**

As December 31, 2014, the Company had 12 full-time employees. The Company also uses consultants with specific skills to assist with various aspects of project evaluation, engineering and corporate governance.

**Seasonality**

As the Company's mineral exploration activity takes place in Alaska, its business is seasonal. Due to the northern climate, exploration work on the Livengood Gold Project can be limited due to excessive snow cover and cold temperatures. In general, surface sampling work is limited to May through September and surface drilling from March through November, although some locations afford opportunities for year-round exploration operations and others, such as road-accessible wetland areas, may only be explored while frozen in the winter.

**Available Information**

ITH maintains an internet website at [www.ithmines.com](http://www.ithmines.com). The Company makes available, free of charge, through the Investors section of its website, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC and its Annual Information Form, press releases and material change reports and other reports filed on the System for Electronic Document Analysis and Retrieval (SEDAR). The Company's SEC filings are available from the SEC's internet website at [www.sec.gov](http://www.sec.gov) which contains reports, proxy and information statements and other information regarding issuers that file electronically. These reports, proxy statements and other information may also be inspected and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The Company's SEDAR filings are available from SEDAR's internet website at [www.sedar.com](http://www.sedar.com) under the Company's profile. The contents of these websites are not incorporated into this report and the references to the URLs for these websites are intended to be inactive textual references only.

**ITEM 1A. RISK FACTORS**

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*You should carefully consider the following risk factors in addition to the other information included in this Annual Report on Form 10-K. Each of these risk factors could materially and adversely affect our business, operating results and financial condition, as well as materially and adversely affect the value of an investment in our common shares. The risks described below are not the only ones facing the Company. Additional risks that we are not presently aware of, or that we currently believe are immaterial, may also adversely affect our business, operating results and financial condition. We cannot assure you that we will successfully address these risks or that other unknown risks exist that may affect our business.*

### **Risks Related to Our Business**

*Our success depends on the development and operation of the Livengood Gold Project, which is our only project and which, as contemplated in the September 2013 Study, is not commercially viable at current gold prices.*

Our only property at this time is our Livengood Gold Project, which is in the exploration stage. We have issued the September 2013 Study on the Livengood Gold Project which indicates that the Project generates a minimal positive

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return at a gold price of \$1,500 per ounce. The price of gold is \$1,169 per ounce as of March 9, 2015, and the Project as contemplated in the September 2013 Study is not commercially viable at current gold prices. While management is exploring opportunities identified in the September 2013 Study, as well as those developed by the Company subsequent to the September 2013 Study, for optimization and reducing Project costs, there can be no assurance that any such efforts will be successful, that any of the optimization opportunities or cost savings will in fact be realized or that the price of gold will increase sufficiently to warrant a decision to develop the Project. If the Project is not developed, or if the Project is otherwise subject to deterioration, destruction or significant delay, we may never generate revenues and our shareholders may lose most or all of their investment in our common shares.

***While we may be successful in outlining potential optimizations that might improve the economics of the Project, there can be no assurance that any such optimizations can actually be incorporated into the Project.***

While a review of the feasibility test work to date on the Project indicates that there is the potential to further optimize the specific parameters of the Project, and that such optimizations may result in lower capital costs and operating costs for the Project, there can be no assurance that, even if such optimizations can be achieved and shown to have such effect, it will be possible to actually change the scope, size, scale and parameters of any revised Project configuration to actually incorporate the optimized results. Even if such optimization testwork shows that optimization will improve capital or operating costs for the Project, it may not be possible to re-scale the Project so as to take advantage of all or any part of the optimized processes and therefore it may not be possible, in fact, to derive any benefit from the optimization work or studies carried out.

***If we are unable to secure the appropriate financing to settle the derivative liability related to the purchase of certain lands at the Project, we may lose all of our interest in the Project.***

During 2011, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project ( Purchased Claims ). The aggregate consideration for the Purchased Claims was \$13,500,000 in cash plus an additional contingent payment based on the five-year average daily gold price ( Average Gold Price ) from the date of the acquisition. The contingent payment will equal \$23,148 for every dollar that the Average Gold Price exceeds \$720 per troy ounce. If the Average Gold Price is less than \$720, there will be no additional contingent payment. As at December 31, 2014, the Company's estimate of the amount of the contingent payment is \$14,700,000. This contingent payment, which is due in January, 2017, significantly exceeds the Company's available cash resources, and therefore the Company will be required to secure significant additional financing on or before January, 2017 in order to be able to make this payment. The obligation to make the contingent payment is secured by a Deed of Trust over the rights of the Company in the Purchased Claims in favour of the vendors. If the Company is unsuccessful in raising the required capital to make the contingent payment, the vendors of the Purchased Claims will have the right to enforce their rights under the Deed of Trust, including the power of sale thereunder, thereby resulting in the Company losing any rights to the Purchased Claims. Any such loss could materially and adversely affect the ability of the Company to proceed with any development of, or mining at, the Livengood Gold Project.

***We have a history of losses and expect to continue to incur losses in the future.***

We have incurred losses and have had no revenue from operations since inception, and we expect to continue to incur losses in the future. We have not commenced commercial production on the Livengood Gold Project and we have no other mineral properties. We have no revenues from operations, and we anticipate we will have no operating revenues and will continue to incur operating losses until such time, if ever, as we place the Livengood Gold Project into production and such project generates sufficient revenues to fund continuing operations. The Project is currently in the exploration stage and, as contemplated in the September 2013 Study, is not commercially viable at current gold prices. Our activities may not result in profitable mining operations and we may not succeed in establishing mining operations or profitably producing

metals at the Livengood Gold Project.

*We are an exploration stage company and have no history producing metals from our properties. Any future revenues and profits are uncertain.*

We have no history of mining or refining any mineral products or metals and the Livengood Gold Project is not



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currently producing. There can be no assurance that the Livengood Gold Project will be successfully placed into production, produce minerals in commercial quantities or otherwise generate operating earnings. Advancing properties from the exploration stage into development and commercial production requires significant capital and time and will be subject to further feasibility studies, permitting requirements and construction of the mine, processing plants, roads and related works and infrastructure. We will continue to incur losses until our mining activities successfully reach commercial production levels and generate sufficient revenue to fund continuing operations. There is no certainty that we will produce revenue from any source, operate profitably or provide a return on investment in the future. If we are unable to generate revenues or profits, our shareholders might not be able to realize returns on their investment in our common shares.

***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.***

Advancing properties from exploration into the development stage requires significant capital and time, and successful commercial production from a property, if any, will be subject to completing feasibility studies, permitting and construction of the mine, processing plants, roads, and other related works and infrastructure. The Company does not presently have sufficient financial resources or a source of operating cash flow to undertake by itself to complete the permitting process and, if a production decision is made, the construction of a mine at the Livengood Gold Project. The completion of the permitting process, and any construction of a mine at the Livengood Gold Project following the making of a production decision, will therefore depend upon the Company's ability to obtain financing through the sale of its equity securities, enter into a joint venture or strategic alliance relationship, secure significant debt financing or find alternative means of financing. There is no assurance that the Company will be successful in obtaining the required financing on favorable terms or at all. Even if the results of exploration are encouraging, the Company may not be able to obtain sufficient financing to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists.

Our ability to obtain additional financing in the future will depend upon a number of factors, including prevailing capital market conditions, the status of the national and worldwide economy, our business performance and the price of gold and other precious metals. Capital markets worldwide have been adversely affected in recent years by substantial losses by financial institutions. Failure to obtain such additional financing on favorable terms or at all could result in delay or indefinite postponement of further mining operations or exploration and development and the possible partial or total loss of our interests in the Livengood Gold Project.

***We have not yet identified, and may never identify, commercially viable reserves that would generate revenues.***

We are considered an exploration stage company and will continue to be such until we identify commercially viable reserves on our properties and develop our properties. We have no producing properties and have never generated any revenue from our operations. We have issued the September 2013 Study using the then trailing three year gold price of \$1,500 per ounce. Based on the September 2013 Study the Project generates a minimal positive return; however, the Project is not commercially viable at current gold prices. The majority of exploration projects do not result in the discovery of commercially mineable deposits of ore. Further exploration and substantial expenditures are required to establish ore reserves through drilling and metallurgical and other testing techniques, determine metal content and metallurgical recovery processes to extract metal from the ore, and construct, renovate or expand mining and processing facilities. No assurance can be given that any level of recovery of ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercial mineable ore body which can be legally and economically exploited. If we are not able to identify commercially viable mineral deposits or profitably extract minerals from such deposits, our business would be materially adversely affected and our shareholders could lose all or a substantial portion of their investment.

*Resource exploration is a highly speculative business, and certain inherent exploration risks could have a negative effect on our business.*

Our long-term success depends on our ability to identify mineral deposits on the Livengood Gold Project and other properties we may acquire, if any, that can then be developed into commercially viable mining operations. Resource exploration is a highly speculative business and involves a high degree of risk, including, among other things,

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unprofitable efforts resulting both from the failure to discover mineral deposits and from finding mineral deposits which, though present, are insufficient in size and grade at the then prevailing market conditions to return a profit from production. Substantial expenditures are required to establish proven and probable mineral reserves through drilling and analysis, to develop metallurgical processes to extract metal, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The marketability of minerals which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company and cannot be accurately predicted. These factors include market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

***Mineral resource estimates are based on interpretation and assumptions and could be inaccurate or yield less mineral production under actual conditions than is currently estimated. Any material changes in these estimates will affect the economic viability of placing a property into production.***

The mineral resource estimates included in our reports are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The estimating of mineral resources and mineral reserves is a subjective process and the accuracy of mineral resource and mineral reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource or mineral reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from the Company's estimates. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Because we have not commenced actual production, mineralization estimates, including mineral resource estimates, for the Livengood Gold Project may require adjustments or downward revisions.

Until ore is actually mined and processed, mineral resources, mineral reserves and grades of mineralization must be considered as estimates only. The grade of ore ultimately mined, if any, may differ from that indicated by any pre-feasibility or definitive feasibility studies and drill results. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Extended declines in market prices for gold may render portions or all of our mineral resources uneconomic and result in reduced reported mineralization or adversely affect the commercial viability determinations reached by us. Material changes in estimates of mineralization, grades, stripping ratios, recovery rates or of our ability to extract such mineralization may affect the economic viability of projects and the value of our Livengood Gold Project. The estimated resources described in our reports should not be interpreted as assurances of mine life or of the profitability of future operations. Estimated mineral resources and mineral reserves may have to be re-estimated based on changes in applicable commodity prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource or mineral reserve estimates. Market price fluctuations for gold, silver or base metals, increased production costs or reduced recovery rates or other factors may render any particular reserves uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated reserves could require material write downs in investment in the affected mining property and increased amortization, reclamation and closure charges. Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

***There are differences in U.S. and Canadian practices for reporting reserves and resources.***

Our reserve and resource estimates are not directly comparable to those made in filings subject to SEC reporting and disclosure requirements, as we report reserves and resources in accordance with Canadian practices. These practices are different from the practices used to report reserve and resource estimates in reports and other materials filed with

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the SEC. It is Canadian practice to report measured, indicated and inferred mineral resources (and in certain circumstances, deposits that are not measured, indicated or inferred mineral resources but that are targeted for further exploration), which are generally not permitted in disclosure filed with the SEC by U.S. issuers. In the United States and in Canada, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that all or any part of measured, indicated or inferred mineral resources will ever be converted into reserves.

Further, inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of contained ounces is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report resources as in place, tonnage and grade without reference to unit measures.

Accordingly, information concerning descriptions of mineralization, reserves and resources contained in our reports may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.

***Increased costs could affect our ability to bring our projects into production and, once in production, our financial condition and ability to be profitable.***

Management anticipates that costs at the Livengood Gold Project will frequently be subject to variation from one year to the next due to a number of factors, such as changing ore grade, metallurgy and revisions to mine plans, if any, in response to the physical shape and location of the ore body. In addition, costs are affected by the price of commodities such as fuel, rubber and electricity. Such commodities are at times subject to volatile price movements, including increases that could make production less profitable or not profitable at all. A material increase in costs could also impact our ability to maintain operations and have a significant effect on the Company's profitability.

***The volatility of the price of gold could adversely affect our future operations and, if warranted, our ability to develop our properties.***

Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced, if any. The Company's long-term viability and profitability, the value of the Company's properties, the market price of its common shares and the Company's ability to raise funding to conduct continued exploration and development, if warranted, depend, in large part, upon the market price of gold. The decision to put a mine into production and to commit the funds necessary for that purpose must be made long before the first revenue from production would be received. A decrease in the price of gold may prevent the Company's property from being economically mined or result in the write-off of assets whose value is impaired as a result of lower gold prices.

The price of gold has experienced significant movement over short periods of time, and is affected by numerous factors beyond the control of the Company, including economic and political conditions, expectations of inflation, currency exchange fluctuations, interest rates, global or regional demand, sale or purchase of gold by various central banks and financial institutions, speculative activities and increased production due to improved mining and production methods. The volatility of mineral prices represents a substantial risk which no amount of planning or

technical expertise can fully eliminate. There can be no assurance that the price of gold will be such that any such deposits can be mined at a profit.

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The volatility in gold prices is illustrated by the following table, which presents the high, low and average fixed price in U.S. dollars for an ounce of gold, based on the London Bullion Market Association P.M. fix, over the past five years:

		High		Low		Average
2010	\$	1,421	\$	1,058	\$	1,225
2011	\$	1,895	\$	1,319	\$	1,572
2012	\$	1,792	\$	1,540	\$	1,669
2013	\$	1,694	\$	1,192	\$	1,410
2014	\$	1,385	\$	1,142	\$	1,266
January 1, 2015 to March 9, 2015	\$	1,296	\$	1,169	\$	1,234

*Our results of operations could be affected by currency fluctuations.*

The Livengood Gold Project is located in the United States, with most costs associated with the Project paid in U.S. dollars, and the Company maintains its accounts in Canadian and U.S. dollars, making it subject to foreign currency fluctuations. There can be significant swings in the exchange rate between the U.S. and Canadian dollar. There are no plans at this time to hedge against any exchange rate fluctuations in currencies. Adverse foreign currency fluctuations may cause losses and materially affect the Company's financial position and results.

*Resource exploration, development and production involve a high degree of risk and we do not maintain insurance with respect to certain of these risks, which exposes us to significant risk of loss.*

Resource exploration, development and production involve a high degree of risk. Our operations are, and any future development or mining operations we may conduct will be, subject to all of the operating hazards and risks normally incident to exploring for and development of mineral properties, such as, but not limited to:

- economically insufficient mineralized material;
- fluctuation in exploration, development and production costs;
- labor disputes;
- unanticipated variations in grade and other geologic problems;

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- water conditions;
- difficult surface or underground conditions;
- mechanical and equipment failure;
- failure of pit walls or dams;
- environmental hazards;
- industrial accidents;
- metallurgical and other processing problems;
- unusual or unexpected rock formations;
- personal injury, cave-ins, landslides, flooding, fire, explosions, and rock-bursts;
- metal losses;
- power outages;
- periodic interruptions due to inclement or hazardous weather conditions; and
- decrease in the value of mineralized material due to lower gold prices.

These risks could result in damage to, or destruction of, mineral properties, facilities or other property, personal





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injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. Although the Company maintains or can be expected to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain insurance to cover all of these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities, if warranted. Should events such as these that are not covered by insurance arise, they could reduce or eliminate our assets and shareholder equity as well as result in increased costs and a decline in the value of our assets or common shares.

***We may not be able to obtain all required permits and licenses to place any of our properties into production.***

The current and future operations of the Company require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Costs related to applying for and obtaining permits and licenses may be prohibitive and could delay our planned exploration and development activities. Failure to comply with permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Delays in obtaining, or a failure to obtain, any such licenses and permits, or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could delay or prevent production of the Livengood Gold Project and have a material adverse effect on the Company.

***Title to the Livengood Gold Project may be subject to defects in title or other claims, which could affect our property rights and claims.***

There are risks that title to the Livengood Gold Project may be challenged or impugned. The Livengood Gold Project is located in the State of Alaska and may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Livengood Gold Project which, if successful, could impair development or operations. This is particularly the case in respect of those portions of our properties in which we hold our interest solely through a lease with the claim holders, as such interest is substantially based on contract and has been subject to a number of assignments (as opposed to a direct interest in the property).

Some of the mining claims at the Livengood Gold Project are U.S. federal or Alaska state unpatented mining claims. There is a risk that a portion of such unpatented mining claims could be determined to be invalid, in which case the Company could lose the right to mine any minerals contained within those mining claims. Unpatented mining claims are created and maintained in accordance with the applicable U.S. federal and Alaska state mining laws. Unpatented mining claims are unique property interests and are generally considered to be subject to greater title risk than other real property interests due to the validity of unpatented mining claims often being uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations under the provisions of the U.S. *General Mining Law of 1872* (the *Mining Law*). Unpatented mining claims are always subject to possible challenges of third parties or validity contests by the United States federal government or the Alaska state government, as applicable. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and decisional law. Title to the unpatented mining claims may also be affected by undetected defects such as unregistered agreements or transfers and there are few public records that definitively determine the issues of validity and ownership of unpatented mining claims. The Company has not obtained full title opinions for the majority of its mineral properties. Not all the mineral properties in which the Company has an interest have been surveyed, and their actual extent and location may be in doubt. Should the federal government impose a royalty or additional tax burdens on the properties that lie within public lands, the resulting mining operations could be seriously impacted, depending upon the type and amount of the burden.

The leases and agreements pursuant to which the Company has interests, or the right to acquire interests, in a significant portion of the Livengood Gold Project provide that the Company must make a series of cash payments over certain time periods or expend certain minimum amounts on the exploration of the properties. Failure by the

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Company to make such payments or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, which could result in the Company forfeiting its interest in one or more of its mineral properties.

***The Company may not have and may not be able to obtain surface or access rights to all or a portion of the Livengood Gold Project.***

Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights through the courts can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase such surface rights, and therefore it may be unable to carry out planned exploration or mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate.

***Our properties and operations may be subject to litigation or other claims.***

From time to time our properties or operations may be subject to disputes which may result in litigation or other legal claims. We may be required to assert or defend against these claims which will divert resources and management time from operations. The costs of these claims or adverse filings may have a material effect on our business and results of operations.

***We are subject to significant governmental regulations which affect our operations and costs of conducting our business.***

Any exploration activities carried on by the Company are, and any future development or mining operations we may conduct will be, subject to extensive laws and regulations governing various matters, including:

- mineral concession acquisition, exploration, development, mining and production;
- management of natural resources;

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- exports, price controls, taxes and fees;
- labor standards on occupational health and safety, including mine safety;
- post-closure reclamation;
- environmental standards, waste disposal, toxic substances, explosives, land use and environmental protection; and
- dealings with indigenous peoples and historic and cultural preservation.

Companies engaged in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Failure to comply with applicable laws, regulations and permits may result in civil or criminal fines or penalties, enforcement actions thereunder, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate third parties suffering loss or damage as a result of

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our mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

It is also possible that future laws and regulations could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the exploration and development of the Company's property.

***Legislation has been proposed that would significantly affect the mining industry and our business.***

In recent years, members of the United States Congress have repeatedly introduced bills which would supplant or alter the provisions of the Mining Law. If adopted, such legislation, among other things, could eliminate or greatly limit the right to a mineral patent, impose federal royalties on mineral production from unpatented mining claims located on United States federal lands (which includes certain of the mining claims at the Livengood Gold Project), result in the denial of permits to mine after the expenditure of significant funds for exploration and development, reduce estimates of mineral reserves and reduce the amount of future exploration and development activity on U.S. federal lands, all of which could have a material and adverse effect on the Company's ability to operate and its cash flow, results of operations and financial condition.

***Our activities are subject to environmental laws and regulations that may increase our costs of doing business and restrict our operations.***

The activities of the Company are subject to environmental regulations in the jurisdictions in which we operate. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner involving stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations and future changes in these laws and regulations may require significant capital outlays, cause material changes or delays in our current and planned operations and future activities and reduce the profitability of operations. It is possible that future changes in these laws or regulations could have a significant adverse impact on the Livengood Gold Project or some portion of our business, causing us to re-evaluate those activities at that time.

Examples of current U.S. federal laws which may affect our current operations and may impact future business and operations include, but are not limited to, the following:

The Comprehensive Environmental, Response, Compensation, and Liability Act ( CERCLA ), and comparable state statutes, impose strict, joint and several liability on current and former owners and operators of sites and on persons who disposed of or arranged for the disposal of hazardous substances found at such sites. It is not uncommon for the government to file claims requiring cleanup actions, demands for reimbursement for government-incurred cleanup costs, or natural resource damages, or for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act ( RCRA ), and comparable state statutes, govern the disposal of solid waste and hazardous waste and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. CERCLA, RCRA and

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comparable state statutes can impose liability for clean-up of sites and disposal of substances found on exploration, mining and processing sites long after activities on such sites have been completed.

The Clean Air Act ( CAA ) restricts the emission of air pollutants from many sources, including mining and processing activities. Our mining operations may produce air emissions, including fugitive dust and other air pollutants from stationary equipment, storage facilities and the use of mobile sources such as trucks and heavy construction equipment, which are subject to review, monitoring or control requirements under the CAA and state air quality laws. New facilities may be required to obtain permits before work can begin, and existing facilities may be required to incur capital costs in order to remain in compliance. In addition, permitting rules may impose limitations on our production levels or result in additional capital expenditures in order to comply with the

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regulations.

The National Environmental Policy Act ( NEPA ) requires federal agencies to integrate environmental considerations into their decision-making processes by evaluating the environmental impacts of their proposed actions, including issuance of permits to mining facilities, and assessing alternatives to those actions. If a proposed action could significantly affect the environment, the agency must prepare a detailed statement known as an Environmental Impact Statement ( EIS ). The U.S. Environmental Protection Agency ( EPA ), other federal agencies, and any interested third parties will review and comment on the scoping of the EIS and the adequacy of and findings set forth in the draft and final EIS. We are required to undertake the NEPA process for the Livengood Gold Project permitting. The NEPA process can cause delays in issuance of required permits or result in changes to a project to mitigate its potential environmental impacts, which can in turn impact the economic feasibility of a proposed project or the ability to construct or operate the Livengood Gold Project or other properties and may make them entirely uneconomic.

The Clean Water Act ( CWA ), and comparable state statutes, impose restrictions and controls on the discharge of pollutants into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA regulates storm water mining facilities and requires a storm water discharge permit for certain activities. Such a permit requires the regulated facility to monitor and sample storm water run-off from its operations. The CWA and regulations implemented thereunder also prohibit discharges of dredged and fill material in wetlands and other waters of the United States unless authorized by an appropriately issued permit. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The Safe Drinking Water Act ( SDWA ) and the Underground Injection Control ( UIC ) program promulgated thereunder, regulate the drilling and operation of subsurface injection wells. The EPA directly administers the UIC program in some states and in others the responsibility for the program has been delegated to the state. The program requires that a permit be obtained before drilling a disposal or injection well. Violation of these regulations or contamination of groundwater by mining related activities may result in fines, penalties, and remediation costs, among other sanctions and liabilities under the SDWA and state laws. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury.

***Regulations and pending legislation governing issues involving climate change could result in increased operating costs, which could have a material adverse effect on our business.***

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to various climate change interest groups and the potential impact of climate change. Legislation and increased regulation regarding climate change could impose significant costs on us, our future partners and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting and other costs to comply with such regulations. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Given the emotion, political significance and uncertainty around the impact of climate change and how it should be dealt with, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry could harm our reputation. The potential physical impacts of climate change on our operations are highly uncertain and would be particular to the geographic circumstances in areas in which we operate. These may include changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. These impacts may adversely impact the cost, production and financial performance of our operations.



*Land reclamation requirements for our properties may be burdensome and expensive in the future.*

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance.

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Reclamation may include requirements to:

- control dispersion of potentially deleterious effluents;
- treat ground and surface water to drinking water standards; and
- reasonably re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations imposed on us in connection with the potential development activities at the Livengood Gold Project, we must allocate financial resources that might otherwise be spent on further exploration and development programs. We plan to set up a provision for reclamation obligations on the Livengood Gold Project, as appropriate, but this provision may not be adequate. If we are required to carry out unanticipated reclamation work, our financial position could be adversely affected.

***The mining industry is intensely competitive, and we have limited financial and personnel resources with which to compete.***

The Company's business of the acquisition, exploration and development, if warranted, of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which may have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter increasing competition from other mining companies in efforts to hire experienced mining professionals, including in respect of the Company's ongoing search to fill the role of chief financial officer. Increased competition could adversely affect the Company's ability to attract necessary capital funding, acquire suitable producing properties or prospects for mineral exploration in the future, or attract or retain key personnel or outside technical resources.

***A shortage of equipment and supplies could adversely affect our ability to operate our business.***

We are dependent on various supplies and equipment to carry out our exploration and, if warranted, development and mining operations. The shortage of such supplies, equipment and parts could have a material adverse effect on our ability to carry out our operations and therefore limit or increase the cost of production.

***We are dependent on key personnel and the absence of any of these individuals could adversely affect our business. We may experience difficulty attracting and retaining qualified personnel.***

Our success is largely dependent on the performance and abilities of our directors, officers, employees and management and on our ability to attract and retain additional key personnel in exploration, mine development, sales, marketing, technical support and finance. In addition, the Company has relied and may continue to rely upon consultants and others for operating expertise. There is no assurance that we will be able to maintain the services of our directors, officers, employees or other qualified personnel required to operate our business. The loss of the services of these persons could have a material adverse effect on our business and prospects. Recruiting and retaining qualified personnel is critical to our success and there can be no assurance we will be able to recruit and retain such personnel. The number of persons skilled in the acquisition, exploration and development of mineral properties is limited and competition for such persons is intense. If we are not successful in attracting and retaining qualified personnel, our ability to develop our properties could be affected, which could have a material adverse effect on our business, results of operations, cash flows and financial condition. We do not maintain key man life insurance policies on any of our officers or employees.

*Canadian investors may not be able to enforce their civil liabilities against us.*

It may be difficult for Canadian investors to bring and enforce suits against us. As substantially all of the assets of the Company and its subsidiaries are located outside of Canada, and certain of the directors and officers of the Company are resident outside of Canada, it may be difficult or impossible for Canadian investors to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company residing outside of Canada. A shareholder should not assume that the courts of the United States (i) would enforce judgments of Canadian courts obtained in actions against us or such persons predicated upon the civil

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liability provisions of the Canadian securities laws or other laws of Canada, or (ii) would enforce, in original actions, liabilities against us or such persons predicated upon Canadian securities laws or other laws of Canada.

**Risks Related to Our Common Shares**

*Our share price may be volatile and as a result you could lose all or part of your investment.*

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for our common shares will be subject to market trends and conditions generally, notwithstanding any potential success we have in creating revenues, cash flows or earnings. The price of our common shares has been subject to price and volume volatility in the past. In 2014, the price of our common shares on the Toronto Stock Exchange ranged from a low of C\$0.36 to a high of C\$1.30, and on the NYSE MKT ranged from a low of \$0.32 to a high of \$1.18. From January 1, 2015 to March 9, 2015, the price of our common shares on the TSX ranged from a low of C\$0.45 to a high of C\$0.75, and on the NYSE MKT ranged from a low of \$0.34 to a high of \$0.62. There can be no assurance that significant fluctuations in the trading price of the Company's common shares will not continue to occur, or that such fluctuations will not materially adversely impact the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all. As a result, shareholders may be unable to resell their shares at a desired price.

*Future sales of our securities in the public or private markets will dilute our current shareholders and could adversely affect the trading price of our common shares and our ability to continue to raise funds in new stock offerings.*

It is likely that the Company will sell common shares or securities exercisable or convertible into common shares in the future. The Company may issue securities on less than favorable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares, could adversely affect the trading prices of our common shares, and could impair our ability to raise capital through future offerings of securities.

*We have never paid dividends on our common shares.*

We have not paid dividends on our common shares to date, and we may not be in a position to pay dividends for the foreseeable future. Our ability to pay dividends will depend on our ability to successfully develop the Livengood Gold Project and generate earnings from operations. Further, our initial earnings, if any, will likely be retained to finance our operations. Any future dividends will depend upon our earnings, our then-existing financial requirements and other factors, and will be at the discretion of the Board.

*Our business is subject to evolving corporate governance and public disclosure regulations that have increased both our compliance costs and the risk of noncompliance, which could have an adverse effect on our stock price.*

We are subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the British Columbia Securities Commission, the SEC, the TSX, the NYSE MKT, and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by the United States Congress, making compliance more difficult and uncertain. For example, on July 21, 2010, the United States Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) with increased disclosure obligations for public companies and mining companies in the United States. Our efforts to comply with the Dodd-Frank Act and other new regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from operating activities to compliance activities.

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*We likely constituted a passive foreign investment company ( PFIC ) during the fiscal year ended December 31, 2014, which may result in adverse U.S. federal income tax consequences to U.S. holders.*

We believe that we were a PFIC for U.S. federal income tax purposes during the fiscal year ended December 31, 2014, and we expect that we will be a PFIC in the current year and that we may continue to be classified as a PFIC in future years. The determination of whether or not the Company is a PFIC is a factual determination dependent on a number of factors and cannot be made until the close of the applicable tax year and accordingly no assurances can be given regarding the Company's PFIC status for the current year or any future year. If ITH is a PFIC at any time during a U.S. holder's holding period, then certain potentially adverse tax consequences could apply to such U.S. holder's acquisition, ownership, and disposition of common shares. For more information, please see the discussion in Certain U.S. Federal Income Tax Considerations for U.S. Holders below.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

**LIVENGOOD GOLD PROJECT, Alaska**

The Company currently holds, or has rights to acquire, ownership or leasehold interests in a group of adjacent mineral properties in Alaska which are collectively referred to as the Livengood Gold Project. The Livengood Gold Project is located approximately 113 km (70 miles) by road northwest of Fairbanks, Alaska and approximately 65 km (40 miles) north of the boundary of the Fairbanks North Star Borough as shown in Figure 1 below. The project lies within the Tolovana Mining District in the northern part of the Tintina Gold Belt. The Company's primary focus is to continue to advance the Livengood Gold Project with the objective of assessing its viability for commercial gold mining.

The Company is in the process of optimizing the Livengood Gold Project and does not mine, produce or sell any mineral products at this time. The Company controls 100% of the Livengood Gold Project, which has a mineral resource of 731 million measured tonnes at an average grade of 0.61 g/tonne (14.4 million ounces at 0.3 g/tonne cut-off), 71 million indicated tonnes at an average grade of 0.56 g/tonne (1.3 million ounces at 0.3 g/tonne cut-off) and 266 million inferred tonnes at an average grade of 0.52 g/tonne (4.4 million ounces at 0.3 g/tonne cut-off). In 2013 the Company issued the results of the September 2013 Study which converted a portion of the Company's mineral resources into proven reserves of 434 million tonnes at an average grade of 0.69 g/tonne (9.6 million ounces) and probable reserves of 20 million tonnes at an average grade of 0.70 g/tonne (454,000 ounces) based on a gold price of \$1,500 per ounce. During 2015, the Company will continue to investigate opportunities as identified in the September 2013 Study and those subsequently developed by the Company for optimization and reducing project costs. The Company also plans to continue critical baseline environmental studies to maintain the integrity of six years of historical data already compiled.

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The Company relies upon consultants and contractors to carry on many of its activities and, in particular, to carry out drilling programs at the Livengood Gold Project and in connection with metallurgical test work, engineering and the preparation of technical reports on the Project. However, as ITH expands its activities, it may choose to hire additional employees rather than relying on consultants.

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*Figure 1: Location of the Livengood Gold Project*

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The Livengood Gold Project is located approximately 113 km (70 miles) by road northwest of Fairbanks, Alaska in the Tolovana Mining District within the Tintina Gold Belt. The Project area is centered on Money Knob, a local topographic high point. This feature and the adjoining ridgelines are the probable lode gold source for the Livengood placer deposits which lie in the adjacent valleys which have been actively mined since 1914 and have produced more than 500,000 ounces of gold.

The Livengood Gold Project straddles and is accessed via the Elliot Highway, a paved, all weather road linking the north slope oil fields at Prudhoe Bay to central and southern Alaska through Fairbanks. At present there are no full time residents in the former mining town of Livengood. A number of unpaved roads have been developed in the area providing excellent access. A 427m (1400-foot) runway is located 6 km (3.7 miles) to the southwest near the former Alyeska Pipeline Company Livengood Camp and is suitable for light aircraft. The Livengood Gold Project is also adjacent to the Alyeska Pipeline corridor, which transports crude oil from Prudhoe Bay south. This corridor contains a fiber



optic communications cable utilized at the Livengood Gold Project.

Topography at the site is eroded hills and valleys with a general elevation difference of 200m (656 feet). The valleys generally contain active streams draining into the Tolovana River system to the west.

The site is approximately 65 km (40 miles) south of the Arctic Circle, and has a subarctic climate with long, cold winters and short, warm summers. Annual precipitation is approximately 40 cm (16 inches). Average low temperatures in winter are  $-21^{\circ}$  to  $-28^{\circ}$  Celsius ( $-6^{\circ}$  to  $-18^{\circ}$  Fahrenheit), with records reaching as low as  $-55^{\circ}$  Celsius ( $-67^{\circ}$  Fahrenheit). Exploration work on the Livengood Gold Project can be limited due to excessive snow cover and cold temperatures. In general, surface sampling work is limited to May through September and surface drilling from

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March through November. Road-accessible wetland areas may only be explored while frozen in the winter. Work to date on the site has been limited to exploration and geotechnical drilling and environmental baseline activities. The Company does not have any plant or equipment at the site, relying on contractors to perform the work.

The nearest community to Livengood Gold Project is the village of Minto, a town with a population of 200 located approximately 65 km (40 miles) southwest by road. The Fairbanks metropolitan area has a population of approximately 100,000 people, and comprises the regional center with hospitals, government offices, businesses and the University of Alaska, Fairbanks. The city is linked to southern Alaska along a north-south transportation and utility corridor that includes two paved highways, a railroad to tide water, an interlinked electrical grid, and communications infrastructure. Fairbanks has a regional airport serviced daily by up to three major airlines.

In preliminary, nonbinding discussions, the local utility in Fairbanks (Golden Valley Electrical Association) has indicated that 80-100 Megawatts of power could be available to the Livengood Gold Project. Livengood would be connected to the local grid by building a 82 km (50 miles) 230- kVA line along the pipeline corridor. Environmental baseline studies required for the electrical line construction started in 2011.

The September 2013 Study developed site layout plans for the infrastructure required at the Livengood Gold Project. This included evaluating mine shops; process, water and tailing management facilities; power; access roads; administration offices; and camp facilities.

**Livengood Gold Project Lands**

The Livengood Gold Project covers approximately 19,546 hectares (48,300 acres), all of which is controlled by the Company through its wholly-owned subsidiary, Tower Hill Mines, Inc. The Livengood Gold Project is comprised of multiple land parcels: 100% owned patented mining claims, 100% owned State of Alaska mining claims, 100% owned federal unpatented placer claims; land leased from the Alaska Mental Health Trust ( AMHT ); land leased from holders of state and federal patented and unpatented mining and placer claims, and undivided interests in patented mining claims. The property and claims controlled through ownership, leases or agreements are summarized below.

**100% owned patented mining claims**

- U.S Mineral Survey 2447, located on lower Livengood Creek, subject to the December 2011 land purchase agreement described below and further subject to an agreement to allow Larry Nelson as agent for Heflinger to operate a placer mine on MS 2447, through December 31, 2014.

- U.S. Mineral Survey 1956, located on lower Gertrude Creek, subject to a reserved royalty of 5% of gross value held by Key Trust Company on behalf of the Luther Hess Trust, and further subject to an agreement to allow Mammoth Mining LLC to operate a placer mine on MS 1956 and F61249, F61256, F61257, and F61259 on lower Livengood Creek through December 31, 2015.

- With respect to portions of U.S. Mineral Survey 1626, located on lower Amy Creek:

100% of No. 2 Above Discovery Amy Creek,

100% of No. 3 Above Discovery Amy Creek, and

100% of Up Grade Association Bench

**100% owned State of Alaska mining claims**

- 169 state claims acquired by purchase.

- 157 state claims acquired by location.

**100% owned federal unpatented placer claims**

- 29 federal unpatented placer claims, subject to the December 2011 land purchase

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agreement described below.

**100% owned Livengood Placers, Inc.**, a private Nevada corporation that is 100% owned by TH Alaska. Livengood Placers, Inc. is the record owner of the following:

- 29 patented claims, subject to the December 2011 land purchase agreement described below.
- 108 federal unpatented placer claims, subject to the December 2011 land purchase agreement described below.
- 24 State of Alaska mining claims, subject to the December 2011 land purchase agreement described below.

**Leased property**

- Alaska Mental Health Trust Lease. A lease of the AMHT mineral rights having a term commencing 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 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 the Hudson/Geraghty Lease 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. As of December 31, 2014, there were 9,970 acres included in the AMHT lease.
- Hudson/Geraghty Lease. A lease of 20 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.
- Griffin Lease. A lease of three patented lode 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.

- Tucker Lease. A lease of two unpatented federal lode mining claims and four 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

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\$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.

**Patented claims (undivided interests less than 100%)**

- An undivided 5/6th interest in that certain patented placer mining claim known as the Kinney Bench claim, included within U.S. Mineral Survey No. 1626 on lower Amy Creek.
- An undivided 5/9th interest in that certain patented placer mining claim known as the Union Bench Association claim, included within U.S. Mineral Survey No. 1626 on lower Amy Creek.
- An undivided 1/6th interest in that certain patented placer mining claim known as the Bessie Bench claim, included within U.S. Mineral Survey No. 1626 on lower Amy Creek.
- An undivided 1/3rd interest in those certain patented placer mining claims known as the War Association claim; the Mutual Association claim; and the O.K. Fraction claim, all included within U.S. Mineral Survey No. 2033 on lower Amy Creek.

On State of Alaska lands, the state holds both the surface and the subsurface rights. State of Alaska 40-acre mining claims require an annual rental payment of \$35/claim to be paid to the state (by November 30th of each year), for the first five years, \$70 per year for the second five years, and \$170 per year thereafter. These rental rates are multiplied by 4 for each 160 acre claim. As a consequence of the annual rentals due, all Alaska State Mining Claims have an expiry date of November 30th each year. In addition, there is a minimum annual work expenditure requirement of \$100 per 40-acre claim (due on or before noon on September 1 in each year) or cash-in-lieu thereof, and an affidavit evidencing that such work has been performed is required to be filed on or before November 30th in each year. Excess work can be carried forward for up to four years. If the rental is paid and the work requirements are met, the claims can be held indefinitely. The work completed by the Company during the 2014 field season was filed as assessment work, and the value of that work is sufficient to meet the assessment work requirements through September 1, 2018 on all State of Alaska mining claims.

Holders of State of Alaska mining claims are also required to pay a production royalty on all revenue received from minerals produced on state land during each calendar year. The production royalty rate is 3% of net income.

Holders of federal unpatented mining claims are required to pay an annual rental of \$140 per 20 acres.

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All of the foregoing agreements are in good standing and are transferable. The Company has taken reasonable steps to verify title to mineral properties in which it has an interest. Except for the patented claims, none of the properties have been surveyed.

Holders of Federal and Alaska State unpatented mining claims have the right to use the land or water included within mining claims only when necessary for mineral prospecting, development, extraction, or basic processing, or for storage of mining equipment. However, the exercise of such rights is subject to the appropriate permits being obtained.

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**December 2011 Land Purchase Agreement**

In December 2011, the Company completed a transaction to acquire certain mining claims and related rights in the vicinity of the Livengood Gold Project. This acquisition included both mining claims and all of the shares of Livengood Placers, Inc. These assets were purchased on December 13, 2011 for aggregate consideration of \$36,600,000 allocated between cash consideration of \$13,500,000 and a derivative liability of \$23,100,000. The derivative liability is a contingent payment based on the five-year average daily gold price ( Average Gold Price ) from the date of the acquisition. The derivative liability (payable in January 2017) will equal \$23,148 for every dollar that the Average Gold Price exceeds \$720 per troy ounce. If the Average Gold Price is less than \$720, there will be no additional contingent payment. The subject ground was previously vacant or was used for placer gold mining.

No placer mineral reserves or mineral resources have been established on the ground subject to this agreement. However, records exist for 2,370 placer drill holes that have been completed on the subject ground between 1933 and 2011. Of these, the 945 holes completed between 1933 and 1984 were primarily 6 inch churn drill holes. The 1,425 drill holes completed between 1984 and 2000 were 8 inch RC rotary drill holes utilizing a center return tri-cone bit. All lands controlled by the Company, including the lands acquired pursuant to this agreement, were evaluated as appropriate for integration into the September 2013 Study for the Livengood Gold Project.

**Geology and Mineralization**

Rocks at the Livengood Gold Project are part of the Livengood Terrane, an east-west belt, approximately 240 km (149 miles) long, consisting of tectonically interleaved assemblages of various ages. These assemblages include the Amy Creek Assemblage, a sequence of latest Proterozoic and/or early Paleozoic basalt, mudstone, chert, dolomite, and limestone. An early Cambrian ophiolite sequence of mafic and ultramafic sea floor rocks was thrust over the Amy Creek Assemblage and was, in turn, overthrust by a sequence of Devonian shale, siltstone, conglomerate, volcanic, and volcanoclastic rocks, which are the dominant host to the mineralization currently under exploration at the Livengood Gold Project. The Devonian assemblage was overthrust by a second klippe of Cambrian ophiolite rocks. All of these rocks are intruded by Cretaceous multiphase monzonitic and syenitic dikes and sills. Gold mineralization is spatially and temporally associated with these intrusive rocks.

Gold mineralization occurs in association with disseminated arsenopyrite and pyrite in volcanic, sedimentary, and intrusive rocks, and in quartz veins cutting the more competent lithologies, primarily volcanic rocks, sandstones, and, to a lesser degree, ultramafic rocks. Three principal stages of alteration are currently recognized, an early biotite stage, followed by albite-quartz, and a late sericite-quartz assemblage. Carbonate appears to have been introduced with and subsequent to these stages. Arsenopyrite and pyrite were introduced primarily during the albite-quartz and sericite-quartz stages. Gold correlates strongly with arsenic and occurs primarily within and on the margins of arsenopyrite and pyrite.

Mineralization is interpreted as intrusion-related, consistent with other gold deposits of the Tintina Gold Belt, and has a similar As-Sb geochemical association. Mineralization is controlled partly by lithologic units, but thrust-fold architecture was key to providing pathways for intrusive and associated hydrothermal fluids.

Local fault and contact limits to mineralization have been identified, but overall the deposit has not been closed off in any direction. The current resource and area drilled covers the most significant portion of the area with anomalous gold in surface soil samples, but still represents only about 25% of the total gold-anomalous area.



Among deposits of the Tintina Gold Belt, mineralization at the Livengood Gold Project is most similar to the dike and sill-hosted mineralization at the Donlin Creek deposit, where gold occurs in narrow quartz veins associated with dikes and sills of similar composition. The age of the intrusions and the genetic link between the mineralization and intrusive rocks are typical of those of other nearby gold deposits of the Tintina Gold Belt, which have been characterized as intrusion-related gold systems and for these reasons the Livengood Gold Project is best classified with them.

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**History and Exploration**

Gold was first discovered in the gravels of Livengood Creek in 1914. Subsequently, over 500,000 ounces of placer gold were produced and the small town of Livengood was established. From 1914 through the 1970 s, the primary focus of prospecting activity was placer deposits. Historically, prospectors considered Money Knob and the associated ridgeline the source of the placer gold. Prospecting, in the form of dozer trenches, was carried out for lode type mineralization in the vicinity of Money Knob primarily in the 1950 s. However, to date no significant production has been derived from lode gold sources.

The geology and mineral potential of the Livengood District have been investigated by state and federal agencies and explored by several companies over the past 40-plus years. Modern mapping and sampling investigations were initially carried out by the U.S. Geological Survey in 1967 as part of a heavy metal assessment program. Mapping completed in the course of this program recognized the essential rock relations, thrust faulting, and mineralization associated with Devonian clastic rocks, the thrust system and intrusive rocks. Since then, the Livengood placer deposits and the surrounding geology have featured in numerous investigations and mapping programs at various scales by the U.S. Geological Survey and the Alaska State Division of Geological and Geophysical Surveys.

In addition to individuals prospecting the area, since the 1970 s several mining companies, including Homestake, AMAX, Placer Dome, Cambior and AngloGold, have investigated the potential for lode gold mineralization beneath the Livengood placers and on the adjacent hillsides, including at Money Knob. Placer Dome s work appears to have been the most extensive, but it was focused largely on the northern flank of Money Knob and the valley of Livengood Creek.

The most recent round of exploration of the Money Knob area began when AngloGold acquired the property in 2003 and undertook an 8-hole reverse circulation (RC) program on the Hudson-Geraghty lease. The results from this program were encouraging and were followed up with an expanded soil geochemical survey which identified gold-anomalous zones over Money Knob and to the east. Based on the results of this and prior (Cambior) soil surveys, 4 diamond core holes were drilled in late 2004. Results from these two AngloGold drill programs were deemed favorable but no further work was executed due to financial constraints and a shift in corporate strategy.

The Company acquired the Livengood Gold Project in 2006 from AngloGold and has advanced the soil sampling coverage, undertook to drill surface geochemical anomalies and conducted drilling campaigns on the Livengood Gold Project since that time.

In 2006, the Company conducted a 1,227m, seven-hole program and continued to demonstrate the presence of mineralization over a broader area. The 2007 campaign consisted of 15 diamond drill holes for a total of 4,411m. These holes focused on extending and defining the volcanic-hosted mineralization first recognized by AngloGold in 2003. However, as drilling progressed, it became clear that although mineralization is strongest in the volcanic rocks, it occurs in all rock types at Money Knob.

Based on favorable results in 2007, the 2008 program consisted of 29,150m of RC and 2,187m core drilling in 109 and 9 holes, respectively. The drill program was designed to improve definition and expand the resource calculated early in 2008 based on 2007 drill data. The 2008 drill program did not identify limits to mineralization in any direction. Instead, a thicker mineralized zone (up to 200m) was identified. In addition, this campaign highlighted the fact that mineralization occurs in all rock types, not just in Devonian volcanic rocks, indicating potential more widespread mineralization than envisioned prior to the 2008 drill program.

In 2009, the Company completed 12 diamond drill holes totaling 4,572m and 195 RC holes totaling 59,757m. Six of the diamond drill holes were drilled across the NNW-trending Core Zone in order to better understand the structural controls and to test the depth continuity of the mineralization. This drilling confirmed that the Core Zone is the locus of a swarm of 0.2 - 1.0m thick southerly dipping dikes. In addition, a number of larger (+10m thick) steeply dipping NNW-trending dikes were observed, suggesting that ENE extension may have occurred at about the time of dike magmatism. The RC holes were primarily targeted at grid infill drilling to improve resource estimation of the Core Zone and a step-out program that led to discovery and delineation of the Sunshine and Tower Zones.

In 2010, the Company completed 40 diamond drill holes totaling 13,631m and 198 RC holes totaling 56,550m.

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These holes, filled in between the Core and Sunshine Zones, expanded the SW Zone and infilled to 50m spacing in the Core and Sunshine Zones.

Nearly all drill holes at Money Knob have been drilled in a northerly direction at an inclination of -50 degrees (RC) and -60 degrees (core) in order to best intercept the south dipping structures and mineralized zones as close to perpendicular as possible. A few holes have been drilled in other directions to test other features and aspects of mineralization. Most exploration holes have been spaced at 75m apart along lines 75m apart, subsequent infill drilling in the center of 75m squares brings the nominal drill spacing to 50m for a significant portion of the deposit. Core is recovered using triple tube techniques to ensure good recovery (>95%) and confidence in core orientation. RC holes are bored and cased for the upper 0-30m to prevent down hole contamination and to help keep the hole open for ease of drilling at greater depths.

In 2011, the Company continued with resource definition drilling, completing 26,163m of RC drilling and 11,468m of diamond drilling. Two areas of the deposit, the Core and Sunshine crosses, were selected for 15m-spaced RC in-fill drilling on crosses with north-south and east-west legs 150m in length. A third area, Area 50 in the Sunshine Zone, measuring 195m by 240m, was drilled on a 37.5m grid with alternating core and RC drilling. Two resources were generated for each volume using ordinary kriging on samples composited to 10m lengths: the first including those portions of the 50m grid drilling within the volume; and a second using both the grid and close-spaced drilling within the same volume. On average, the effect of the increased drilling density on tonnage, grade, and contained ounces of gold was less than 1% and confirmed the integrity of the previously reported resource estimate. In 2011, the Company broadened the scope of the field program to include 2,240m of exploration drilling outside the resource area, as well as 8,932m of geotechnical drilling and 1,192m of large diameter groundwater test wells.

In May 2012, the Company commenced an 18-hole program of condemnation drilling to either sterilize or establish the presence of significant mineralization in the area surrounding the Money Knob deposit. The purpose of the condemnation drilling program was to determine appropriate areas for infrastructure development. Additionally, four of these holes are also being used for hydrological studies. The program was completed in July with 3,065m in 19 holes.

Also in May 2012, the Company commenced multi-faceted drill programs consisting of hydraulic gradient, infrastructure, borrow source identification, and large-diameter wells for pump tests. The hydraulic gradient and infrastructure drilling consisted of 5,826m in 49 holes utilizing core drilling. The geotechnical and borrow source information was obtained from 2,695m drilled in 73 holes, utilizing core, sonic, and auger drilling methods. Seven large diameter wells have been drilled for a total of 1,031m.

The drill program from February through October 2012 totaled 15,731m in 199 holes.

No drill programs were completed during 2013 as the Company completed and issued the September 2013 Study.

The Company did not complete any material exploration at the Project in 2014.

**Sample Preparation, Analyses and Security**

The Company samples all holes from surface to total depth, using defined procedures. For RC samples, pulverized material is passed through a cyclone to separate solids from drilling fluids, then over a spinning conical splitter. The splitter is set to collect two identical splits of sample weighing 2-5 kg (4.4-11.0 pounds) each. Representative coarse material is collected and saved in chip trays for geological description. Samples are put in pre-numbered, bar-coded bags by the drill site crew. One sample is submitted for analysis, and one sample is kept for reference. Samples are secured on site and transported to a sample preparation facility operated by ALS Chemex in Fairbanks.

Core materials are collected at the drill site and placed in core boxes. Run blocks, orientation blocks and depths are placed in the boxes at site. The core is transported to a sample management facility at the Project, where it is described, then sawn in half. Half of the core is collected for assaying and half remains for reference. Core samples are weighed before shipping.

The Company's geologic work program at Livengood was designed and is supervised by Chris Puchner, Chief

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Geologist of the Company, who is a qualified person as defined by NI 43-101. Mr. Puchner is responsible for all aspects of the work, including the quality control/quality assurance program. The quality assurance/quality control program implemented by the Company meets or exceeds industry standards. A quality assurance/quality control program includes insertion of blanks and standards (1/10 samples) and duplicates (1/20 samples). Blanks help assess the presence of any contamination introduced during sample preparation and help calibrate the low end of the assay detection limits. Commercial standards are used to assess the accuracy of the analyses. Duplicates help assess the homogeneity of the sample material and the overall sample variance. The Company has undertaken rigorous protocols to assure accurate and precise results. Among other methods, weights are tracked throughout the various steps performed in the laboratory to minimize and track errors. A group of 2096 metallic screen fire assays performed in 2011 did not indicate any bias in the matching fire assays.

On-site Project personnel photograph the core from each individual borehole prior to preparing the split core. Duplicate RC drill samples are collected with one split sent for analysis. Representative chips are retained for geological logging. On-site personnel at the Project log and track all samples prior to sealing and shipping. All sample shipments are sealed and shipped to ALS Chemex in Fairbanks, Alaska, for preparation and then on to ALS Chemex in Reno, Nevada, or Vancouver, B.C., for assay. ALS Chemex's quality system complies with the requirements for the International Standards ISO 9001:2000 and ISO 17025:1999. Analytical accuracy and precision are monitored by the analysis of reagent blanks, reference material and replicate samples. Quality control is further assured by the use of international and in-house standards. Finally, representative blind duplicate samples are forwarded to ALS Chemex and an ISO compliant third party laboratory for additional quality control.

Data entry and database validation procedures have been checked and found to conform to industry practices. Procedures are in place to minimize data entry errors. These include pre-numbered, pre-tagged, bar-coded bags, and bar-coded data entry methods which relate all information to sample and drill interval information. Likewise, data validation checks are run on all information used in the geologic modeling and resource estimation process. Database entries for a random sample (10%) of drill holes used for the resource estimate were checked against the original assay certificates by one of the independent authors of the September 2013 Study and the error rate was found to be within acceptable limits.

Analysis of assay data from core and RC sampling has been performed to check for downhole contamination of RC and to compare the data distributions produced by the two methods. Analysis of RC data has not indicated cyclic down hole contamination. Decay analysis conducted on both core drilling and RC drilling indicates similar patterns of monotonic grade increase or decrease. Comparison of the grade distributions between core and RC data were conducted using Quantile-Quantile plots, and simulation of population means for different numbers of samples. The comparison indicated that the mean of all core data was 4% lower than RC data. Comparison of core and RC data below the water table showed similar population means, suggesting that down hole contamination was not occurring.

Core and RC check samples have been collected during each drilling campaign by independent third parties. Results from these samples, as well as blanks and standards included, are consistent with the Company's initial results. This includes a similar increase in variance for samples at higher grades, a pattern consistent with nugget effect. No systematic high or low bias has been observed.

**September 2013 Study**

In September 2013, the Company filed the September 2013 Study with respect to the feasibility study to evaluate the Livengood Gold Project, which indicates that the Project generates a minimal positive return at a gold price of \$1,500 per ounce. At the current gold price, the Project as contemplated in the September 2013 Study is not commercially viable. Readers are encouraged to review the entire September 2013 Study on SEDAR, with particular emphasis on the sensitivity analyses contained therein.

**Environmental Studies, Permitting and Social and Community Impacts**

The Livengood Gold Project is currently operating within compliance of all environmental regulations that apply during the exploration stage of major mineral projects. The Company has received all necessary exploration permits

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for activities such as trenching, drill road building and drilling. These permits are also reviewed by related state and federal agencies that can comment and require specific changes to the proposed work plans to minimize impacts on the environment. The permitting process for major exploration projects generally requires 30-60 days for processing. The Company currently has all necessary permits with respect to its exploration activities in Alaska. Although the Company has never had an issue with the timely processing of exploration permits there can be no assurances that delays in permit approval will not occur. Reclamation of surface disturbance associated with exploration activities is conducted concurrently where required.

The Company has been conducting extensive, multi-disciplinary environmental baseline studies in and around the Project area since 2008 in order to understand the current environmental conditions and to allow Project design to be optimized to minimize potential environmental effects. The environmental baseline programs conducted or currently underway at the Project include:

- surface water and hydrology;
- groundwater hydrogeology;
- geohydrology;
- wetlands and vegetation;
- meteorology and air quality;
- aquatic life and resources;
- wildlife and habitat;
- cultural resources;
- rock characterization; and
- geochemical characteristics.

Based on review of the studies completed to date, The Company believes that there are no known environmental issues that are anticipated to materially impact the Company's ability to conduct mining operations at the Project.

Looking forward to potential project development, a site-specific monitoring plan and water management plan for both operations and post mine closure will be developed in conjunction with detailed engineering and project permit planning. Development of the Livengood Gold Project will require a number of state and federal permits. Federal permits will be issued pursuant to the National Environmental Policy Act (NEPA) and Council of Environmental Quality (CEQ). In fulfillment of the NEPA requirements, the Livengood Gold Project will be required to prepare an Environmental Impact Statement. Although at this time it is unknown which department will become the lead federal agency, the State of Alaska is expected to take a cooperating role to coordinate the NEPA review with the State permit process. Actual permitting timelines are controlled by the NEPA review and U.S. Federal and State agency decisions. There are no municipal or community agreements required for the Livengood Gold Project.



**ITEM 3. LEGAL PROCEEDINGS**

We are periodically a party to or otherwise involved in legal proceedings arising in the normal course of business. Management does not believe that there is any pending or threatened proceeding against us which, if determined adversely, would have a material adverse effect on our financial position, liquidity or results of operations.

**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 requirements 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 fiscal year ended December 31, 2014, 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.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Price Range of Common Shares**

The common shares of the Company are listed and posted for trading on the TSX under the symbol ITH, on the NYSE MKT under the symbol THM, and on the Frankfurt Stock Exchange under the symbol IW9. The following table sets forth the highest and lowest intraday sales prices for the common share as reported by the TSX and NYSE MKT for the periods indicated:

Year ended December 31, 2014	Toronto Stock Exchange				NYSE MKT			
	C\$ High	C\$ Low	C\$ High	C\$ Low	\$ High	\$ Low	\$ High	\$ Low
Fourth Quarter	\$ 0.59	\$ 0.36	\$ 0.53	\$ 0.32				
Third Quarter	\$ 0.83	\$ 0.50	\$ 0.78	\$ 0.45				
Second Quarter	\$ 0.99	\$ 0.47	\$ 0.91	\$ 0.45				
First Quarter	\$ 1.30	\$ 0.43	\$ 1.18	\$ 0.40				

  

Year ended December 31, 2013	Toronto Stock Exchange				NYSE MKT			
	C\$ High	C\$ Low	C\$ High	C\$ Low	\$ High	\$ Low	\$ High	\$ Low
Fourth Quarter	\$ 0.72	\$ 0.31	\$ 0.69	\$ 0.30				
Third Quarter	\$ 0.95	\$ 0.33	\$ 0.90	\$ 0.31				
Second Quarter	\$ 1.56	\$ 0.46	\$ 1.55	\$ 0.43				
First Quarter	\$ 2.48	\$ 1.35	\$ 2.49	\$ 1.31				

As at March 9, 2015, there were 116,313,638 common shares issued and outstanding, and the Company had approximately 108 shareholders of record. On March 9, 2015, the closing price of the common shares as reported by the TSX and NYSE MKT was C\$0.47 and \$0.37, respectively.

**Dividends**

Since its inception, ITH has not paid any dividends. ITH has no present intention of paying any dividends, as it anticipates that all available funds will be invested to finance the growth of its business. The Board will determine if and when dividends should be declared and paid in the future after taking into account many factors, including ITH's financial condition, operating results and anticipated cash needs at the relevant time. There are no restrictions which prevent ITH from paying dividends.

**Recent Sales of Unregistered Equity Securities**

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On December 11, 2014, the Company closed a non-brokered private placement financing through the issuance of common shares in a transaction exempt from registration under the Securities Act pursuant to Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D thereunder. The placement consisted of 18,245,000 common shares issued at C\$0.46 per share for gross proceeds of \$7,315,917 and was subscribed for by funds managed by Paulson & Co., Inc. and Tocqueville Asset Management, LP, and by certain directors and members of ITH management. Total share issuance costs for this non-brokered private placement financing amounted to \$24,828.

### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

### **Exchange Controls**

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident

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holders of the Company's securities, except as discussed in Certain Canadian Federal Income Tax Considerations for U.S. Resident Holders below.

There are no limitations under the laws of Canada or in the organizing documents of the Company on the right of foreigners to hold or vote securities of the Company, except that the *Investment Canada Act* (Canada) may require review and approval by the Minister of Industry (Canada) of certain acquisitions of control of the Company by a non-Canadian. The threshold for acquisitions of control is generally defined as being one-third or more of the voting shares of the Company. Non-Canadian generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

**Certain Canadian Federal Income Tax Considerations for U.S. Resident Holders**

This summary is applicable to a holder or prospective purchaser of common shares of the Company who, for the purposes of the *Income Tax Act* (Canada) (the Tax Act) and any applicable treaty and at all relevant times, is not (and is not deemed to be) resident in Canada, does not (and is not deemed to) use or hold the common shares in, or in the course of, carrying on a business in Canada, and is not an insurer that carries on an insurance business in Canada and elsewhere.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend such Act and regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the Company's understanding of the administrative policies and assessing practices published in writing by the Canada Revenue Agency prior to the date hereof. This summary does not otherwise take into account any change in law or administrative policy or assessing practice, whether by judicial, governmental, legislative or administrative decision or action, nor does it take into account other federal or provincial, territorial or foreign tax consequences, which may vary from the Canadian federal income tax considerations described herein.

This summary is of a general nature only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder of common shares and no representation with respect to Canadian federal income tax consequences to any holder of common shares is made herein. Accordingly, prospective purchasers and holders of common shares should consult their own tax advisers with respect to their individual circumstances.

***Dividends on Common Shares***

Canadian withholding tax at a rate of 25% (subject to reduction under the provisions of any applicable tax treaty) will be payable on dividends (or amounts paid or credited on account or in lieu of payment of, or in satisfaction of, dividends) paid or credited to a holder of common shares. Under the *Canada U.S. Income Tax Convention (1980)*, as amended (the Canada U.S. Treaty), the withholding tax rate is generally reduced to 15% for a holder entitled to the benefits of the Canada U.S. Treaty who is the beneficial owner of the dividends (or 5% if the holder is a company that owns at least 10% of the common shares).

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Certain U.S.-resident entities that are fiscally transparent for United States federal income tax purposes (including limited liability companies) may not in all circumstances be entitled to the benefits of the Canada U.S. Treaty. Members of or holders of an interest in such an entity that holds common shares should consult their own tax advisers regarding the extent, if any, to which the benefits of the Canada U.S. Treaty will be extended to the entity in respect of its common shares.

### *Capital Gains and Losses*

Subject to the provisions of any relevant tax treaty, capital gains realized by a holder on the disposition or deemed disposition of common shares held as capital property will not be subject to Canadian tax unless the common shares are taxable Canadian property (as defined in the Tax Act), in which case the capital gains will be subject to Canadian tax at rates which will approximate those payable by a Canadian resident.

Common shares of the Company generally will not be taxable Canadian property to a holder provided that, at the time of the disposition or deemed disposition, the common shares are listed on a designated stock exchange (which

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currently includes the TSX and NYSE MKT), unless at any time during the 60-month period that ends at that time: (a) one or any combination of (i) such holder, (ii) persons not dealing at arm's length with such holder and (iii) partnerships in which such holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of the Company; and (b) more than 50% of the fair market value of the common shares disposed of was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act), and options in respect of, or interests in, or civil law rights in, any such properties (whether or not such property exists). In certain circumstances set out in the Tax Act, the common shares may be deemed to be taxable Canadian property .

Under the Canada U.S. Treaty, a holder entitled to the benefits of the Canada U.S. Treaty and to whom the common shares are taxable Canadian property will not be subject to Canadian tax on the disposition or deemed disposition of the common shares unless at the time of disposition or deemed disposition, the value of the common shares is derived principally from real property situated in Canada.

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

The following is a discussion of certain material U.S. federal income tax consequences to U.S. Holders (as defined below) of acquiring, owning, and disposing of our common shares. This discussion does not purport to be a comprehensive description of all of the U.S. tax considerations that may be relevant to a particular person's decision to acquire the common shares, including any state, local or non-U.S. tax consequences of acquiring, owning, and disposing of Company common shares. This discussion applies only to those U.S. Holders that hold Company common shares as capital assets for U.S. tax purposes (generally, for investment and not in connection with the carrying on of a trade or business) and does not address all aspects of U.S. federal income tax law that may be relevant to investors that are subject to special or different treatment under U.S. federal income tax law (including, for example, a holder liable for the alternative minimum tax or a holder that actually or constructively owns 10% or more by voting power or value of our common shares). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed U.S. Treasury regulations, published rulings and other administrative guidance of the U.S. Internal Revenue Service (the IRS) and court decisions, all as in effect on the date hereof. These laws are subject to change or differing interpretation by the IRS or a court, possibly on a retroactive basis. This discussion also assumes that the Company is not, and will not become, a controlled foreign corporation (CFC) as defined for U.S. federal income tax purposes.

As used herein, the term U.S. Holder means a beneficial owner of our common shares that is:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state or political subdivision thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (i) if a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) that has a valid election in effect to be treated as a U.S. person under applicable U.S. Treasury regulations.

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If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the common shares, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the common shares that is a partnership and partners in such a partnership should consult their own tax advisors about the U.S. federal income tax consequences of acquiring, owning, or disposing of Company common shares.

### *Distributions*

Subject to the passive foreign investment company rules discussed below, should a distribution be made, a U.S. Holder must include in gross income as dividend income the gross amount of any distribution paid on the common shares (including the amount of any non-U.S. taxes withheld from such amount), to the extent such distribution is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes).

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Distributions in excess of our current and accumulated earnings and profits (as determined for U.S. federal income tax purposes) will first be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the common shares and thereafter as gain from the sale or exchange of common shares. See *Sale, Exchange, or Other Disposition of Common Shares* below.

Dividends received by U.S. Holders that are individuals, estates, or trusts will be taxed at preferential rates if such dividends meet the requirements of qualified dividend income. Dividends that fail to meet such requirements, and dividends received by corporate U.S. Holders, are taxed at ordinary income rates. In order for dividends to qualify as qualified dividend income, an entity must be considered a qualified foreign corporation and certain other requirements must be met. While we believe the Company is a qualified foreign corporation, a dividend received by a U.S. Holder will not be qualified dividend income if the Company is a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year. See the discussion below regarding our passive foreign investment company status under *Passive Foreign Investment Company Rules*. In the case of a corporate U.S. Holder, dividends received generally will not be eligible for the dividends-received deduction.

Dividends paid on the common shares will generally be treated as foreign source income for U.S. foreign tax credit purposes under special U.S. federal income tax rules, subject to various classifications and other limitations. The rules relating to computing foreign tax credits are complex. U.S. Holders should consult their own tax advisors to determine the foreign tax credit implications of owning common shares.

The distribution rules are complex, and each U.S. Holder should consult its own tax advisors regarding the distribution rules.

***Sale, Exchange, or Other Disposition of Common Shares***

Subject to the passive foreign investment company rules discussed below, a U.S. Holder that sells or otherwise disposes of Company common shares will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between (i) the U.S. dollar value of the amount realized on the sale or disposition and (ii) the tax basis, determined in U.S. dollars, of such common shares. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of sale, exchange, or other disposition. Long-term capital gains of individuals are generally subject to preferential maximum U.S. federal income tax rates. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

***Passive Foreign Investment Company Rules***

If the Company is considered a passive foreign investment company (a PFIC) for U.S. federal income tax purposes at any time during a U.S. Holder's holding period, then certain potentially adverse tax consequences apply to such U.S. Holder's acquisition, ownership, and disposition of common shares. In general, a non-U.S. corporation will be a PFIC in any taxable year in which, after applying certain look-through rules, either (1) at least 75% of its gross income for the taxable year is passive income; or (2) at least 50% of the average value (determined on a quarterly basis) of its assets is attributable to assets that produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), and the excess of gains over losses from the disposition of certain assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and receiving directly its proportionate share of the other corporation's income.





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**We believe that we were a PFIC for U.S. federal income tax purposes during the fiscal year ended December 31, 2014, and we expect that we will be a PFIC in the current year and that we may be a PFIC in future years. The determination of whether or not the Company is a PFIC is a factual determination dependent on a number of factors that cannot be made until the close of the applicable tax year and accordingly no assurances can be given regarding the Company's PFIC status for the current year or any future year. The Company's status as a PFIC can have significant adverse tax consequences for a U.S. Holder if we are a PFIC for any year during such U.S. Holder's holding period.**

A U.S. Holder that holds common shares while the Company is a PFIC may be subject to increased tax liability upon the sale, exchange, or other disposition of the common shares or upon the receipt of certain distributions, regardless of whether the Company is a PFIC in the year in which such disposition or distribution occurs. These adverse tax consequences include:

(a) Excess distributions by the Company are subject to the following special rules. An excess distribution generally is the excess of the amount a PFIC distributes to a shareholder during a taxable year over 125% of the average amount it distributed to the shareholder during the three preceding taxable years or, if shorter, the part of the shareholder's holding period before the taxable year. Distributions with respect to the common shares made by ITH during the taxable year to a U.S. Holder that are excess distributions must be allocated ratably to each day of the U.S. Holder's holding period. The amounts allocated to the current taxable year and to taxable years prior to the first year in which ITH was classified as a PFIC are included as ordinary income in a U.S. Holder's gross income for that year. The amount allocated to each other prior taxable year is taxed as ordinary income at the highest tax rate in effect for the U.S. Holder in that prior year (without offset by any net operating loss for such year) and the tax is subject to an interest charge at the rate applicable to deficiencies in income taxes (the special interest charge).

(b) The entire amount of any gain realized upon the sale or other disposition of the common shares will be treated as an excess distribution made in the year of sale or other disposition and as a consequence will be treated as ordinary income and, to the extent allocated to years prior to the year of sale or disposition, will be subject to the special interest charge described above.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

While there are certain U.S. federal income tax elections (described below) that can be made to mitigate the adverse tax consequences described above such elections are only available in limited circumstances and must be made in a timely manner. These rules are very complex and U.S. Holders are urged to consult their own tax advisers regarding the potential of making an election to mitigate the adverse consequences described above of the Company being classified as a PFIC.

***Qualifying Electing Fund ( QEF ) Election.*** A U.S. Holder of stock in a PFIC, including the Company, may make a QEF election with respect to such PFIC to elect out of the tax treatment discussed above. Generally, a QEF election should be made with the filing of a U.S. Holder's U.S. federal income tax return for the first taxable year for which both (i) the U.S. Holder holds common shares of ITH, and (ii) the Company was a PFIC. A U.S. Holder that timely makes a valid QEF election with respect to a PFIC will generally include in gross income for a taxable year (i) as ordinary income, such holder's pro rata share of the Company's ordinary earnings for the taxable year, and (ii) as long-term capital gain, such holder's pro rata share of the Company's net capital gain for the taxable year. However, the QEF election is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. **There can be no assurance that ITH will provide U.S. Holders with the information required for them to make a QEF election.**

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*Deemed Sale Election.* If the Company is a PFIC for any year during which a U.S. Holder holds common shares, but the Company ceases in a subsequent year to be a PFIC, then a U.S. Holder may make a deemed sale election for such subsequent year in order to avoid the adverse PFIC tax treatment described above that would otherwise continue to apply because of the Company's having previously been a PFIC. If such election is timely made, the U.S. Holder would be deemed to have sold the common shares held by the holder at their fair market value, and any gain from such deemed sale would be taxed as an excess distribution (as described above). The basis of the common shares would be increased by the gain recognized, and a new holding period would begin for the common shares for purposes of the PFIC rules. The U.S. Holder would not recognize any loss incurred on the deemed sale, and such a loss would not result in a reduction in basis of the common shares. After the deemed sale election, the

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U.S. Holder's common shares with respect to which the deemed sale election was made would not be treated as shares in a PFIC, unless the Company subsequently becomes a PFIC.

*Mark-to-Market Election.* Alternatively, a U.S. Holder of marketable stock (as defined in the applicable Treasury regulations) in a PFIC may make a mark-to-market election for such stock to elect out of the adverse PFIC tax treatment discussed above. If a U.S. Holder makes a mark-to-market election for shares of marketable stock, the U.S. Holder will include in income each year an amount equal to the excess, if any, of the fair market value of the shares as of the close of the holder's taxable year over the holder's adjusted basis in such shares. A U.S. Holder is allowed a deduction for the excess, if any, of the adjusted basis of the shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the shares included in the holder's income for prior taxable years. Amounts included in a U.S. Holder's income under a mark-to-market election, as well as gain on the actual sale or other disposition of the shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the shares, as well as to any loss realized on the actual sale or disposition of the shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such shares. A U.S. Holder's basis in the shares will be adjusted to reflect any such income or loss amounts. However, the special interest charge and related adverse tax consequences described above for non-electing holders may continue to apply on a limited basis if the U.S. Holder makes the mark-to-market election after such holder's holding period for the shares has begun.

Because our common shares are regularly traded on TSX, the NYSE MKT, and the Frankfurt Stock Exchange, we anticipate that our common shares will be classified as marketable stock. No assurances can be given, however, that our common shares are or will be marketable stock.

*Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company of Qualified Electing Fund).* U.S. Holders who own common shares during any year in which the Company is a PFIC must file IRS Form 8621 with their U.S. federal income tax return for each year in which such holder owns common shares and either recognizes gain on a disposition of such common shares, receives certain distributions from the Company, or makes a reportable election. Pursuant to Code Section 1298(f), all U.S. Holders may be required to provide annual information regarding ownership of an interest in a PFIC. As of the date hereof, however, the IRS has suspended the reporting requirements imposed under Code Section 1298(f) for PFIC shareholders that are not otherwise required to file IRS Form 8621.

The PFIC rules are complex, and U.S. Holders should consult their own tax advisors regarding the PFIC rules and how they may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares in the event the Company is a PFIC at any time during such holding period for such common shares.

***Medicare Tax***

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's net investment income for the relevant taxable year and (2) the excess of the U.S. Holder's modified gross income for the taxable year over a certain threshold (which in the case of an individual will be between \$125,000 and \$250,000, depending on the individual's circumstances). A holder's net investment income will generally include dividend income and net gains from the disposition of common shares, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. Holders are urged to consult their own tax advisors regarding the applicability of the Medicare tax in respect of their investment in the common shares.

*Foreign Financial Assets*

Owners of specified foreign financial assets with an aggregate value in excess of \$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. Specified foreign financial assets may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that

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have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. U.S. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to them.

***Foreign Currency Transactions***

Generally, amounts received by a U.S. Holder in foreign currency (including distributions paid in foreign currency to a U.S. Holder in connection with the ownership of common shares or on the sale, exchange, or other disposition of common shares) will be equal to the U.S. dollar value of such foreign currency based on the applicable exchange rate on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). The subsequent disposition of any foreign currency received (including an exchange for U.S. currency) will generally give rise to ordinary gain or loss. Each U.S. Holder should consult its own tax adviser regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

***Information Reporting and Backup Withholding***

Payments made within the United States or by a U.S. payor or U.S. middleman, of dividends on, and/or proceeds arising from the sale or other taxable disposition of, common shares will generally be subject to information reporting and backup withholding tax (currently at a 28% rate) if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax.

Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

Purchasing, holding, or disposing of securities of the Company may have tax consequences under the laws of the United States and Canada that are not described in this Annual Report on Form 10-K. Shareholders are solely responsible for determining the tax consequences applicable to their particular circumstances and should consult their own tax advisors concerning an investment in the Company's common shares.

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The selected financial data set forth in the table below has been taken from the Company's audited consolidated financial statements and should be read in conjunction with those financial statements and the notes thereto. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ). The selected historical financial data is qualified in its entirety by, and should be read in conjunction with, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto attached hereto under Item 8, Financial Statements and Supplementary Data.

Description	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Seven Months Ended December 31, 2011	Year Ended May 31, 2011	Year Ended May 31, 2010
Net loss continuing operations	\$ (7,767,096)	\$ (9,852,480)	\$ (56,643,462)	\$ (43,309,957)	\$ (47,421,873)	\$ (32,232,664)
Net loss discontinued operations					(1,037,912)	(3,452,307)
Net loss	(7,767,096)	(9,852,480)	(56,643,462)	(43,309,957)	(48,459,785)	(35,684,971)
Basic and diluted loss per common share from continuing operations	\$ (0.08)	\$ (0.10)	\$ (0.62)	\$ (0.50)	\$ (0.61)	\$ (0.54)
Basic and diluted loss per common share from discontinued operations	\$	\$	\$	\$	\$ (0.01)	\$ (0.06)

Description	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	May 31, 2011	May 31, 2010
Working capital	\$ 12,614,361	\$ 12,699,227	\$ 27,676,797	\$ 45,813,618	\$ 112,150,621	\$ 41,154,660
Current assets	13,763,531	14,192,923	31,424,066	56,133,233	116,318,862	42,374,537
Total assets	69,004,700	69,464,877	86,687,344	109,304,085	121,798,663	50,134,706
Current liabilities	1,149,170	1,493,696	3,747,269	10,319,615	4,168,241	1,219,877
Total liabilities	15,849,170	16,293,696	26,147,269	31,119,615	4,168,241	1,219,877
Shareholders' equity	\$ 53,155,530	\$ 53,171,181	\$ 60,540,075	\$ 78,184,470	\$ 117,630,422	\$ 48,914,829

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

**Current Business Activities**

**General**

*Livengood Gold Project Developments*

During the year ended December 31, 2014 and to the date of this report, the Company progressed on a number of opportunities, including those identified in the September 2013 Study and those subsequently developed by the Company, for optimization and with the potential for reducing Project costs. The 2014 work has developed an improved production schedule, as compared to the September 2013 Study, and generated detailed work plans for 2015. During 2014, in addition to the mine production scheduling and detailed metallurgical test work review, power supply alternatives were reviewed to determine how changing energy supply dynamics might impact the Project assumptions regarding electrical generation. Construction and operations camp alternatives were reviewed to better define the costs of supporting the manpower requirements for the Project. The Company has also continued to advance environmental baseline work in support of future permitting in order to better position the Project for a construction decision when warranted by market conditions. The 2015 work plans will include additional metallurgical tests and engineering and focus on all aspects of the Project, including confirmation of the flow sheet and optimizing the operating costs. Once defined, these operating costs will then be used to evaluate and optimize the Project configuration and capital costs, including determination of the optimum scale for the Project. The Company will also continue to advance environmental baseline work in support of future permitting and to evaluate alternatives for fresh water supply with potential to reduce Project costs.

*Financing*

During the fourth quarter of 2014, the Company closed a non-brokered private placement financing through the issuance of 18,245,000 common shares issued at C\$0.46 per share for gross proceeds of \$7,315,917. The financing closed on December 11, 2014. Total share issuance costs for this non-brokered private placement financing amounted to \$24,828. This financing will allow the Company to continue to pursue opportunities for Project optimization with its 2015 work plan as further described below.

*Management Change*

In December 2014, the Company announced the resignation of Tom Yip, its Chief Financial Officer, effective December 31, 2014. Mr. Yip will provide transitional services to the Company as a consultant to insure financial continuity and oversight for a period of three to six months after December 31, 2014. The Company is evaluating the most cost effective structure to fill the role of chief financial officer and is searching for a replacement for Mr. Yip.



A multi-phase metallurgical test work program is underway with the following objectives:

- Optimize the gravity circuit
- Optimize the grind size and power consumption
- Optimize the reagent consumption
- Optimize the leach retention time
- Confirm the overall recoveries by rock type
- Provide additional confirmation of the Project head grades.

Review of the feasibility test work to date indicates that there is a potential that further optimization of the parameters noted above could result in capital and operating expenditure reductions for the Project. However, until this multi-phase metallurgical program has been completed, there can be no assurance that the head grade

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differences observed to date, or the potential process optimizations and cost savings opportunities identified, will in fact be realized.

Field work will be conducted in 2015 to advance the environmental baseline and to evaluate alternatives for fresh water supply with potential to reduce Project costs.

Once the test work and field work is completed and the process costs are better defined, these costs will then serve as input to an engineering phase that will evaluate and optimize the Project configuration and capital and operating expenditures, including determining the optimum scale for the Project, any of which may be different than that assumed in the September 2013 Study.

**Summary of Quarterly Results**

Description	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Net loss	\$ (1,654,469)	\$ (1,170,906)	\$ (1,431,402)	\$ (3,510,319)
Basic and diluted net loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.04)

	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Net loss	\$ (1,022,387)	\$ (4,124,761)	\$ (642,050)	\$ (4,063,282)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.04)	\$ (0.01)	\$ (0.04)

Significant fluctuations in the Company's quarterly net loss have mainly been the result of changes in the valuation of the Company's derivative liability. The fluctuation in the derivative liability is caused by changes in the price of gold during the period along with the expected price of gold through the term of the derivative liability which is payable in January 2017. The following table presents the unrealized gain or loss on the valuation of the derivative for each quarterly period during the years ended December 31, 2014 and 2013:

Three months ended:	2014 Unrealized Gain/(Loss)	2013 Unrealized Gain/(Loss)
March 31	\$ (1,500,000)	\$ 1,500,000
June 30	\$ 800,000	\$ 4,200,000
September 30	\$ 400,000	\$
December 31	\$ 400,000	\$ 1,900,000

**Results of Operations*****Year ended December 31, 2014 compared to Year ended December 31, 2013***

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The Company had cash and cash equivalents of \$13,521,473 at December 31, 2014 compared to \$13,925,601 at December 31, 2013. The Company incurred a net loss of \$7,767,096 for the year ended December 31, 2014, compared to a net loss of \$9,852,480 for the year ended December 31, 2013. The following discussion highlights certain selected financial information and changes in operations between the year ended December 31, 2014 and the year ended December 31, 2013.

Mineral property exploration expenses for the year ended December 31, 2014 totaled \$2,631,974. During the year ended December 31, 2013 total mineral property exploration expenses were \$8,188,995. Mineral property expenses during 2014 were comprised of costs related to environmental baseline data gathering, land maintenance payments and process engineering and metallurgical studies performed to progress the identified opportunities of the Project. Mineral property expenses during 2013 were comprised of costs related to process engineering and metallurgical studies performed to support the completion and filing of the September 2013 Study and environmental baseline data gathering.

Share-based payment charges were \$1,285,385 during the year ended December 31, 2014 compared to \$3,564,273 during the year ended December 31, 2013. The decrease in share-based payment charges during the period was

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mainly the result of stock option grants in 2014 at a lower fair value, cancellation of certain options during 2014 and vesting of prior stock option grants during 2013. The Company granted 2,480,000 options during the year ended December 31, 2014 compared to 613,000 options during the year ended December 31, 2013. At December 31, 2014 there was unrecognized compensation expense of \$266,229 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.93 years.

Share based payment charges were allocated as follows:

Expense category:	Year ended December 31, 2014	Year ended December 31, 2013
Consulting	\$ 91,584	\$ 1,030,439
Investor relations	67,923	40,935
Wages and benefits	1,125,878	2,492,899
	\$ 1,285,385	\$ 3,564,273

Excluding share-based payment charges of \$1,125,878 and \$2,492,899, respectively, wages and benefits decreased to \$2,820,873 for the year ended December 31, 2014 from \$4,370,814 for the year ended December 31, 2013. A decrease in severance expense of approximately \$230,000 from 2013 to 2014 along with decreased personnel during the year ended December 31, 2014 contributed to lower wages and benefits expenses. At December 31, 2013 the Company reduced its full time staff by approximately 30%.

Excluding share-based payments, all other operating expense categories reflected only moderate changes period over period.

Other items amounted to income of \$606,192 during the year ended December 31, 2014 compared to income of \$8,322,291 in the year ended December 31, 2013. Total other income in 2014 resulted from the unrealized gain on the revaluation of the derivative liability of \$100,000. This unrealized gain was caused by the decrease in the price per ounce of gold during 2014 and is compared to a gain of \$7,600,000 during 2013 which resulted from a greater decrease in the price of gold during 2013. In addition to the unrealized gain on the derivative liability, the Company had a foreign exchange gain of \$453,161 during the year ended December 31, 2014 compared to a gain of \$917,301 during the year ended December 31, 2013 as a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances. Total other income in 2013 was partially offset by a loss of \$298,769 related to the other than temporary impairment of certain available-for-sale securities. The available-for-sale securities were deemed to be other than temporarily impaired based on the fair market value of the securities combined with a continued lack of liquidity.

***Year ended December 31, 2013 compared to Year ended December 31, 2012***

The Company had cash and cash equivalents of \$13,925,601 at December 31, 2013 compared to \$30,170,905 at December 31, 2012. The Company incurred a net loss of \$9,852,480 for the year ended December 31, 2013, compared to a net loss of \$56,643,462 for the year ended December 31, 2012. The following discussion highlights certain selected financial information and changes in operations between the year ended December 31, 2013 and the year ended December 31, 2012.

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Mineral property exploration expenses for the year ended December 31, 2013 totaled \$8,188,995. During the year ended December 31, 2012 total mineral property exploration expenses were \$36,253,519 and the Company acquired mineral property assets of \$2,127,693. Mineral property expenses during 2013 were comprised of costs related to process engineering and metallurgical studies performed to support the completion and filing of the September 2013 Study and environmental baseline data gathering. Mineral property expenses incurred during 2012 were significantly higher due to geotechnical and condemnation drilling programs as well as an extensive metallurgical test program that took place in 2012. Mineral property expenses during 2012 were comprised of costs related to drilling for geotechnical investigations, environmental baseline data gathering, field costs and engineering in support of data development for completion of the September 2013 Study.

Share-based payment charges were \$3,564,273 during the year ended December 31, 2013 compared to \$9,206,975

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during the year ended December 31, 2012. The decrease in share-based payment charges during the period was mainly the result of stock option grants to new employees and vesting of prior stock option grants during 2012. The Company granted 613,000 options during the year ended December 31, 2013 compared to 6,380,000 options during the year ended December 31, 2012. At December 31, 2013 there was unrecognized compensation expense of \$773,275 related to non-vested options outstanding. The cost was expected to be recognized over a weighted-average remaining period of approximately 0.68 years.

Share based payment charges were allocated as follows:

Expense category:	Year ended December 31, 2013	Year ended December 31, 2012
Consulting	\$ 1,030,439	\$ 2,288,148
Investor relations	40,935	167,009
Professional fees		395
Wages and benefits	2,492,899	6,751,423
	\$ 3,564,273	\$ 9,206,975

Excluding share-based payment charges of \$2,492,899 and \$6,751,423, respectively, wages and benefits decreased to \$4,370,814 for the year ended December 31, 2013 from \$6,891,635 for the year ended December 31, 2012. No management bonuses were paid during the year ended December 2013 compared to bonuses of approximately \$830,000 paid in 2012. Also, a decrease in severance payments of approximately \$400,000 from 2012 to 2013 along with decreased personnel during the year ended December 31, 2013 contributed to lower wages and benefits expenses.

Excluding share-based payment charges of \$1,030,439 and \$2,288,148, respectively, consulting fees decreased to \$314,139 for the year ended December 31, 2013 from \$1,022,277 for the year ended December 31, 2012. Consulting fees to the former interim Chief Executive Officer were approximately \$40,000 during the year ended December 31, 2013 compared to approximately \$390,000 during the year ended December 31, 2012. Additionally, combined decreases in directors fees, recruiting fees and compensation consulting fees amounted to approximately \$200,000 during the year ended 2013.

Professional fees decreased by \$145,546 during the year ended December 31, 2013 due to additional legal fees incurred during the year ended December 31, 2012 related to the review and development of compensation plans.

All other operating expense categories reflected only moderate change period over period.

Other items amounted to income of \$8,322,291 during the year ended December 31, 2013 compared to a loss of \$1,058,082 in the year ended December 31, 2012. The income amount in 2013 resulted from the unrealized gain on the revaluation of the derivative liability of \$7,600,000 for the year ended December 31, 2013. This unrealized gain was caused by the decrease in the price per ounce of gold during 2013 which is used to value the derivative liability. In addition to the unrealized gain on the derivative liability, the Company had a foreign exchange gain of \$917,301 during the year ended December 31, 2013 compared to a gain of \$68,113 during the year ended December 31, 2012 as a result of the impact on the Company's U.S. dollar cash balances of an increase in the value of the Canadian dollar compared to the U.S. dollar.

The increase in other income was partially offset by a loss of \$298,769 related to the other than temporary impairment of certain available-for-sale securities during the year ended December 31, 2013. The available-for-sale securities were deemed to be other than temporarily impaired based on the fair market value of the securities combined with a continued lack of liquidity. Income of \$290,552 from mineral property earn-in was recognized during the year ended December 31, 2012 which was related to the Terra and Chisna properties transferred to Corvus in 2010 compared to no mineral property earn-in income for the year ended December 31, 2013. Interest income during the year ended December 31, 2013 was lower than during the year ended December 31, 2012 by approximately \$80,000 due to lower cash balances in 2013.

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**Liquidity 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 December 31, 2014, the Company reported cash and cash equivalents of \$13,521,473 compared to \$13,925,601 at December 31, 2013. The decrease of approximately \$0.4 million resulted mainly from expenditures on the Livengood Gold Project of approximately \$6.8 million and a negative foreign currency translation impact of approximately \$0.9 million offset by net proceeds from financing of approximately \$7.3 million. The Company continues to utilize its cash resources to pursue opportunities identified in the September 2013 Study and subsequently identified by the Company, to fund environmental activities required for preservation of baseline database and future permitting as well as to complete corporate administrative requirements.

Investing activities during the year ended December 31, 2014 comprised of solely the transfer of restricted cash to capitalized acquisition costs for land acquisitions that closed in January 2014. During the year ended December 31, 2013 the investing activity was for the increase in restricted cash related to cash in escrow for the land acquisitions closed during January 2014. Investing activities during the year ended December 31, 2012 comprised primarily of mineral property acquisitions of \$2,127,693. Mineral property acquisitions during 2012 related to certain mining claims and related rights in the vicinity of the Livengood Gold Project.

Financing activities during the year ended December 31, 2014 provided proceeds of \$7,291,089 from the closing of a non-brokered private placement of common shares in December 2014. Total common shares issued in the financing were 18,245,000 at a price of C\$0.46 for gross proceeds of \$7,315,917. Total share issuance costs were \$24,828. The Company had no cash flows from financing activities during the year ended December 31, 2013. Financing activities provided \$29,214,249 during the year ended December 31, 2012 on the issuance of common shares through a non-brokered private placement. During the third quarter of 2012, the Company closed a non-brokered private placement financing through the issuance of 11,384,719 common shares. The shares were issued in two stages. The first stage closed on August 3, 2012 and consisted of 9,458,308 common shares issued at C\$2.60 per share for gross proceeds of \$24,626,029. The second stage of the offering closed on September 17, 2012 and consisted of 1,926,411 common shares issued at C\$2.5955 per share for gross proceeds of \$5,142,500. The Company paid a cash finder's fee of 4% of gross proceeds in connection with C\$10,000,000 of the total offering. Total share issuance costs for this non-brokered private placement financing amounted to \$554,280.

As at December 31, 2014, the Company had working capital of \$12,614,361 compared to working capital of \$12,699,227 at December 31, 2013. The Company expects that it will operate at a loss for the foreseeable future, but believes the current cash and cash equivalents will be sufficient for it to complete its anticipated 2015 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs, through the 2015 fiscal year and well into 2016. 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, 2015. These essential activities include maintaining environmental baseline data that in its absence could materially delay future permitting of the Livengood Gold Project. Due to the potential importance of the 2014 head grade evaluation to the Project, a significant multi-phase metallurgical test work program has begun in an attempt to validate the observed higher calculated head grades. The Company anticipates spending approximately \$10 million during fiscal year 2015 on metallurgical work and project engineering as well as to maintain the environmental baseline activity, and perform required general and administrative duties.



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, the contingent payment due in January 2017 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

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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. 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. 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 2015 fiscal year.

Other than cash held by its subsidiaries for their immediate operating needs in Alaska and Colorado, 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. However, to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

**Contractual Obligations and Commitments**

The following table discloses, as of December 31, 2014, the Company's contractual obligations including anticipated mineral property payments and work commitments and committed office and equipment lease obligations. 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 expenditures, 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 no other lease purchase or royalty buyout options:

	Payments Due by Year						Total
	2015	2016	2017	2018	2019	2020 and beyond	
Livengood Property Purchase(1)	\$	\$	\$ 14,700,000	\$	\$	\$	\$ 14,700,000
Mineral Property Leases(2)	412,398	417,309	422,294	427,353	437,488	442,701	2,559,543
Mining Claim Government Fees	115,205	77,230	77,230	77,230	77,230	77,230	501,355
Office and Equipment Lease Obligations	86,584						86,584

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Total	\$	614,187	\$	494,539	\$	15,199,524	\$	504,583	\$	514,718	\$	519,931	\$	17,847,482
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(1) The amount payable in January 2017 of \$14,700,000 represents the fair value of the Company's derivative liability as at December 31, 2014 and will be revalued at each subsequent reporting period.

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

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**Off-Balance Sheet Arrangements**

The Company does not have any off balance sheet arrangements.

**Critical Accounting Policies**

*Mineral properties and exploration and evaluation expenditures*

The Company's mineral project is currently in the exploration and evaluation phase. Mineral property acquisition costs are capitalized when incurred. Mineral property exploration costs are expensed as incurred. At such time that the Company determines that a mineral property can be economically developed, subsequent mineral property expenses will be capitalized during the development of such property.

The Company assesses interests in exploration properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment analysis includes assessment of the following circumstances: a significant decrease in the market price of a long-lived asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50%.

The Company's assessment of impairment related to its capitalized acquisition costs at December 31, 2014 was based on estimated undiscounted future cash flows expected to result from the use and eventual disposition of these assets. The assessment took into account the Company's expectation for the future price of gold as well as the probability of achieving certain opportunities to enhance the economics of the Livengood Gold Project as set out in the Company's September 2013 Study and as subsequently developed by the Company. Based on this assessment, no impairments were recorded at December 31, 2014.

*Derivative*

Derivative financial liabilities include the Company's future contingent payment valued using estimated future gold prices. Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Fluctuations in the Company's derivative liability are driven by the price of gold during the current period and the forecasted price of gold to the end of the term of the liability in December 2016, which is payable in January 2017.

*Stock-based compensation*

The Company follows the provisions of Financial Accounting Standards Board ( FASB ) Accounting Standards Codification Section 718 Compensation - Stock Compensation , which establishes accounting for equity based compensation awards to be accounted for using the fair value method. The Company uses the Black-Scholes option pricing model to determine the grant date fair value of the awards. Compensation expense is measured at the grant date and recognized over the requisite service period, which is generally the vesting period.

**Recently Issued Accounting Pronouncements**

In June 2014, the FASB issued Accounting Standards Update 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ( ASU 2014-12 ). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated

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as a performance condition. A reporting entity should apply existing guidance in ASC 718, as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The adoption of ASU 2014-12 is not expected to have a material impact on our financial position, results of operations or cash flows.

**Recently Adopted Accounting Pronouncements**

In June 2014, the FASB issued Accounting Standards Update 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements ( ASU 2014-10 ). ASU 2014-10 eliminates the distinction of a development stage entity and certain related disclosure requirements, including the elimination of inception-to-date information on the statements of operations, cash flows and stockholders equity. The amendments in ASU 2014-10 are effective for annual reporting periods beginning after December 15, 2014, and interim periods within those annual periods. Early adoption of this standard is permitted and the Company adopted the provisions of ASU 2014-10 during the quarter ended June 30, 2014. The adoption of ASU 2014-10 impacts the presentation of the statements of operations and comprehensive income and the statements of cash flows as these statements no longer contain financial information from the inception of the Company to the date of the financial statements.

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**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

The Company has exposure to market risk in areas of interest rate risk, foreign currency exchange rate risk, concentration of credit risk and other price risk.

***Interest Rate Risk***

Interest rate risk consists of the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents consists of cash and cash equivalents held in bank accounts in the United States and Canada and short term deposit certificates or Guaranteed Investment Certificates with a major Canadian financial institution that earn interest at variable interest rates. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

At December 31, 2014, the Company held a total of \$11,838,462 cash equivalents which consist of interest saving accounts and Guaranteed Investment Certificates.

The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The Company's sensitivity analysis suggests that a 0.5% change in interest rates would affect interest income by approximately \$35,000.

***Foreign Currency Risk***

The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in Canadian dollars. As the majority of the Company's assets, aside from cash, are denominated in U.S. dollars, currency risk is limited to those Canadian cash balances. The Company has not entered into any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a consistent 5% change in the absolute rate of exchange for the Canadian dollar would affect net assets by approximately \$300,000. Furthermore, depending on the amount of cash held by the Company in Canadian dollars at the end of each reporting period using the period end exchange rate, significant changes in the exchange rates could cause significant changes to the currency translation amounts recorded to accumulated other comprehensive income.

As at December 31, 2014, Canadian dollar balances were converted at a rate of C\$1 to \$0.8620.

***Credit Risk***

Concentration of credit risk exists with respect to the Company's Canadian cash and cash equivalents as all amounts are held at one major Canadian financial institution. Credit risk with regard to cash held in the United States is mitigated as the amount held in the United States is only sufficient to cover short-term requirements. With respect to receivables at December 31, 2014, the Company is not exposed to significant credit risk as the receivables are principally interest accruals.

***Other Price Risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company's investment in marketable securities is exposed to such risk. The Company's derivative liability, which consists of a future contingent payment valued using estimated future gold prices, is also exposed to other price risk. See Note 6 of the notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The fair value of this liability will fluctuate with the average daily price of gold as well as with future projections for the average price of gold over the life of the obligation. For every dollar change in the average daily price of gold, the value of the derivative liability will change by \$23,148.



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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

**Report of Independent Registered Public Accounting Firm**

**To the Shareholders of International Tower Hill Mines Ltd.**

We have completed integrated audits of International Tower Hill Mines Ltd.'s December 31, 2014, 2013 and 2012 consolidated financial statements and its internal control over financial reporting as at December 31, 2014. Our opinions, based on our audits are presented below.

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of International Tower Hill Mines Ltd., which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flow for each of the years in the three year period ended December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of International Tower Hill Mines Ltd. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

### **Report on internal control over financial reporting**

We have also audited International Tower Hill Mines Ltd.'s internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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**Management's responsibility for internal control over financial reporting**

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting.

**Auditor's responsibility**

Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the company's internal control over financial reporting.

**Definition of internal control over financial reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent limitations**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to 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.

**Opinion**

In our opinion, International Tower Hill Mines Ltd. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

/s/ PricewaterhouseCoopers LLP

**Chartered Accountants**

Vancouver, British Columbia

March 11, 2015

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(An Exploration Stage Company)

## CONSOLIDATED BALANCE SHEETS

As at December 31, 2014 and 2013

(Expressed in U.S. Dollars)

	Note	December 31, 2014	December 31, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 13,521,473	\$ 13,925,601
Prepaid expenses and other		242,058	267,322
Total current assets		13,763,531	14,192,923
Restricted cash			30,477
Property and equipment		37,128	67,913
Capitalized acquisition costs	4	55,204,041	55,173,564
<b>Total assets</b>		<b>\$ 69,004,700</b>	<b>\$ 69,464,877</b>
<b>Current liabilities</b>			
Accounts payable		\$ 270,488	\$ 42,469
Accrued liabilities		878,682	1,451,227
Total current liabilities		1,149,170	1,493,696
<b>Non-current liabilities</b>			
Derivative liability	6	14,700,000	14,800,000
<b>Total liabilities</b>		<b>15,849,170</b>	<b>16,293,696</b>
<b>Shareholders' equity</b>			
Share capital, no par value; authorized 500,000,000 shares; 116,313,638 and 98,068,638 shares issued and outstanding at December 31, 2014 and 2013, respectively	8	243,692,185	236,401,096
Contributed surplus		33,439,249	32,153,864
Accumulated other comprehensive income		2,196,252	3,021,281
Deficit accumulated during the exploration stage		(226,172,156)	(218,405,060)
<b>Total shareholders' equity</b>		<b>53,155,530</b>	<b>53,171,181</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 69,004,700</b>	<b>\$ 69,464,877</b>
<b>Nature and continuance of operations</b> (note 1)			
<b>Commitments</b> (note 10)			

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



Table of Contents**INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

For the Years Ended December 31, 2014, 2013 and 2012

(Expressed in U.S. Dollars)

	Note	December 31, 2014	December 31, 2013	December 31, 2012
<b>Operating Expenses</b>				
Consulting fees		\$ 333,145	\$ 1,344,578	\$ 3,310,425
Depreciation		15,779	21,800	31,660
Insurance		270,724	284,993	310,549
Investor relations		221,665	304,797	479,836
Mineral property exploration	4	2,631,974	8,188,995	36,253,519
Office		68,941	97,560	160,047
Other		28,792	52,518	73,145
Professional fees		389,218	467,510	613,056
Regulatory		119,154	125,019	174,542
Rent		225,405	226,477	251,835
Travel		121,740	196,811	283,708
Wages and benefits		3,946,751	6,863,713	13,643,058
<b>Total operating expenses</b>		<b>(8,373,288)</b>	<b>(18,174,771)</b>	<b>(55,585,380)</b>
<b>Other income (expense)</b>				
Gain on foreign exchange		453,161	917,301	68,113
Interest income		56,670	103,759	183,253
Income from mineral property earn-in				290,552
Impairment of available-for-sale securities			(298,769)	
Unrealized gain/(loss) on derivative	6	100,000	7,600,000	(1,600,000)
Other		(3,639)		
<b>Total other income (expense)</b>		<b>606,192</b>	<b>8,322,291</b>	<b>(1,058,082)</b>
<b>Net loss for the period</b>		<b>(7,767,096)</b>	<b>(9,852,480)</b>	<b>(56,643,462)</b>
<b>Other comprehensive income (loss)</b>				
Unrealized loss on marketable securities		(24,717)	(118,917)	(163,176)
Impairment of available-for-sale securities			298,769	
Exchange difference on translating foreign operations		(800,312)	(1,260,539)	741,019
<b>Total other comprehensive income (loss) for the period</b>		<b>(825,029)</b>	<b>(1,080,687)</b>	<b>577,843</b>
<b>Comprehensive loss for the period</b>		<b>\$ (8,592,125)</b>	<b>\$ (10,933,167)</b>	<b>\$ (56,065,619)</b>
<b>Basic and fully diluted net loss per share</b>		<b>\$ (0.08)</b>	<b>\$ (0.10)</b>	<b>\$ (0.62)</b>
<b>Weighted average number of shares outstanding</b>		<b>99,068,364</b>	<b>98,068,638</b>	<b>91,112,934</b>

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



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(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the Years Ended December 31, 2014, 2013 and 2012

(Expressed in U.S. Dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, December 31, 2011	86,683,919	\$ 207,186,847	\$ 19,382,616	\$ 3,524,125	\$ (151,909,118)	\$ 78,184,470
Private placement	11,384,719	29,768,529				29,768,529
Share issuance costs		(554,280)				(554,280)
Stock based compensation			9,206,975			9,206,975
Unrealized loss on available-for-sale securities				(163,176)		(163,176)
Exchange difference on translating foreign operations				741,019		741,019
Net loss					(56,643,462)	(56,643,462)
Balance, December 31, 2012	98,068,638	236,401,096	28,589,591	4,101,968	(208,552,580)	60,540,075
Private placement						
Share issuance costs						
Stock based compensation			3,564,273			3,564,273
Unrealized loss on available-for-sale securities				(118,917)		(118,917)
Impairment of available-for-sale securities				298,769		298,769
Exchange difference on translating foreign operations				(1,260,539)		(1,260,539)
Net loss					(9,852,480)	(9,852,480)
Balance, December 31, 2013	98,068,638	236,401,096	32,153,864	3,021,281	(218,405,060)	53,171,181
Private placement	18,245,000	7,315,917				7,315,917
Share issuance costs		(24,828)				(24,828)
Stock based compensation			1,285,385			1,285,385
Unrealized loss on available-for-sale securities				(24,717)		(24,717)
Exchange difference on translating foreign operations				(800,312)		(800,312)
Net loss					(7,767,096)	(7,767,096)
Balance, December 31, 2014	116,313,638	\$ 243,692,185	\$ 33,439,249	\$ 2,196,252	\$ (226,172,156)	\$ 53,155,530

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

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(An Exploration Stage Company)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014, 2013 and 2012

(Expressed in U.S. Dollars)

	December 31, 2014	December 31, 2013	December 31, 2012
<b>Operating Activities</b>			
Loss for the period	\$ (7,767,096)	\$ (9,852,480)	\$ (56,643,462)
Add items not affecting cash:			
Depreciation	15,779	21,800	31,660
Share-based payments	1,285,385	3,564,273	9,206,975
Unrealized (gain) loss on derivative liability	(100,000)	(7,600,000)	1,600,000
Impairment of available-for-sale securities		298,769	
Write-down of advance to contractors		482,009	
Other	15,004		(42,017)
Changes in non-cash items:			
Accounts receivable	44,744	393,437	174,537
Prepaid expenses	25,727	18,193	(42,512)
Advance to contractors	(30,682)	100,000	(102,009)
Accounts payable and accrued liabilities	(332,439)	(2,246,348)	(6,582,823)
<b>Cash used in operating activities</b>	<b>(6,843,578)</b>	<b>(14,820,347)</b>	<b>(52,399,651)</b>
<b>Financing Activities</b>			
Issuance of share capital	7,315,917		29,768,529
Share issuance costs	(24,828)		(554,280)
<b>Cash provided by financing activities</b>	<b>7,291,089</b>		<b>29,214,249</b>
<b>Investing Activities</b>			
Change in restricted cash	30,477	(30,477)	
Capitalized acquisition costs	(30,477)		(2,127,693)
Expenditures on property and equipment, net			3,635
<b>Cash used in investing activities</b>		<b>(30,477)</b>	<b>(2,124,058)</b>
<b>Effect of foreign exchange on cash</b>	<b>(851,639)</b>	<b>(1,394,480)</b>	<b>768,292</b>
<b>Decrease in cash and cash equivalents</b>	<b>(404,128)</b>	<b>(16,245,304)</b>	<b>(24,541,168)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>13,925,601</b>	<b>30,170,905</b>	<b>54,712,073</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 13,521,473</b>	<b>\$ 13,925,601</b>	<b>\$ 30,170,905</b>
<b>Supplemental cash flow information (note 11)</b>			

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



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**INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars)

**1. GENERAL INFORMATION, NATURE AND CONTINUANCE 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 December 31, 2014, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A.

These consolidated 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.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral property interests. The recoverability of amounts shown for capitalized acquisition costs is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of capitalized acquisition costs. The success of the above initiatives cannot be assured. In the event that the Company is unable to obtain the necessary financing, it may be necessary to defer certain discretionary expenditures and other planned activities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ).

**Basis of consolidation**

These consolidated 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.

**Significant judgments, estimates and assumptions**

The preparation of financial statements in accordance 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 regularly 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.

The areas which require significant judgment and estimates that management has made at the financial reporting date, that could result in a material change to the carrying amounts of assets and liabilities, in the event actual results differ from the assumptions made, relate to, but are not limited to the following:

Significant estimates

- the fair value determination and inputs used in the valuation of the derivative liability (see note 6).

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Significant judgments

- the determination of functional currencies;
- quantitative and qualitative factors used in the assessment of impairment of the Company's capitalized acquisition costs; and
- the analysis of resource calculations, drill results, labwork, etc. which can impact the Company's assessment of impairments, and provisions, if any, for environmental rehabilitation and restoration.

**Cash and cash equivalents**

Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**Marketable securities**

Marketable securities held in companies with an active market are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value in the financial statements with unrealized gains and losses recorded in accumulated other comprehensive income. Accumulated unrealized gains and losses are recognized in the statement of operations upon the sale of the security or if the security is determined to be impaired.

**Property and equipment**

On initial recognition, property and equipment are valued at cost. Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recorded over the estimated useful life of the assets at the following annual rates:

Computer equipment - 30% declining balance;

Computer software - 3 years straight line;

Furniture and equipment - 20% declining balance; and

Leasehold improvements - straight-line over the lease term.

Additions during the year are depreciated at one-half the annual rates. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### **Mineral properties and exploration and evaluation expenditures**

The Company's mineral project is currently in the exploration and evaluation phase. Mineral property acquisition costs are capitalized when incurred. Mineral property exploration costs are expensed as incurred. At such time that the Company determines that a mineral property can be economically developed, subsequent mineral property expenses will be capitalized during the development of such property.

The Company assesses interests in exploration properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment analysis includes assessment of the following circumstances: a significant decrease in the market price of a long-lived asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50%.

The Company's assessment of impairment related to its capitalized acquisition costs at December 31, 2014 was based on estimated undiscounted future cash flows expected to result from the use and eventual disposition of these assets. The assessment took into account the Company's expectation for the future price of gold as well as the probability of achieving certain opportunities to enhance the economics of the Livengood Gold Project as set out in the September 2013 Study and as subsequently developed by the Company. Based on this assessment, no impairments were recorded at December 31, 2014.

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**Asset retirement obligations**

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or contractually required to remediate and recorded at the time environmental disturbance occurs. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports and accreted to full value over time through periodic charges to income. The Company does not have any material provisions for environmental rehabilitation as of December 31, 2014.

**Derivatives**

Derivative financial liabilities include the Company's future contingent mineral property payment valued using estimated future gold prices. Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in the statement of operations.

**Income taxes**

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be recognized.

**Net loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if securities or contracts that may require the issuance of common shares in the future were converted, unless the impact is anti-dilutive.

**Stock-based compensation**

The Company follows the provisions of Financial Accounting Standards Board ( FASB ) Accounting Standards Codification Section 718 Compensation - Stock Compensation , which establishes accounting for equity based compensation awards to be accounted for using the fair value method. The Company uses the Black-Scholes option pricing model to determine the grant date fair value of the awards. Compensation expense is measured at the grant date and recognized over the requisite service period, which is generally the vesting period.



**Recently Issued Accounting Pronouncements**

In June 2014, the FASB issued Accounting Standards Update 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ( ASU 2014-12 ). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The adoption of ASU 2014-12 is not expected to have a material impact on our financial position, results of operations or cash flows.

**Recently Adopted Accounting Pronouncements**

In June 2014, the FASB issued Accounting Standards Update 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements ( ASU 2014-10 ). ASU 2014-10 eliminates the distinction of a development stage entity and certain related disclosure requirements, including the elimination of inception-to-date information on the statements of operations, cash flows and stockholders equity. The amendments in ASU 2014-10 are effective for annual reporting periods beginning after December 15, 2014, and interim periods within those annual periods. Early adoption of this standard is permitted and the Company adopted the provisions of ASU 2014-10 during the quarter ended June 30, 2014. The adoption of ASU 2014-10 impacts the presentation of the statements of operations and comprehensive income and the statements of cash flows as these statements no longer contain financial information from the inception of the Company to the date of the financial statements.

Table of Contents**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying values of cash and cash equivalents, accounts receivable 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 December 31, 2014	
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 26,894	\$
	\$ 26,894	\$
Financial liabilities:		
Derivative liability (note 6)	\$	\$ 14,700,000
	\$	\$ 14,700,000

	Fair value as at December 31, 2013	
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 55,002	\$
	\$ 55,002	\$
Financial liabilities:		
Derivative liability (note 6)	\$	\$ 14,800,000
	\$	\$ 14,800,000

**4. CAPITALIZED ACQUISITION COSTS**

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

Capitalized acquisition costs	Amount
Balance, December 31, 2013	\$ 55,173,564

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Additions		30,477
Balance, December 31, 2014	\$	55,204,041

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The following table presents costs incurred for exploration and evaluation activities for the years ended December 31, 2014 and 2013:

	Year ended December 31, 2014	Year ended December 31, 2013
Exploration costs:		
Aircraft services	\$ 10,286	\$ 68,577
Assay	8,163	21,712
Drilling	119,036	451,286
Environmental	1,201,642	2,235,287
Equipment rental	52,709	344,063
Field costs	211,848	825,642
Geological/geophysical	70,388	3,367,799
Land maintenance & tenure	530,543	470,489
Legal	367,556	256,965
Surveying and mapping	26,503	95,638
Transportation and travel	33,300	51,537
Total expenditures for the period	\$ 2,631,974	\$ 8,188,995

**Properties acquired from AngloGold, Alaska**

Pursuant to an Asset Purchase and Sale and Indemnity Agreement dated June 30, 2006, as amended on July 26, 2007 (the "AngloGold Agreement"), among the Company, AngloGold Ashanti (U.S.A.) Exploration Inc. ("AngloGold") and TH Alaska, the Company acquired all of AngloGold's interest in a portfolio of seven mineral exploration projects in Alaska and referred to as the Livengood, Chisna, Gilles, Coffee Dome, West Pogo, Blackshell, and Caribou properties (the "Sale Properties") in exchange for a cash payment of \$50,000 on August 4, 2006, and the issuance of 5,997,295 common shares, representing approximately 19.99% of the Company's issued shares following the closing of the acquisition and two private placement financings raising an aggregate of C\$11,479,348. AngloGold had the right to maintain its percentage equity interest in the Company, on an ongoing basis, provided that such right terminated if AngloGold's interest was reduced below 10% at any time after January 1, 2009.

As further consideration for the transfer of the Sale Properties, the Company granted to AngloGold a 90 day right of first offer with respect to the Sale Properties and any additional mineral properties in Alaska in which the Company acquires an interest and which interest the Company proposes to farm out or otherwise dispose of. Upon AngloGold's equity interest in the Company being reduced to less than 10%, this right of first offer would then terminate. On December 11, 2014 the Company closed a private placement financing (see note 8 below) in which AngloGold elected not to participate. As a result of the shares issued in this private placement, AngloGold's ownership in the Company was reduced to less than 10% and thus both AngloGold's right to maintain its ownership percentage interest and its right of first offer on the Company's Alaskan properties terminated upon the closing of the private placement.

Details of the Livengood Property (being the only Sale Property still held by the Company) are as follows:

**Livengood Property:**

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The Livengood property is located in the Tintina gold belt approximately 113 kilometers (70 miles) north 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 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

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a result of the purchase of Livengood Placers, Inc. in December 2011. As of December 31, 2014 the Company has paid \$1,648,923 from the inception of this lease.

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. As of December 31, 2014, the Company has paid \$530,000 from the inception of this lease.

c) a lease of patented lode 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. As of December 31, 2014, the Company has paid \$125,000 from the inception of this lease.

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. As of December 31, 2014, the Company has paid \$83,000 from the inception of this lease.

**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 December 31, 2014 and 2013.

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	December 31, 2014	December 31, 2013
Accrued liabilities	\$ 334,423	\$ 540,486
Accrued severance	390,659	719,375
Accrued salaries and benefits	153,600	191,366
Total accrued liabilities	\$ 878,682	\$ 1,451,227

Accrued liabilities at December 31, 2014 include accruals for general corporate costs and project costs of \$74,413 and \$260,010, respectively. Accrued liabilities at December 31, 2013 include accruals for general corporate costs and project costs of \$115,020 and \$425,466, 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 contingent payment based on the five-year average daily gold price ( Average Gold Price ) from the date of the

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acquisition. The contingent payment will equal \$23,148 for every dollar that the Average Gold Price exceeds \$720 per troy ounce. If the Average Gold Price is less than \$720, there will be no additional contingent payment.

At initial recognition on December 13, 2011 the derivative liability was valued at \$23,100,000. The key assumption used in the valuation of the derivative is the estimate of the future Average Gold Price. The estimate of the future Average Gold Price was determined using a forward curve on future gold prices as published by the CME Group. The CME Group represents the merger of the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), the New York Mercantile Exchange (NYMEX) and its commodity exchange division, Commodity Exchange, Inc. (COMEX). Using this forward curve, the Company estimated an Average Gold Price based on actual gold prices to December 31, 2014 and projected gold prices from December 31, 2014 to the end of the five year period in December 2016 of \$1,356 per ounce of gold.

The fair value of the derivative liability and the estimated Average Gold Price are as follows:

	Fair value	Average Gold Price/oz.
<b>Derivative value at December 31, 2012</b>	\$ 22,400,000	\$ 1,688
Unrealized gain for the year	(7,600,000)	
<b>Derivative value at December 31, 2013</b>	14,800,000	\$ 1,360
Unrealized gain for the year	(100,000)	
<b>Derivative value at December 31, 2014</b>	\$ 14,700,000	\$ 1,356

## 7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows for the years ended December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Loss before income taxes	\$ (7,767,096)	\$ (9,852,480)
Statutory Canadian corporate tax rate	25.00%	25.00%
Income tax recovery at statutory rates	\$ (1,941,774)	\$ (2,463,120)
Share-based payments	321,346	891,068
Unrecognized items for tax purposes	(5,383)	(1,634,335)
Difference in tax rates in other jurisdictions	(1,072,910)	(1,036,959)
Unrecognized amounts	2,698,721	4,243,346
Income tax recovery	\$	\$

The significant components of the Company's deferred income tax assets and liabilities are as follows:



	December 31, 2014	December 31, 2013
Deferred income tax assets (liabilities):		
Mineral properties	\$ 57,243,322	\$ 57,243,322
Derivative liability	(1,822,800)	(1,801,100)
Other	62,329	63,539
Share issue costs	148,685	409,503
Non-capital losses available for future periods	31,229,931	28,245,574
	86,861,467	84,160,838
Valuation allowance	(86,861,467)	(84,160,838)
Deferred income tax asset	\$	\$

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At December 31, 2014, the Company has available net operating losses for Canadian income tax purposes of approximately \$17,536,000 and net operating losses for US income tax purposes of approximately \$61,857,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

	Canada	United States
2025	\$ 65,000	\$
2026	78,000	
2027	907,000	1,252,000
2028	1,253,000	1,350,000
2029	2,074,000	2,600,000
2030	2,829,000	5,691,000
2031	4,180,000	14,730,000
2032	2,629,000	18,371,000
2033	1,827,000	11,962,000
2034	1,694,000	5,901,000
	17,536,000	61,857,000

In addition, the Company has available mineral resource related expenditure pools for Canadian income tax purposes totalling approximately \$2,628,000 which may be deducted against future taxable income in Canada on a discretionary basis. The Company also has available mineral resource expenses that are related to the Company's exploration activities in the United States of approximately \$185,999,000 which may be deductible for U.S. tax purposes. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

## 8. SHARE CAPITAL

### Authorized

500,000,000 common shares without par value. At December 31, 2014 and 2013 there were 116,313,638 and 98,068,638 shares issued and outstanding, respectively.

### Share issuances

During the fourth quarter of 2014, the Company closed a non-brokered private placement financing through the issuance of 18,245,000 common shares issued at C\$0.46 per share for gross proceeds of \$7,315,917. The financing closed on December 11, 2014. Total share issuance costs for this non-brokered private placement financing amounted to \$24,828.

**Stock options**

The Company has adopted an incentive stock option plan (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 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. All options granted during the years ended December 31, 2014 and 2013 vest as to one-third on the date of grant, one-third on the first anniversary, and the balance on the second anniversary.

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A summary of the status of the stock option plan as of December 31, 2014 and 2013 and changes during the periods is presented below:

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Number of Options	Weighted Average Exercise Price (C\$)	Number of Options	Weighted Average Exercise Price (C\$)
Balance, beginning of the period	5,493,000	\$ 3.57	8,570,000	\$ 4.73
Granted	2,480,000	\$ 1.00	613,000	\$ 2.18
Expired		\$	(1,040,000)	\$ 7.78
Forfeited	(600,000)	\$ 3.17	(1,550,000)	\$ 3.27
Cancelled	(1,519,000)	\$ 2.97	(1,100,000)	\$ 8.27
Balance, end of the period	5,854,000	\$ 2.68	5,493,000	\$ 3.57

The weighted average remaining life of options outstanding at December 31, 2014 was 4.5 years.

Stock options outstanding are as follows:

Expiry Date	Exercise Price (C\$)	December 31, 2014		Exercise Price (C\$)	December 31, 2013	
		Number of Options	Exercisable		Number of Options	Exercisable
August 23, 2016	\$ 8.07	600,000	600,000	\$ 8.07	600,000	600,000
January 9, 2017	\$ 4.60	30,000	30,000	\$ 4.60	30,000	20,000
August 24, 2017	\$ 3.17	2,275,000	2,275,000	\$ 3.17	3,350,000	2,233,322
September 19, 2017				\$ 2.91	1,000,000	666,666
March 14, 2018	\$ 2.18	469,000	312,660	\$ 2.18	513,000	170,995
February 25, 2022	\$ 1.11	1,360,000	453,333			
February 25, 2022	\$ 0.73	690,000	230,000			
March 10, 2022	\$ 1.11	430,000	143,333			
		5,854,000	4,044,326		5,493,000	3,690,983

A summary of the non-vested options as of December 31, 2014 and 2013 and changes during the fiscal years ended December 31, 2014 and 2013 is as follows:

	Number of options	Weighted average grant- date fair value (C\$)
<b>Non-vested options:</b>		
Outstanding at December 31, 2012	4,386,680	\$ 2.05
Granted	613,000	\$ 0.50
Vested	(2,547,660)	\$ 2.27
Forfeited	(650,003)	\$ 1.57
Outstanding at December 31, 2013	1,802,017	\$ 1.38
Granted	2,480,000	\$ 0.49

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Vested	(2,272,342)	\$	1.10
Forfeited	(200,001)	\$	1.61
Outstanding at December 31, 2014	1,809,674	\$	0.49

At December 31, 2014 there was unrecognized compensation expense of C\$308,850 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.93 years.

### Share-based payments

During the year ended December 31, 2014, the Company granted 2,480,000 stock options with a fair value of C\$1,224,537, calculated using the Black-Scholes option pricing model. The Company recognized share-based payment expense of \$1,285,385, \$3,564,273 and \$9,206,975 during the years ended December 31, 2014, 2013 and 2012, respectively.

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

	Year ended December 31, 2014	Year ended December 31, 2013
Expected life of options	6 years	4 years
Risk-free interest rate	1.83%	1.29%
Expected volatility	81.02%	59.48%
Dividend rate	0.00%	0.00%
Exercise price (C\$)	\$ 1.00	\$ 2.18

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

## 9. SEGMENT AND GEOGRAPHIC INFORMATION

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

	Canada	United States	Total
<b>December 31, 2014</b>			
Capitalized acquisition costs	\$	\$ 55,204,041	\$ 55,204,041
Property and equipment	10,477	26,651	37,128
Current assets	13,003,412	760,119	13,763,531
Total assets	\$ 13,013,889	\$ 55,990,811	\$ 69,004,700

<b>December 31, 2013</b>			
Capitalized acquisition costs	\$	\$ 55,173,564	\$ 55,173,564
Restricted cash		30,477	30,477
Property and equipment	11,994	55,919	67,913
Current assets	13,289,752	903,171	14,192,923
Total assets	\$ 13,301,746	\$ 56,163,131	\$ 69,464,877

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Net loss for the period - Canada	\$ (1,936,065)	\$ (4,216,835)	\$ (10,589,464)
Net loss for the period - United States	(5,831,031)	(5,635,645)	(46,053,998)
Net loss for the period	\$ (7,767,096)	\$ (9,852,480)	\$ (56,643,462)

Table of Contents**10. COMMITMENTS**

The following table discloses, as of December 31, 2014, the Company's contractual obligations including anticipated mineral property payments and work commitments and committed office and equipment lease obligations. 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 expenditures, 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 no other lease purchase or royalty buyout options:

	Payments Due by Year						Total
	2015	2016	2017	2018	2019	2020 and beyond	
Livengood Property Purchase(1)	\$	\$	\$ 14,700,000	\$	\$	\$	\$ 14,700,000
Mineral Property Leases(2)	412,398	417,309	422,294	427,353	437,488	442,701	2,559,543
Mining Claim Government Fees	115,205	77,230	77,230	77,230	77,230	77,230	501,355
Office and Equipment Lease Obligations	86,584						86,584
<b>Total</b>	<b>\$ 614,187</b>	<b>\$ 494,539</b>	<b>\$ 15,199,524</b>	<b>\$ 504,583</b>	<b>\$ 514,718</b>	<b>\$ 519,931</b>	<b>\$ 17,847,482</b>

(1) The amount payable in January 2017 of \$14,700,000 represents the fair value of the Company's derivative liability as at December 31, 2014 and will be revalued at each subsequent reporting period. See note 6.

(2) Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the work for which 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.

**11. SUPPLEMENTAL CASH FLOW INFORMATION**

December 31, 2014	December 31, 2013	December 31, 2012
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Income taxes paid	\$	\$	\$	150,607
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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

As of December 31, 2014, 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 December 31, 2014, 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 is (i) 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.

**Management's Annual Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of internal control over financial reporting as of December 31, 2014. In conducting this evaluation, management used the framework established by the Committee of Sponsoring Organizations of the Treadway Commission as set forth in Internal Control - Integrated Framework (2013). Based on this evaluation under the framework in Internal Control - Integrated Framework (2013), management concluded that internal control over financial reporting was effective as of December 31, 2014.

Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will achieve its stated objectives under all future conditions.

The effectiveness of our internal control over financial reporting as of December 31, 2014, has been audited by PricewaterhouseCoopers LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. PricewaterhouseCoopers LLP's report on the Company's internal control over financial reporting is included as part of Part II, Item 8, Financial Statements and Supplementary Data in this Annual Report on Form 10-K.

**Changes in Internal Control over Financial Reporting**

There were no changes in internal controls over financial reporting during the fourth quarter ended December 31, 2014 that have materially, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

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**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The information required by Items 401, 405, 406, 407(c)(3), (d)(4) and (d)(5) of Regulation S-K will be included in the Company's Proxy Statement for its 2015 Annual Meeting of Shareholders to be filed with the SEC within 120 days after December 31, 2014 (the 2015 Proxy Statement), and is incorporated by reference in this Annual Report on Form 10-K.

The Company's Code of Business Conduct and Ethics is available on the Company's website at [www.ithmines.com](http://www.ithmines.com).

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 402 and paragraph (e)(4) and (e)(5) of Item 407 of Regulation S-K will be contained in the Company's 2015 Proxy Statement, and is incorporated by reference in this Annual Report on Form 10-K.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 201(d) and Item 403 of Regulation S-K will be contained in the Company's 2015 Proxy Statement, and is incorporated by reference in this Annual Report on Form 10-K.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by Item 404 and Item 407(a) of Regulation S-K will be contained in the Company's 2015 Proxy Statement, and is incorporated by reference in this Annual Report on Form 10-K.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

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The information required by Item 9(e) of Schedule 14A will be filed in the Company's 2015 Proxy Statement, and is incorporated by reference in this Annual Report on Form 10-K.

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**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as part of this report

(1) All financial statements

The consolidated statements of operations and comprehensive loss, cash flows, and changes in shareholders' equity, and the consolidated balance sheets are included as part of Part II, Item 8, Financial Statements and Supplementary Data.

(2) Financial statement schedules

All financial statement schedules have been omitted, since the information is either not applicable or required, or because the information required is included in the consolidated financial statements and notes thereto included in this Form 10-K.

(3) Exhibits required by Item 601 of Regulation S-K

The information required by Section (a)(3) of Item 15 is set forth on the Exhibit Index that follows the signatures page of this Form 10-K.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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/ Thomas E. Irwin

Thomas E. Irwin  
Chief Executive Officer

Date: March 11, 2015

**Power of Attorney**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas E. Irwin as his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Thomas E. Irwin

Thomas E. Irwin  
Chief Executive Officer  
(Principal Executive Officer)

Date: March 11, 2015

By: /s/ Mark R. Hamilton

Mark R. Hamilton  
Director

Date: March 11, 2015

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By: /s/ Tom S. Q. Yip  
Tom S. Q. Yip  
Consultant (Principal Financial  
Officer and Principal Accounting Officer)

Date: March 11, 2015

By: /s/ Stephen A. Lang  
Stephen A. Lang  
Director

Date: March 11, 2015

By: /s/ Anton J. Drescher  
Anton J. Drescher  
Director

Date: March 11, 2015

By: /s/ Thomas S. Weng  
Thomas S. Weng  
Director

Date: March 11, 2015

By: /s/ John J. Ellis  
John J. Ellis  
Director

Date: March 11, 2015

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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
3.1	Articles of the Company, as amended on June 11, 2013 (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q on July 31, 2013 and incorporated herein by reference)
4.1	Form of Common Share Certificate (filed as Exhibit 1 to the Company's Form 8-A on August 2, 2007 and incorporated herein by reference)
4.2	Amended and Restated Shareholder Rights Plan Agreement, dated September 19, 2012, between International Tower Hill Mines Ltd. and Computershare Investor Services Inc., as rights agent (filed as Exhibit 4.2 to the Company's Form 10-K on March 13, 2013 and incorporated herein by reference)
10.1	Asset Purchase and Sale and Indemnity Agreement, dated June 30, 2006 among AngloGold Ashanti (U.S.A.) Exploration Inc., Talon Gold Alaska, Inc. and International Tower Hill Mines Ltd. (filed as Exhibit 2 to the Company's Form 20-F on December 29, 2006 and incorporated herein by reference)
10.2	First Amending Agreement, dated July 26, 2006, among AngloGold Ashanti (U.S.A.) Exploration Inc., Talon Gold Alaska, Inc. and International Tower Hill Mines Ltd. (filed as Exhibit 3 to the Company's Form 20-F on December 29, 2006 and incorporated herein by reference)
10.3	Indemnity and Pre-Emptive Rights Agreement, dated August 4, 2006, among AngloGold Ashanti (U.S.A.) Exploration Inc., Talon Gold Alaska, Inc., and International Tower Hill Mines Ltd. (filed as Exhibit 1 to the Company's Form 20-F/A on December 29, 2006 and incorporated herein by reference)
10.4	Mining Lease with Option to Purchase, dated January 18, 2007, between Talon Gold Alaska Inc. and Bernard E. Griffin, Donna Griffin, Larry Kilgore, Sherry Gerbi, Jerry Griffin, Tim Miller, Lynne Miller, Robert and Marcia Miller (filed as Exhibit 11 to the Company's Form 20-F on December 3, 2007 and incorporated herein by reference)
10.5	Mining Lease, dated March 28, 2007, between Ronald Tucker and Talon Gold Alaska, Inc. (filed as Exhibit 14 to the Company's Form 20-F on December 3, 2007 and incorporated herein by reference)
10.6**	Upland Mining Lease, effective July 1, 2004, between the Alaska Mental Health Trust Authority and Tower Hill Mines, Inc. (as successor to AngloGold (U.S.A.)) (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q/A on December 10, 2013 and incorporated herein by reference)
10.7	Addendum No. 2 to Upland Mining Lease, effective July 1, 2007, between the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office and Tower Hill Mines, Inc. (formerly Talon Gold Alaska, Inc.) (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q on November 6, 2013 and incorporated herein by reference)
10.8	Addendum No. 3 to Upland Mining Lease, effective January 1, 2010, between the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office and Tower Hill Mines, Inc. (formerly Talon Gold Alaska, Inc.) (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q on November 6, 2013 and incorporated herein by reference)
10.9	Addendum No. 4 to Upland Mining Lease, effective June 27, 2013, between the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office and Tower Hill Mines, Inc. (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q on November 6, 2013 and incorporated herein by reference)
10.10**	Addendum No. 5 to Upland Mining Lease, effective June 30, 2013, between the State of Alaska, Department of Natural Resources, Mental Health Trust Land Office and Tower Hill Mines, Inc. (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q on November 6, 2013 and incorporated herein by reference)
10.11	



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Stock and Asset Purchase Agreement, dated December 13, 2011, among Tower Hill Mines, Inc., Alaska/Nevada Gold Mines, Ltd., Heflinger Mining & Equipment Company, and Carl Heflinger, and Fred Heflinger (filed as Exhibit 99.1 to the Company's Form 6-K on March 26, 2012 and incorporated herein by reference)

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10.12	Lease Amendment, Option Exercise, and Purchase and Sale Agreement, dated December 13, 2011, among Karl Hanneman, VMC Revocable Trust, and Tower Hill Mines, Inc. (filed as Exhibit 99.2 to the Company's Form 6-K on March 26, 2012, and incorporated herein by reference)
10.13	Form of Subscription Agreement (filed as Exhibit 10.1 to the Company's Form 8-K on November 24, 2014 and incorporated herein by reference)
10.14*	2006 Stock Option Plan, as amended September 19, 2012 (filed as Exhibit 10.9 to the Company's Form 10-K on March 13, 2013 and incorporated herein by reference)
10.15*	Form of Stock Option Agreement for use under the 2006 Stock Option Plan (filed as Exhibit 10.10 to the Company's Form 10-K on March 13, 2013 and incorporated herein by reference)
10.16*	Employment Agreement, dated March 18, 2014, between Thomas E. Irwin and Tower Hill Mines (US) LLC (filed as Exhibit 10.1 to the Company's Form 8-K filed on March 21, 2014 and incorporated herein by reference)
10.17*	Separation Agreement, dated December 17, 2014, between Tom S.Q. Yip and the Company
21.1	Subsidiaries of the Company (filed as Exhibit 21.1 to the Company's Form 10-K on March 13, 2013 and incorporated herein by reference)
23.1	Consent of PricewaterhouseCoopers LLP
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 Principal Financial and Accounting 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 Principal Financial and Accounting 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 Consolidated Balance Sheets at December 31, 2014 and 2013, (ii) the Consolidated Statements of Operations and Comprehensive Loss for the Years Ended December 31, 2014, 2013 and 2012, (iii) the Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2014, 2013 and 2012, (iv) the Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012, and (v) the Notes to the Consolidated Financial Statements.

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\* Management contract or compensatory plan or arrangement

\*\* Certain portions of this exhibit have been omitted by redacting a portion of the text (indicated by asterisks in the text). This exhibit has been filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.