

INTERNATIONAL TOWER HILL MINES LTD
Form 10-Q
May 04, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2018

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, V6E 2K3 V6E 2K3

(Address of Principal Executive Offices)

(Zip code)

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

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

Emerging growth company ☐

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

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

As of April 26, 2018, the registrant had 186,522,683 Common Shares outstanding.

Table of Contents

	Page
<u>Part I</u>	
<u>FINANCIAL INFORMATION</u>	
<u>Item 1</u>	
<u>Financial Statements</u>	<u>6</u>
<u>Item 2</u>	
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>21</u>
<u>Item 4</u>	
<u>Controls and Procedures</u>	<u>21</u>
 <u>Part II</u>	
<u>OTHER INFORMATION</u>	
<u>Item 1</u>	
<u>Legal Proceedings</u>	<u>22</u>
<u>Item 1A</u>	
<u>Risk Factors</u>	<u>22</u>
<u>Item 2</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>22</u>
<u>Item 3</u>	
<u>Defaults Upon Senior Securities</u>	<u>22</u>
<u>Item 4</u>	
<u>Mine Safety Disclosures</u>	<u>22</u>
<u>Item 5</u>	
<u>Other Information</u>	<u>22</u>
<u>Item 6</u>	
<u>Exhibits</u>	<u>23</u>
 <u>SIGNATURES</u>	 <u>24</u>

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

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

Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations if such disclosure includes the grade or quality and the quantity for each category of mineral resource and mineral reserve; 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 U.S. federal securities laws and the rules and regulations thereunder.

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

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

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

FORWARD LOOKING STATEMENTS

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

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

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

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

conditions in the financial markets generally, the overall sentiment of the markets for public equity, interest rates and currency rates;

· general business and economic conditions;

· government regulation and proposed legislation (and changes thereto or interpretations thereof);

· defects in title to claims, or the ability to obtain surface rights, either of which could affect the Company's property rights and claims;

· the Company's ability to secure the necessary services and supplies on favorable terms in connection with its programs at the Livengood Gold Project and other activities;

· the Company's ability to attract and retain key staff, particularly in connection with the permitting and development of any mine at the Livengood Gold Project;

· the accuracy of the Company's resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;

· the timing of the ability to commence and complete planned work programs at the Livengood Gold Project;

- the timing of the receipt of and the terms of the consents, permits and authorizations necessary to carry out exploration and development programs at the Livengood Gold Project and the Company's ability to comply with such terms on a safe and cost-effective basis;
- the ongoing relations of the Company with the lessors of its property interests and applicable regulatory agencies;
- the metallurgy and recovery characteristics of samples from certain of the Company's mineral properties and whether such characteristics are reflective of the deposit as a whole; and
- the continued development of and potential construction of any mine at the Livengood Gold Project property not requiring consents, approvals, authorizations or permits that are materially different from those identified by the Company.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including without limitation those discussed in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2017, which are incorporated herein by reference, as well as other factors described elsewhere in this report and the Company's other reports filed with the SEC.

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

PART 1**ITEM 1. FINANCIAL STATEMENTS****INTERNATIONAL TOWER HILL MINES LTD.****CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**

As at March 31, 2018 and December 31, 2017

(Expressed in US Dollars - Unaudited)

	Note	March 31, 2018	December 31, 2017
ASSETS			
Current			
Cash and cash equivalents		\$13,174,233	\$2,244,466
Prepaid expenses and other		148,748	177,730
Total current assets		13,322,981	2,422,196
Property and equipment		20,031	20,794
Capitalized acquisition costs	4	55,204,041	55,204,041
Total assets		\$68,547,053	\$57,647,031
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		\$77,017	\$82,269
Accrued liabilities	5	204,597	346,569
Total liabilities		281,614	428,838
Shareholders' equity			
Share capital, no par value; authorized 500,000,000 shares; 162,392,996 and 186,522,683 shares issued and outstanding at December 31, 2017 and March 31, 2018, respectively	7	277,596,757	265,616,642
Contributed surplus		34,633,431	34,459,264
Obligation to issue shares		-	63,593
Accumulated other comprehensive income		1,708,136	1,686,359

Edgar Filing: INTERNATIONAL TOWER HILL MINES LTD - Form 10-Q

Deficit	(245,672,885)	(244,607,665)
Total shareholders' equity	68,265,439	57,218,193
Total liabilities and shareholders' equity	\$68,547,053	\$57,647,031

General Information and Nature of Operations (Note 1)

Commitments (Note 9)

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

INTERNATIONAL TOWER HILL MINES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

For the Three Months Ended March 31, 2018 and 2017

(Expressed in US Dollars - Unaudited)

	Note	Three Months Ended March 31, 2018	March 31, 2017
Operating expenses			
Consulting fees		\$53,715	\$72,695
Depreciation		762	999
Insurance		71,450	65,995
Investor relations		18,507	28,497
Mineral property exploration	4	204,212	711,116
Office		9,464	8,141
Other		4,281	4,537
Professional fees		51,963	50,219
Regulatory		58,683	57,299
Rent		33,932	35,349
Travel		18,289	31,453
Wages and benefits		527,663	456,414
Total operating expenses		(1,052,921)	(1,522,714)
Other expenses			
Loss on foreign exchange		(27,447)	(166,124)
Interest income		1,363	10,861
Other income		13,785	-
Total other expenses		(12,299)	(155,263)
Net loss for the period		(1,065,220)	(1,677,977)
Other comprehensive income			
Unrealized gain/(loss) on marketable securities		(3,085)	1,964
Exchange difference on translating foreign operations		24,862	165,015
Total other comprehensive income for the period		21,777	166,979
Comprehensive loss for the period		\$(1,043,443)	\$(1,510,998)
Basic and diluted loss per share		\$(0.01)	\$(0.01)
Weighted average number of shares outstanding		167,198,760	162,186,972

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

INTERNATIONAL TOWER HILL MINES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the Three Months Ended March 31, 2018 and 2017

(Expressed in US Dollars - Unaudited)

	Number of shares	Share capital	Contributed surplus	Obligation to issue shares	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2016	162,186,972	\$265,569,796	\$34,079,301	\$-	\$1,344,219	\$(238,175,608)	\$62,817,708
Share issuance costs	-	(45,000)	-	-	-	-	(45,000)
Stock-based compensation-options	-	-	12,959	-	-	-	12,959
Unrealized gain/(loss) on available-for-sale securities	-	-	-	-	1,964	-	1,964
Exchange difference on translating foreign operations	-	-	-	-	165,015	-	165,015
Net loss	-	-	-	-	-	(1,677,977)	(1,677,977)
Balance, March 31, 2017	162,186,972	265,524,796	34,092,260	-	1,511,198	(239,853,585)	61,274,569
Share issuance costs	-	(7,646)	-	-	-	-	(7,646)
Stock-based compensation-options	-	-	49,039	-	-	-	49,039
Stock-based compensation-DSUs	-	-	381,558	-	-	-	381,558
Unrealized gain/(loss) on available-for-sale securities	-	-	-	-	(10,481)	-	(10,481)
Exchange difference on translating foreign operations	-	-	-	-	185,642	-	185,642
Obligation to issue shares	-	-	(63,593)	63,593	-	-	-
Share issuance	206,024	99,492	-	-	-	-	99,492
Net loss	-	-	-	-	-	(4,754,080)	(4,754,080)
Balance, December 31, 2017	162,392,996	265,616,642	34,459,264	63,593	1,686,359	(244,607,665)	57,218,293
Share issuance costs	-	(83,478)	-	-	-	-	(83,478)
Stock-based compensation-options	-	-	174,167	-	-	-	174,167
Unrealized gain/(loss) on available-for-sale securities	-	-	-	-	(3,085)	-	(3,085)
Exchange difference on translating foreign operations	-	-	-	-	24,862	-	24,862
Obligation to issue shares	-	-	-	(63,593)	-	-	(63,593)
Share issuance	24,129,687	12,063,593	-	-	-	-	12,063,593
Net loss	-	-	-	-	-	(1,065,220)	(1,065,220)

Edgar Filing: INTERNATIONAL TOWER HILL MINES LTD - Form 10-Q

Balance, March 31, 2018	186,522,683	\$277,596,757	\$34,633,431	\$-	\$1,708,136	\$(245,672,885)	\$68,265
-------------------------	-------------	---------------	--------------	-----	-------------	-----------------	----------

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

INTERNATIONAL TOWER HILL MINES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

For the Three Months Ended March 31, 2018 and 2017

(Expressed in US Dollars - Unaudited)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Operating Activities		
Loss for the period	\$(1,065,220)	\$(1,677,977)
Add items not affecting cash:		
Depreciation	762	999
Stock-based compensation	174,167	12,959
Changes in non-cash items:		
Accounts receivable	(3,689)	(115,431)
Prepaid expenses and other	26,027	50,963
Accounts payable and accrued liabilities	(190,470)	350,172
Cash used in operating activities	(1,058,423)	(1,378,315)
Financing Activities		
Issuance of shares	12,000,000	-
Derivative payment	-	(14,694,169)
Share issuance costs	(37,022)	(45,000)
Cash provided by (used in) financing activities	11,962,978	(14,739,169)
Effect of foreign exchange on cash	25,212	281,706
Increase (decrease) in cash and cash equivalents	10,929,767	(15,835,778)
Cash and cash equivalents, beginning of the period	2,244,466	22,466,493
Cash and cash equivalents, end of the period	\$13,174,233	\$6,630,715

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

INTERNATIONAL TOWER HILL MINES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2018 and 2017

(Expressed in US dollars – Unaudited)

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

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

International Tower Hill Mines Ltd. consists of ITH and its wholly owned subsidiaries Tower Hill Mines, Inc. ("TH Alaska") (an Alaska corporation), Tower Hill Mines (US) LLC ("TH US") (a Colorado limited liability company), Livengood Placers, Inc. ("LPI") (a Nevada corporation), and 813034 Alberta Ltd. (an Alberta corporation). The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At March 31, 2018, the Company controls a 100% interest in its Livengood Gold Project, an exploration-stage project in Alaska, U.S.A.

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

As at March 31, 2018, the Company had cash and cash equivalents of \$13,174,233 compared to \$2,244,466 at December 31, 2017. The Company has no revenue generating operations from which it can internally generate funds. On March 13, 2018, the Company completed a non-brokered private placement pursuant to which it issued 24,000,000 common shares at \$0.50 per share for gross proceeds of \$12,000,000.

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

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. The amount of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes.

2.BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017 as filed in our Annual Report on Form 10-K. In the opinion of the Company's management, these financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's financial position at March 31, 2018 and the results of its operations for the three months then ended. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The 2017 year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

INTERNATIONAL TOWER HILL MINES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2018 and 2017

(Expressed in US dollars – Unaudited)

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

On May 3, 2018, the Board of Directors of the Company (the "Board") approved these condensed consolidated interim financial statements.

Basis of consolidation

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

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable 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 March 31, 2018 Level 1
Financial assets:	
Marketable securities	\$ 12,099
Total	\$ 12,099

	Fair value as at December 31, 2017 Level 1
Financial assets:	
Marketable securities	\$ 15,543
Total	\$ 15,543

4. CAPITALIZED ACQUISITION COSTS

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

Capitalized acquisition costs	Amount
Balance, December 31, 2017	\$ 55,204,041
Acquisition costs	-
Balance, March 31, 2018	\$ 55,204,041

INTERNATIONAL TOWER HILL MINES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2018 and 2017

(Expressed in US dollars – Unaudited)

The following table presents costs incurred for exploration and evaluation activities for the three months ended March 31, 2018 and 2017:

	March 31, 2018	March 31, 2017
Exploration costs:		
Assay	\$ -	\$ 411,617
Environmental	35,912	48,774
Equipment rental	9,052	10,341
Field costs	47,400	47,026
Geological/geophysical	48,644	121,057
Land maintenance & tenure	40,392	35,315
Legal	22,414	35,710
Transportation and travel	398	1,276
Total expenditures for the period	\$ 204,212	\$ 711,116

Livengood Gold Project Property

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

Details of the leases are as follows:

- a) a lease of the Alaska Mental Health Trust mineral rights having a term beginning July 1, 2004 and extending 19 years until June 30, 2023, subject to further extensions beyond June 30, 2023 by either commercial production or payment of an advance minimum royalty equal to 125% of the amount paid in year 19 and diligent pursuit of development. The lease requires minimum work expenditures and advance minimum royalties (all of which

minimum royalties are recoverable from production royalties) which escalate annually with inflation. A net smelter return ("NSR") production royalty of between 2.5% and 5.0% (depending upon the price of gold) is payable to the lessor with respect to the lands subject to this lease. In addition, an NSR production royalty of 1% is payable to the lessor with respect to the unpatented federal mining claims subject to the lease described in b) below and an NSR production royalty of between 0.5% and 1.0% (depending upon the price of gold) is payable to the lessor with respect to the lands acquired by the Company as a result of the purchase of Livengood Placers, Inc. in December 2011. During the three months ended March 31, 2018 and from the inception of this lease the Company has paid \$NIL and \$2,632,388, respectively.

b) a lease of federal unpatented lode mining claims having an initial term of ten years commencing on April 21, 2003 and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of \$50,000 on or before each anniversary date (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of between 2% and 3% (depending on the price of gold) is payable to the lessors. The Company may purchase 1% of the royalty for \$1,000,000. During the three months ended March 31, 2018 and from the inception of this lease the Company has paid \$NIL and \$680,000, respectively.

c) a lease of patented lode mining claims having an initial term of ten years commencing January 18, 2007, and continuing for so long thereafter as advance minimum royalties are paid. The lease requires an advance minimum royalty of \$20,000 on or before each anniversary date through January 18, 2017 and \$25,000 on or before each subsequent anniversary (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of 3% is payable to the lessors. The Company may purchase all interests of the lessors in the leased property (including the production royalty) for \$1,000,000 (less all minimum and production royalties paid to the date of purchase), of which \$500,000 is payable in cash over four years following the closing of the purchase and the balance of \$500,000 is payable by way of the 3% NSR production royalty. During the three months ended March 31, 2018 and from the inception of this lease the Company has paid \$25,000 and \$210,000, respectively.

INTERNATIONAL TOWER HILL MINES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2018 and 2017

(Expressed in US dollars – Unaudited)

a lease of unpatented federal lode mining and federal unpatented placer claims having an initial term of ten years commencing on March 28, 2007, and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of \$15,000 on or before each anniversary date (all of which minimum royalties are recoverable from production royalties). The Company is required to pay the lessor the sum of \$250,000 upon making a positive production decision, payable \$125,000 within 120 days of the decision and \$125,000 within a year of the decision (all of which are recoverable from production royalties). An NSR production royalty of 2% is payable to the lessor. The Company may purchase all of the interest of the lessor in the leased property (including the production royalty) for \$1,000,000. During the three months ended March 31, 2018 and from the inception of this lease the Company has paid \$15,000 and \$143,000, respectively.

Title to mineral properties

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

5. ACCRUED LIABILITIES

The following table presents the accrued liabilities balances at March 31, 2018 and December 31, 2017.

	March 31, 2018	December 31, 2017
Accrued liabilities	\$ 175,838	\$ 201,673
Accrued salaries and benefits	28,759	144,896
Total accrued liabilities	\$ 204,597	\$ 346,569

Accrued liabilities at March 31, 2018 include accruals for general corporate costs and project costs of \$63,510 and \$112,328, respectively. Accrued liabilities at December 31, 2017 include accruals for general corporate costs and project costs of \$34,941 and \$166,732, respectively.

6.DERIVATIVE LIABILITY

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

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

INTERNATIONAL TOWER HILL MINES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2018 and 2017

(Expressed in US dollars – Unaudited)

7.SHARE CAPITAL

Authorized

500,000,000 common shares without par value. At December 31, 2017 and March 31, 2018, there were 162,392,996 and 186,522,683 shares issued and outstanding, respectively.

Share issuances

On March 13, 2018, the Company completed a non-brokered private placement pursuant to which it issued 24,000,000 common shares at \$0.50 per share for gross proceeds of \$12,000,000. Share issuance costs included \$83,478 related to the private placement. Following the resignation of director Mark Hamilton on November 6, 2017, the Company recognized an obligation to issue 129,687 common shares, with a value of \$63,593. On March 27, 2018, the Company issued the 129,687 common shares in full satisfaction of the obligation.

Stock options

The Company adopted an incentive stock option plan in 2006, as amended September 19, 2012 and reapproved on May 28, 2015 at the Company's Annual General Meeting (the "2006 Plan"). The essential elements of the 2006 Plan provide that the aggregate number of common shares of the Company's capital stock that may be made issuable pursuant to options granted under the 2006 Plan 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 TSX. Options granted under the 2006 Plan vest immediately, unless otherwise determined by the directors at the date of grant.

Edgar Filing: INTERNATIONAL TOWER HILL MINES LTD - Form 10-Q

On March 21, 2018, the Company granted incentive stock options to certain officers, employees and consultants of the Company to purchase a total of 420,085 common shares in the capital stock of the Company. The options vest 100% on the grant date with an expiry date of March 21, 2024. The exercise price of these options is C\$0.61 per common share.

A summary of the status of the 2006 Plan as of March 31, 2018 and December 31, 2017 and changes is presented below:

	Three Months Ended March 31, 2018			Year Ended December 31, 2017		
	Number of Options	Weighted Average Exercise Price (C\$)	Aggregate Intrinsic Value (C\$)	Number of Options	Weighted Average Exercise Price (C\$)	Aggregate Intrinsic Value (C\$)
Balance, beginning of the period	4,477,000	\$ 1.03		6,026,200	\$ 1.61	
Granted	420,085	\$ 0.61		250,000	1.35	
Expired	(269,000)	\$ 2.18		(1,650,000)	3.17	
Cancelled	(400,000)	\$ 1.01		(149,200)	1.24	
Balance, end of the period	4,228,085	\$ 0.92	\$ 106,503	4,477,000	\$ 1.03	\$ 38,220

The weighted average remaining life of options outstanding at March 31, 2018 was 4.73 years.

INTERNATIONAL TOWER HILL MINES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2018 and 2017

(Expressed in US dollars – Unaudited)

Stock options outstanding are as follows:

Expiry Date	March 31, 2018			December 31, 2017		
	Exercise Price (C\$)	Number of Options	Exercisable	Exercise Price (C\$)	Number of Options	Exercisable
March 14, 2018	-	-	-	\$2.18	300,000	300,000
February 25, 2022	\$1.11	970,000	970,000	\$1.11	1,030,000	1,030,000
February 25, 2022	\$0.73	450,000	450,000	\$0.73	540,000	540,000
March 10, 2022	\$1.11	370,000	370,000	\$1.11	430,000	430,000
March 16, 2023	\$1.00	1,140,000	1,140,000	\$1.00	1,260,000	1,260,000
March 16, 2023	\$0.50	598,000	598,000	\$0.50	637,000	637,000
June 9, 2023	\$1.00	30,000	30,000	\$1.00	30,000	30,000
March 21, 2024	\$0.61	420,085	420,085	-	-	-
February 1, 2025	\$1.35	250,000	166,667	\$1.35	250,000	83,333
		4,228,085	4,144,752		4,477,000	4,310,333

A summary of the non-vested options as of March 31, 2018 and changes during the three months ended March 31, 2018 is as follows:

Non-vested options:	Number of options	Weighted average grant-date fair value (C\$)
Outstanding at December 31, 2017	166,667	\$ 0.40
Granted	420,085	\$ 0.48
Vested	(503,419)	\$ 0.47
Outstanding at March 31, 2018	83,333	\$ 0.40

At March 31, 2018, there was unrecognized compensation expense of C\$22,130 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.84

years.

Share-based payments

During the three month period ended March 31, 2018, there were 420,085 stock options granted by the Company. Share-based payment charges for the three months ended March 31, 2018 totaled \$174,167.

During the three month period ended March 31, 2017, there were no incentive stock options granted by the Company. Share-based payment charges for the three months ended March 31, 2017 totaled \$12,959.

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

	QTD
	March
	31, 2018
Expected life of options	6 years
Risk-free interest rate	2.12 %
Annualized volatility	93.67 %
Dividend rate	0.00 %
Exercise price (C\$)	\$0.61

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

INTERNATIONAL TOWER HILL MINES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2018 and 2017

(Expressed in US dollars – Unaudited)

Deferred Share Unit Incentive Plan

On April 4, 2017, the Company adopted a Deferred Share Unit Plan (the “DSU Plan”). On May 24, 2017, at the Company’s Annual General Meeting of Shareholders, the DSU Plan was approved. The maximum aggregate number of Common Shares that could be issued under the DSU Plan and the 2006 Plan is 10% of the number of issued and outstanding Common Shares (on a non-diluted basis).

In accordance with the Company’s DSU Plan, on October 23, 2017 the Company granted each of the members of the Board (other than those directors nominated for election by Paulson & Co., Inc.) 129,687 DSUs with a grant date fair value (defined as the weighted average of the prices at which the Common Shares traded on the TSX for the five trading days immediately preceding the grant) of CAD 0.62 per grant, or an aggregate of CAD 482,436. The DSUs entitle the holders to receive shares of the Company’s Common Stock without the payment of any consideration. The DSUs vested immediately upon being granted but the shares of Common Stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on the Company’s Board of Directors.

Following the resignation of director Mark Hamilton on November 6, 2017, the Company recorded an obligation to issue 129,687 DSUs valued at \$63,593 (CAD 80,406). On March 27, 2018, the Company issued the 129,687 common shares in full satisfaction of the obligation.

DSUs outstanding are as follows:

	Three Months Ended March 31, 2018		Year Ended December 31, 2017	
	Number of Units	Weighted Average Exercise Price (C\$)	Number of Units	Weighted Average Exercise Price (C\$)
Balance, beginning of the period	648,435	\$ 0.62	-	\$ 0.62
Issued	-	\$ -	778,122	\$ 0.62
Exercised	-	\$ -	(129,687)	\$ 0.62

Balance, end of the period	648,435	\$ 0.62	648,435	\$ 0.62
----------------------------	---------	---------	---------	---------

8.SEGMENT AND GEOGRAPHIC INFORMATION

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

	Canada	United States	Total
March 31, 2018			
Capitalized acquisition costs	\$-	\$ 55,204,041	\$ 55,204,041
Property and equipment	8,422	11,609	20,031
Current assets	12,735,707	587,274	13,322,981
Total assets	\$ 12,744,129	\$ 55,802,924	\$ 68,547,053
December 31, 2017			
Capitalized acquisition costs	\$-	\$ 55,204,041	\$ 55,204,041
Property and equipment	8,501	12,293	20,794
Current assets	1,794,494	627,702	2,422,196
Total assets	\$ 1,802,995	\$ 55,844,036	\$ 57,647,031

Three months ended	March 31, 2018	March 31, 2017
Net loss for the period – Canada	\$ (451,693)	\$ (429,819)
Net loss for the period - United States	(613,527)	(1,248,158)
Net loss for the period	\$ (1,065,220)	\$ (1,677,977)

INTERNATIONAL TOWER HILL MINES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2018 and 2017

(Expressed in US dollars – Unaudited)

9.COMMITMENTS

The following table discloses, as of March 31, 2018, the Company's contractual obligations including anticipated mineral property payments. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interests in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditure, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but does not exercise any lease purchase or royalty buyout options:

	Payments Due by Year						Total
	2018	2019	2020	2021	2022	2023 and beyond	
Mineral Property Leases ⁽¹⁾	\$384,668	\$429,688	\$434,783	\$439,955	\$445,204	\$450,532	\$2,584,830
Mining Claim Government Fees	114,825	114,825	114,825	114,825	114,825	114,825	688,950
Total	\$499,493	\$544,513	\$549,608	\$554,780	\$560,029	\$565,357	\$3,273,780

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

10.RELATED PARTY TRANSACTIONS

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

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

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2017. All currency amounts are stated in US dollars unless noted otherwise.

Current Business Activities

General

During the three months ended March 31, 2018 and to the date of this Quarterly Report on Form 10-Q, the Company worked to support a financing and, on March 13, 2018, the Company announced it had completed a non-brokered private placement pursuant to which it issued 24,000,000 common shares at \$0.50 per share for gross proceeds of \$12.0 million.

On March 12, 2018, the Board approved a 2018 budget of \$5.1 million. The work program incorporated in this budget will build upon the metallurgical studies undertaken in 2017 to continue to define and refine the project flowsheet. Using the improved mineralization and alteration models now available for the Livengood gold deposit arising from the work completed in 2017, 4000 kg of metallurgical composites have been selected based on location within the deposit and shipped to SGS Vancouver. Portions of these samples will be processed in 2018 to determine whether different recovery or cost parameters should be applied to different portions of the orebody. The engineering firm of BBA Inc. will be retained to continue to guide the metallurgical program. Work is also planned to advance the environmental baseline efforts needed to support future permitting.

Other Developments

The Board has approved recommendations by management to further reduce corporate overhead costs beginning in 2018, including a reduction in CEO salary by 50% reflecting an approximate 50% reduction in the effort needed to perform the CEO duties, a reduction in board member cash compensation and expense, and staff reductions as appropriate when critical work is completed. Depending upon the level of technical work or permitting efforts underway in future years, these cost savings should bring total project G&A costs into the range of \$2.5 million/year, providing the opportunity for a multi-year runway from the proceeds of the March 2018 private placement.

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

Results of Operations

Summary of Quarterly Results

Description	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Net loss	\$ (1,065,220)	\$ (1,380,921)	\$ (1,745,513)	\$ (1,627,646)
Basic and diluted net loss	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
per common share				

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Net loss	\$ (1,677,977)	\$ (1,109,733)	\$ (1,524,589)	\$ (2,068,850)
Basic and diluted net loss	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
per common share				

Three Months Ended March 31, 2018 compared to Three Months Ended March 31, 2017

The Company incurred a net loss of \$1,065,220 for the three month period ended March 31, 2018, compared to a net loss of \$1,677,977 for the three month period ended March 31, 2017.

Mineral property expenditures decreased \$506,904 to \$204,212 for the three months ended March 31, 2018 from \$711,116 for the three months ended March 31, 2017 due to the differences in the scope of technical work completed during the periods.

Excluding share-based payment charges of \$168,199 and \$9,322, respectively, wages and benefits for the three months ended March 31, 2018 decreased to \$359,464 from \$447,092 for the three months ended March 31, 2017 primarily due to staffing changes.

Consulting costs were \$53,715 for the three months ended March 31, 2018 compared to \$72,695 for the three months ended March 31, 2017. The decrease of \$18,980 is primarily due to the Company's continued efforts to maintain or

reduce spending.

Travel costs decreased \$13,164 to \$18,289 for the three months ended March 31, 2018 from \$31,453 for the three months ended March 31, 2017 due to the Company's continued efforts to maintain or reduce spending.

Investor relations costs decreased \$9,990 to \$18,507 for the three months ended March 31, 2018 from \$28,497 for the three months ended March 31, 2017 due to reduced on-going investor relations support.

Share-based payment charges

Share-based payment charges for the three month periods ended March 31, 2018 and 2017 were allocated as follows:

Expense category:	March 31, 2018	March 31, 2017
Consulting	\$-	\$2,789
Investor relations	5,968	848
Wages and benefits	168,199	9,322
	\$174,167	\$12,959

Share-based payment charges were \$174,167 during the three months ended March 31, 2018 compared to \$12,959 during the three months ended March 31, 2017. The increase of \$161,208 in share-based payment charges during the period was mainly the result of options granted becoming fully expensed.

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

Other items amounted to a loss of \$12,299 during the three month period ended March 31, 2018 compared to a loss of \$155,263 during the three month period ended March 31, 2017. The Company had a foreign exchange loss of \$27,447 during the three month period ended March 31, 2018 compared to a loss of \$166,124 during the three month period ended March 31, 2017 as a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances. The average exchange rate during the three month period ended March 31, 2018 was C\$1 to US\$0.7910 compared to C\$1 to US\$0.7554 for the three month period ended March 31, 2017.

Liquidity Risk and Capital Resources

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

As at March 31, 2018, the Company had cash and cash equivalents of \$13,174,233 compared to \$2,244,466 at December 31, 2017. The increase of approximately \$10.9 million resulted mainly from financing activities of approximately \$12.0 million partially offset by expenditures on the Livengood Gold Project of approximately \$1.1 million.

Financing activities during the three month period ended March 31, 2018 included completion of a non-brokered private placement pursuant to which it issued 24,000,000 common shares at \$0.50 per share for gross proceeds of \$12.0 million. Following the resignation of director Mark Hamilton on November 6, 2017, the Company recognized an obligation to issue 129,687 common shares, with a value of \$63,593. On March 27, 2018, the Company issued the common shares in full satisfaction of the obligation. Share issuance costs included \$83,478 related to the March 2018 private placement.

Financing activities during the three month period ended March 31, 2017 included payment of the final derivative payment of approximately \$14.7 million and share issuance costs related to a non-brokered private placement of common shares in December 2014 of \$45,000.

The Company had no cash flows from investing activities during the three month periods ended March 31, 2018 and 2017.

As at March 31, 2018, the Company had working capital of \$13,041,367 compared to working capital of \$1,993,358 at December 31, 2017. 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 2018 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through the 2019 fiscal year.

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

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. See "Risk Factors – We will require additional financing to fund exploration and, if warranted, development and production. Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern" included in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

Contractual Obligations and Commitments

The following table discloses, as of March 31, 2018, the Company's contractual obligations including anticipated mineral property payments. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interests in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditure, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but does not exercise any lease purchase or royalty buyout options:

	Payments Due by Year						Total
	2018	2019	2020	2021	2022	2023 and beyond	
Mineral Property Leases ⁽¹⁾	\$384,668	\$429,688	\$434,783	\$439,955	\$445,204	\$450,532	\$2,584,830

Edgar Filing: INTERNATIONAL TOWER HILL MINES LTD - Form 10-Q

Mining Claim Government Fees	114,825	114,825	114,825	114,825	114,825	114,825	688,950
Total	\$499,493	\$544,513	\$549,608	\$554,780	\$560,029	\$565,357	\$3,273,780

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

Other – Related Party Transactions

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

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

Off-Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Environmental Regulations

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

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

The Company has been a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes in recent years and expects to continue to be a PFIC in the future. Current and prospective U.S. shareholders should consult their tax advisors as to the tax consequences of PFIC classification and the U.S. federal tax treatment of PFICs. Additional information on this matter is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, under "Part II. Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Certain U.S. Federal Income Tax Considerations for U.S. Holders."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of March 31, 2018, 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 March 31, 2018, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports filed or submitted to the SEC under the Exchange Act: (i) is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a manner that allows for timely decisions regarding required disclosures.

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

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 under the heading "Risk Factors."

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Pursuant to Section 1503(a) of the Dodd-Frank Act, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose specified information about mine health and safety in their periodic reports. These reporting 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 three month period ended March 31, 2018, the Company and its subsidiaries were not subject to regulation by MSHA under the Mine Act and

thus no disclosure is required under Section 1503(a) of the Dodd-Frank Act.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

- Subscription Agreement, dated March 13, 2018, between the Company and Electrum Strategic Opportunities Fund II, L.P. (filed as Exhibit 10.1 to the Company's Form 8-K on March 16, 2018 and incorporated herein by reference).
- Subscription Agreement, dated March 13, 2018, between the Company and Paulson & Co. Inc. (filed as Exhibit 10.2 to the Company's Form 8-K on March 16, 2018 and incorporated herein by reference).
- 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.
- Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 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.
- Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Interim Balance Sheets at March 31, 2018 and December 31, 2017, (ii) the Condensed Consolidated Interim Statements of Operations and Comprehensive Loss for the Three Months ended March 31, 2018 and 2017, (iii) the Condensed Consolidated Interim Statements of Changes in Shareholders' Equity for the Three Months Ended March 31, 2018 and 2017, (iv) the Condensed Consolidated Interim Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017, and (v) the Notes to the Condensed Consolidated Interim Financial Statements.

SIGNATURES

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

International Tower Hill Mines Ltd.

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

Date: May 4, 2018

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

Date: May 4, 2018