

INTERNATIONAL TOWER HILL MINES LTD  
Form 10-Q  
May 06, 2015  
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**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 ACT OF 1934**

For the quarterly period ended March 31, 2015

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**

(Address of Principal Executive Offices)

**V6E 2K3**

(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, 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. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated filer

Small Reporting company

(Do not check if a smaller reporting company)

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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 May 4, 2015, the registrant had 116,313,638 Common Shares outstanding.

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

International Tower Hill Mines Ltd. ( we , us , our, ITH or the Company ) is a mineral exploration company engaged 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; however, the SEC normally only permits issuers to report mineralization that does not constitute reserves by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information contained in this report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

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

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

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

to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

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**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 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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- 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;
  - 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;
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- 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, 2014, 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.

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(An Exploration Stage Company)

**CONDENSED CONSOLIDATED BALANCE SHEETS**

As at March 31, 2015 and December 31, 2014

(Expressed in US Dollars - Unaudited)

	Note	March 31, 2015	December 31, 2014
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$	11,294,428	\$ 13,521,473
Prepaid expenses and other		175,908	242,058
Total current assets		11,470,336	13,763,531
Property and equipment		35,360	37,128
Capitalized acquisition costs	4	55,204,041	55,204,041
<b>Total assets</b>	\$	<b>66,709,737</b>	<b>\$ 69,004,700</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable	\$	166,599	\$ 270,488
Accrued liabilities		289,969	878,682
Total current liabilities		456,568	1,149,170
<b>Non-current liabilities</b>			
Derivative liability	6	14,500,000	14,700,000
Total liabilities		14,956,568	15,849,170
<b>Shareholders equity</b>			
Share capital, no par value; authorized 500,000,000 shares; 116,313,638 shares issued and outstanding at March 31, 2015 and December 31, 2014	7	243,692,185	243,692,185
Contributed surplus		33,708,961	33,439,249
Accumulated other comprehensive income		1,160,674	2,196,252
Deficit		(226,808,651)	(226,172,156)
Total shareholders equity		51,753,169	53,155,530

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Total liabilities and shareholders' equity	\$	66,709,737	\$	69,004,700
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Nature and continuance of operations (note 1)

Commitments (note 9)

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

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(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

For the Three Months Ended March 31, 2015 and 2014

(Expressed in US Dollars - Unaudited)

	Note	Three Months Ended	
		March 31, 2015	March 31, 2014
<b>Operating expenses</b>			
Consulting fees		\$ 147,370	\$ (10,391)
Depreciation		1,769	3,945
Insurance		67,377	62,632
Investor relations		32,203	90,690
Mineral property exploration	4	401,330	615,162
Office		6,988	21,781
Other		4,761	9,117
Professional fees		50,146	146,396
Regulatory		70,852	34,255
Rent		40,880	49,456
Travel		20,853	39,551
Wages and benefits		710,577	1,248,655
<b>Total operating expenses</b>		<b>(1,555,106)</b>	<b>(2,311,249)</b>
<b>Other income (expenses)</b>			
Gain on foreign exchange		702,255	284,129
Interest income		16,356	16,801
Unrealized gain/(loss) on derivative	6	200,000	(1,500,000)
<b>Total other income (expense)</b>		<b>918,611</b>	<b>(1,199,070)</b>
<b>Net loss for the period</b>		<b>(636,495)</b>	<b>(3,510,319)</b>
<b>Other comprehensive income (loss)</b>			
Unrealized loss on marketable securities		(8,379)	
Exchange difference on translating foreign operations		(1,027,199)	(450,529)
<b>Total other comprehensive income (loss) for the period</b>		<b>(1,035,578)</b>	<b>(450,529)</b>
<b>Comprehensive loss for the period</b>		<b>\$ (1,672,073)</b>	<b>\$ (3,960,848)</b>
<b>Basic and fully diluted loss per share</b>		<b>\$ (0.01)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of shares outstanding</b>		<b>116,313,638</b>	<b>98,068,638</b>

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



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(An Exploration Stage Company)

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the Three Months Ended March 31, 2015 and 2014

(Expressed in US Dollars - Unaudited)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, December 31, 2013	98,068,638	236,401,096	32,153,864	3,021,281	(218,405,060)	53,171,181
Stock based compensation			618,582			618,582
Exchange difference on translating foreign operations				(450,529)		(450,529)
Net loss					(3,510,319)	(3,510,319)
Balance, March 31, 2014	98,068,638	\$ 236,401,096	\$ 32,772,446	\$ 2,570,752	\$ (221,915,379)	\$ 49,828,915
Private placement	18,245,000	7,315,917				7,315,917
Share issuance costs		(24,828)				(24,828)
Stock based compensation			666,803			666,803
Unrealized loss on available-for-sale securities				(24,717)		(24,717)
Exchange difference on translating foreign operations				(349,783)		(349,783)
Net loss					(4,256,777)	(4,256,777)
Balance, December 31, 2014	116,313,638	243,692,185	33,439,249	2,196,252	(226,172,156)	53,155,530
Stock based compensation			269,712			269,712
Unrealized loss on available-for-sale securities				(8,379)		(8,379)
Exchange difference on translating foreign operations				(1,027,199)		(1,027,199)
Net loss					(636,495)	(636,495)
Balance, March 31, 2015	116,313,638	\$ 243,692,185	\$ 33,708,961	\$ 1,160,674	\$ (226,808,651)	\$ 51,753,169

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

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**INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2015 and 2014

(Expressed in US Dollars - Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31, 2015</b>	<b>March 31, 2014</b>
<b>Operating Activities</b>		
Loss for the period	\$ (636,495)	\$ (3,510,319)
Add items not affecting cash:		
Depreciation	1,769	3,945
Stock based compensation	269,712	618,582
Unrealized (gain) loss on derivative liability	(200,000)	1,500,000
Changes in non-cash items:		
Accounts receivable	54,027	21,775
Prepaid expenses	21,626	17,436
Advance to contractors	19,703	
Accounts payable and accrued liabilities	(680,834)	(706,105)
<b>Cash used in operating activities</b>	<b>(1,150,492)</b>	<b>(2,054,686)</b>
<b>Financing Activities</b>		
<b>Cash provided by financing activities</b>		
<b>Investing Activities</b>		
Change in restricted cash		30,477
Capitalized acquisition costs		(30,477)
<b>Cash used in investing activities</b>		
<b>Effect of foreign exchange on cash</b>	<b>(1,076,553)</b>	<b>(491,368)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(2,227,045)</b>	<b>(2,546,054)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>13,521,473</b>	<b>13,925,601</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 11,294,428</b>	<b>\$ 11,379,547</b>

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

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INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2015 and 2014

(Expressed in US dollars Unaudited)

**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 March 31, 2015, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A.

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 the Livengood Project, 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. 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 10 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, 2014 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, 2015 and the results of its operations for the three months then ended. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. The 2014 year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

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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.

### **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.

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INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2015 and 2014

(Expressed in US dollars Unaudited)

**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, 2015	
	Level 1	Level 2
<b>Financial assets:</b>		
Marketable securities	\$ 16,401	\$
<b>Total</b>	<b>\$ 16,401</b>	<b>\$</b>
<b>Financial liabilities:</b>		
Derivative liability (note 6)	\$	\$ 14,500,000
<b>Total</b>	<b>\$</b>	<b>\$ 14,500,000</b>

	Fair value as at December 31, 2014	
	Level 1	Level 2
<b>Financial assets:</b>		
Marketable securities	\$ 26,894	\$
<b>Total</b>	<b>\$ 26,894</b>	<b>\$</b>
<b>Financial liabilities:</b>		
Derivative liability (note 6)	\$	\$ 14,700,000
<b>Total</b>	<b>\$</b>	<b>\$ 14,700,000</b>

**4. CAPITALIZED ACQUISITION COSTS**

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

<b>Capitalized acquisition costs</b>	<b>Amount</b>
<b>Balance, December 31, 2014</b>	\$ 55,204,041
Acquisition costs	
<b>Balance, March 31, 2015</b>	\$ 55,204,041

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INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2015 and 2014

(Expressed in US dollars Unaudited)

The following table presents costs incurred for exploration and evaluation activities for the three months ended March 31, 2015 and 2014:

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Exploration costs:		
Assay	\$ 9,984	600
Drilling		20,990
Environmental	179,994	363,474
Equipment rental	11,707	16,836
Field costs	73,788	69,103
Geological/geophysical	72,991	1,500
Land maintenance & tenure	36,492	