

INTERNATIONAL TOWER HILL MINES LTD
Form 10-Q
November 06, 2013
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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 September 30, 2013

OR

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

For the transition period from _____ to _____

Commission file number: 001-33638

INTERNATIONAL TOWER HILL MINES LTD.

(Exact Name of Registrant as Specified in its Charter)

British Columbia, Canada
(State or other jurisdiction of incorporation or organization)

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

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

V6E 2K3
(Zip code)

Registrant's telephone number, including area code: **(604) 683-3332**

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-accelerate 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
Non-Accelerated filer
(Do not check if a smaller reporting company)

Accelerated Filer
Small Reporting company

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

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As of November 5, 2013, the registrant had 98,068,638 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 the United States Securities Act of 1933, as amended (the Securities Act). 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, except in rare cases. There is no certainty that such inferred mineral resources at the Project will ever be realized.

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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 and the exhibits attached hereto contain 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

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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 strategies and objectives, both generally and specifically in respect of the Livengood Gold 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;
- general business and economic conditions, including changes in the price of gold and the overall value of the markets for public equity;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations on acceptable terms, if at all;

- the ability of the Company to continue to refine the project economics for the Livengood Gold Project;
- the potential for opportunities to reduce capital costs for the Livengood Gold Project;
- the potential for opportunities to improve the economics of the Livengood Gold Project by reducing certain costs, including through the reduction of reagent consumption and energy costs, and improving recovery through intensive cyanide leach of gravity concentrates; and
- the potential for opportunities to improve the economics of the Livengood Gold Project by enhancing mill head grades through stockpile management strategies and/or additional test work to confirm drill assays of the resource.

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 other claims, or the ability to obtain surface rights, either of which could affect our property rights and claims;

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- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration and potential development program at the Livengood Gold Project;
- conditions in the financial markets generally, the overall value of the markets for public equity, interest rates and currency rates;
- the Company's ability to secure the necessary consulting, drilling and related services and supplies on favorable terms in connection with its drilling program at the Livengood Gold Project and other activities;
- the Company's ability to attract and retain key staff, particularly in connection with the 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 terms of the consents, permits and authorizations necessary to carry out planned 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 or implied by forward-looking statements. 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

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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 II, Item 1A, Risk Factors, of this Quarterly Report on Form 10-Q, 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 September 30, 2013 and December 31, 2012

(Expressed in US Dollars - Unaudited)

	Note	September 30, 2013	December 31, 2012
ASSETS			
Current			
Cash and cash equivalents		\$ 16,611,039	\$ 30,170,905
Marketable securities		75,839	180,415
Accounts receivable		5,141	262,516
Advance to contractors		482,034	582,009
Prepaid expenses		193,960	228,221
Total current assets		17,368,013	31,424,066
Property and equipment		73,352	89,714
Capitalized acquisition costs	4	55,173,564	55,173,564
Total assets		\$ 72,614,929	\$ 86,687,344
Current liabilities			
Accounts payable		\$ 503,431	\$ 1,198,771
Accrued liabilities		636,834	2,548,498
Total current liabilities		1,140,265	3,747,269
Non-current liabilities			
Derivative liability	5	16,700,000	22,400,000
Total liabilities		17,840,265	26,147,269
Shareholders equity			
Share capital, no par value; authorized 500,000,000 shares; 98,068,638 shares issued and outstanding at September 30, 2013 and December 31, 2012	6	236,401,096	236,401,096
Contributed surplus		32,243,815	28,589,591
Accumulated other comprehensive income		3,512,426	4,101,968
Deficit accumulated during the exploration stage		(217,382,673)	(208,552,580)

Total shareholders equity		54,774,664		60,540,075
Total liabilities and shareholders equity	\$	72,614,929	\$	86,687,344

Nature and continuance of operations (note 1)

Commitments (note 8)

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 OPERATIONS AND COMPREHENSIVE LOSS

For the Three and Nine Months Ended September 30, 2013 and 2012

(Expressed in US Dollars - Unaudited)

	Note	Three Months Ended		Nine Months Ended		From Inception
		September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	
Operating expenses						
Consulting fees		\$ 441,993	\$ 2,091,336	\$ 1,560,440	\$ 2,580,386	\$ 15,184,497
Depreciation		5,445	7,911	16,361	23,732	260,192
Insurance		73,123	82,420	215,962	229,425	1,132,139
Investor relations		61,685	224,918	256,720	405,969	4,657,424
Mineral property exploration	4	1,621,127	13,447,132	6,868,226	30,402,145	150,897,275
Office		21,953	45,407	77,144	122,596	974,401
Other		11,246	18,217	44,238	57,234	1,778,753
Professional fees		89,384	194,736	363,116	447,009	3,465,501
Regulatory		5,295	14,677	117,651	143,124	1,072,349
Rent		53,924	58,068	171,093	180,987	1,022,081
Travel		48,367	38,106	176,409	185,686	1,370,665
Wages and benefits		1,426,493	4,189,034	5,066,580	10,368,246	43,477,138
Write-down of mineral properties						1,605,522
Total operating expenses		(3,860,035)	(20,411,962)	(14,933,940)	(45,146,539)	(226,897,937)
Other income (expenses)						
Gain (loss) on foreign exchange		(287,591)	(660,392)	622,232	(232,648)	944,857
Interest income		22,865	38,574	80,384	152,174	2,583,681
Income from mineral property earn-in					141,948	660,744
Impairment of available-for-sale securities				(298,769)		(298,769)
Spin-out cost						(775,249)
Unrealized gain/(loss) on derivative	5		(4,000,000)	5,700,000	(4,300,000)	6,400,000
Total other income (expense)		(264,726)	(4,621,818)	6,103,847	(4,238,526)	9,515,264
Loss from continuing operations		(4,124,761)	(25,033,780)	(8,830,093)	(49,385,065)	(217,382,673)
Loss from discontinued operations						(19,630,113)
Net loss for the period		(4,124,761)	(25,033,780)	(8,830,093)	(49,385,065)	(237,012,786)
Other comprehensive income (loss)						
Unrealized gain (loss) on marketable securities		18,777	83,828	(100,335)	(75,862)	(469,034)
Reclassification of impairment of available-for-sale securities				298,769		298,769
Exchange difference on translating foreign operations		408,736	862,914	(787,976)	1,112,160	3,682,691
Total other comprehensive income (loss) for the period		427,513	946,742	(589,542)	1,036,298	3,512,426
Comprehensive loss for the period		\$ (3,697,248)	\$ (24,087,038)	\$ (9,419,635)	\$ (48,348,767)	\$ (233,500,360)
		\$ (0.04)	\$ (0.27)	\$ (0.09)	\$ (0.55)	

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Basic and fully diluted loss per share

Weighted average number of shares outstanding	98,068,638	92,918,976	98,068,638	88,777,442
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the Nine Months Ended September 30, 2013 and 2012

(Expressed in US Dollars - Unaudited)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, December 31, 2011	86,683,919	\$ 207,186,847	\$ 19,382,616	\$ 3,524,125	\$ (151,909,118)	\$ 78,184,470
Private placement	11,384,719	29,768,529				29,768,529
Stock based compensation			7,184,159			7,184,159
Share issuance costs		(554,280)				(554,280)
Unrealized loss on available-for-sale securities				(75,862)		(75,862)
Exchange difference on translating foreign operations				1,112,160		1,112,160
Net loss					(49,385,065)	(49,385,065)
Balance, September 30, 2012	98,068,638	236,401,096	26,566,775	4,560,423	(201,294,183)	66,234,111
Private placement						
Share issuance costs						
Stock based compensation			2,022,816			2,022,816
Unrealized loss on available-for-sale securities				(87,314)		(87,314)
Exchange difference on translating foreign operations				(371,141)		(371,141)
Net loss					(7,258,397)	(7,258,397)
Balance, December 31, 2012	98,068,638	236,401,096	28,589,591	4,101,968	(208,552,580)	60,540,075
Stock based compensation			3,654,224			3,654,224
Unrealized loss on available-for-sale securities				(100,335)		(100,335)
Reclassification of impairment of available-for-sale securities				298,769		298,769
Exchange difference on translating foreign operations				(787,976)		(787,976)
Net loss					(8,830,093)	(8,830,093)
Balance, September 30, 2013	98,068,638	\$ 236,401,096	\$ 32,243,815	\$ 3,512,426	\$ (217,382,673)	\$ 54,774,664

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

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

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2013 and 2012

(Expressed in US Dollars - Unaudited)

	Nine Months Ended		
	September 30, 2013	September 30, 2012	From Inception
Operating Activities			
Loss for the period from continuing operations	\$ (8,830,093)	\$ (49,385,065)	\$ (217,382,673)
Add items not affecting cash:			
Depreciation	16,361	23,732	260,192
Stock based compensation	3,654,224	7,184,159	36,968,934
Unrealized (gain) loss on derivative liability	(5,700,000)	4,300,000	(6,400,000)
Spin-out recovery			(254,339)
Gain on foreign exchange			(254,512)
Impairment of available-for-sale securities	298,769		298,769
Write-down of mineral properties			1,605,522
Other		(41,948)	(285,323)
Changes in non-cash items:			
Accounts receivable	345,426	218,039	73,213
Prepaid expenses	28,921	(39,791)	(335,567)
Advance to contractors	99,975	(175,000)	413,057
Accounts payable and accrued liabilities	(2,603,659)	(2,051,982)	1,135,424
Cash used in operating activities of continuing operations	(12,690,076)	(39,967,856)	(184,157,303)
Cash used in operating activities of discontinued operations			(12,786,324)
Financing Activities			
Issuance of share capital		29,768,529	251,751,411
Share issuance costs		(554,280)	(7,643,229)
Cash provided by financing activities of continuing operations		29,214,249	244,108,182
Cash used in financing activities of discontinued operations			(3,902,947)
Investing Activities			
Proceeds from sale of available-for-sale-securities			172,734
Capitalized acquisition costs		(2,127,694)	(27,781,245)
Expenditures on property and equipment, net			(332,415)
Cash used in investing activities of continuing operations		(2,127,694)	(27,940,926)
Cash used in investing activities of discontinued operations			(312,593)
Effect of foreign exchange on cash of continuing operations	(869,790)	1,211,203	2,137,826
Effect of foreign exchange on cash of discontinued operations			(534,876)
(Decrease) increase in cash and cash equivalents	(13,559,866)	(11,670,098)	16,611,039
Cash and cash equivalents, beginning of the period	30,170,905	54,712,073	
Cash and cash equivalents, end of the period	\$ 16,611,039	\$ 43,041,975	\$ 16,611,039

Supplemental cash flow information (note 9)

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

Nine Months Ended September 30, 2013 and 2012

(Expressed in U.S. 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. In these financial statements references to ITH include its wholly owned subsidiaries Tower Hill Mines, Inc. (formerly Talon Gold Alaska, Inc.) (TH Alaska) (an Alaska corporation), Tower Hill Mines (US) LLC (formerly Talon Gold (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 September 30, 2013, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A (the Livengood Gold Project).

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral property interests. The recoverability of amounts shown for capitalized acquisition costs is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of capitalized acquisition costs. The success of the above initiatives cannot be assured. In the event that the Company is unable to obtain the necessary financing in the short-term, 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, 2012 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 September 30, 2013 and the results of its operations for the nine months then ended. Operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The 2012 year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

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

Nine Months Ended September 30, 2013 and 2012

(Expressed in U.S. 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 September 30, 2013	
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 75,839	\$
Total	\$ 75,839	\$
Financial liabilities:		
Derivative liability (note 5)	\$	\$ 16,700,000
Total	\$	\$ 16,700,000

	Fair value as at December 31, 2012	
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 180,415	\$
Total	\$ 180,415	\$
Financial liabilities:		
Derivative liability (note 5)	\$	\$ 22,400,000
Total	\$	\$ 22,400,000

4. CAPITALIZED ACQUISITION COSTS

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

Capitalized acquisition costs	Amount
Balance, December 31, 2012	\$ 55,173,564
Additions	
Balance, September 30, 2013	\$ 55,173,564

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INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Nine Months Ended September 30, 2013 and 2012

(Expressed in U.S. dollars Unaudited)

The following table presents costs incurred for exploration and evaluation activities for the nine month periods ended September 30, 2013 and 2012:

	September 30, 2013	September 30, 2012
Exploration costs:		
Aircraft services	\$ 62,915	\$ 1,844,776
Assay	10,924	777,004
Drilling	(28,714)	8,378,230
Environmental	1,776,134	2,874,513
Equipment rental	332,193	1,309,746
Field costs	752,928	6,017,737
Geological/geophysical	3,253,822	8,362,518
Land maintenance & tenure	414,351	354,708
Legal	170,756	286,396
Surveying and mapping	74,084	145,967
Transportation and travel	48,833	50,550
Total expenditures for the period	\$ 6,868,226	\$ 30,402,145

Livengood Gold Project Property

The Livengood Gold Project property is located in the Tintina gold belt approximately 110 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 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

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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 in December 2011. As of September 30, 2013 the Company has paid \$1,326,363 from the inception of this lease.

b) a lease of federal unpatented lode mining claims having an initial term of ten years commencing on April 21, 2003 and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of \$50,000 on or before each anniversary date (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of between 2% and 3% (depending on the price of gold) is payable to the lessors. The Company may purchase 1% of the royalty for \$1,000,000. As of September 30, 2013, the Company has paid \$480,000 from the inception of this lease.

c) a lease of patented lode claims having an initial term of ten years commencing January 18, 2007, and continuing for so long thereafter as advance minimum royalties are paid. The lease requires an advance minimum royalty of \$20,000 on or before each anniversary date through January 18, 2017 and \$25,000 on or before each subsequent anniversary (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of 3% is payable to the lessors. The Company may purchase all interests of the lessors in the leased property (including the

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INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)