INTERNATIONAL TOWER HILL MINES LTD.
#507, 837 West Hastings Street
Vancouver, BC V6C 3N6
Tel: 604.685.1017
Fax: 604.685.5777

August 10th, 2006

MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion & Analysis should be read in conjunction with our consolidated financial statements and the accompanying notes for the year ended May 31, 2006. Except where otherwise noted, all dollar amounts are stated in Canadian dollars. Additional information relating to International Tower Hill Mines Ltd. is available on SEDAR at www.sedar.com.

Overview

We are a British Columbia incorporated company. We were originally incorporated under the name "*Ashnola Mining Company Ltd.*" on May 26, 1978. We changed our name to "*Tower Hill Mines Ltd.*" on June 1, 1988, and subsequently changed our name to "*International Tower Hill Mines Ltd.*" on March 15, 1991.

Our wholly-owned subsidiary, 813034 Alberta Ltd., an Alberta corporation, was incorporated in 1999. We incorporated this subsidiary because, pursuant to the laws of the Province of Alberta, mineral permits can only be registered to either an Alberta resident or corporation. Our subsidiary does not have any operations except for holding permits for our Alberta properties in its name. Subsequent to the year ended May 31, 2006, we incorporated two new subsidiaries: (1) Talon Gold Alaska, Inc., an Alaskan corporation; and (2) Talon Gold (US) LLC, a Colorado limited liability company.

We are publicly traded on the TSX Venture Exchange under the trading symbol "*ITH*". We trade on the OTC BB under the trading symbol "*ITHMF*", and trade on the Berlin Stock Exchange -- Unofficial Regulated Market and the Frankfurt Stock Exchange under the trading symbol "*IW9*".

Since inception in 1978, we have been in the business of acquiring, exploring and evaluating interests in mineral properties. Our current property interests are held for the purposes of exploration for precious metals and diamonds. Any exploration and sampling activities that we may conduct are generally carried out during the months of May through September. During the months of October to March, snow often prevents effective exploration and sampling activities. Drilling, however, can be conducted on a year-round basis.

We hold an interest in the Siwash property in British Columbia , which is at an early exploration stage, with no established mineral reserves. The exploration work on this property primarily consists of airborne surveys, which may reveal magnetic anomalies followed by ground sampling programs, for the purpose of identifying potential drill targets.

Subsequent to the year end, we acquired from AngloGold Ashanti (U.S.A.) Exploration Inc. ("*AngloGold*") a portfolio of six mineral exploration projects in Alaska, aggregating 246 square kilometres. AngloGold is a global gold company with 21 operations on four continents, including a substantial project pipeline and an extensive, worldwide exploration program. AngloGold is listed on the New York, Johannesburg, Ghanaian, London and Australian stock exchanges, as well as the Paris and Brussels bourses.

We have also entered into a joint venture with AngloGold with respect to two additional mineral properties in Alaska, being the LMS Project (61 square kilometres) and Terra Project (118 square kilometres).

All of our attention and resources will be focused on the exploration and development of our Alaskan properties by carrying out the proposed 2006 and 2007 exploration programs on those properties.

We have filed the N.I. 43-101 compliant reports on each of the material properties, which are available for viewing on SEDAR at www.sedar.com.

Siwash Creek Property

Apex Geoscience has recommended a three phase exploration program for the Siwash Creek Property. Phase I consisting primarily of a helicopter borne, high-resolution magnetic and electromagnetic survey over the entire property at 200 metre line spacing. Phase 2, which would not be contingent upon the results of Phase I, would consist primarily of a field based program with the establishment of a property wide grid and the collection of soil samples at 100 metre spacing over areas with pre-existing data and at a spacing of 150 metres for the new portion of property and ground-proofing of geophysical anomalies returned from the airborne survey and the acquisition of ground magnetic and electromagnetic geophysical data on selected targets. Phase 3, which would be contingent on the results of Phases 1 and 2, would involve one or more of the collection of infill soil samples, ground geophysics and/or a diamond drill program to test historic targets and new targets developed during Phases 1 and 2.

The total cost to complete the recommended Phase 1 and 2 exploration is $530,000 Cdn. The cost for Phase 3 cannot be determined at this time.

We entered into a joint venture with Ravencrest Resources Inc. ("*Ravencrest*"), a public company reporting in British Columbia, whereby we granted the right to Ravencrest to acquire a 50% interest in two claim groups on the Siwash Creek Property, the Siwash 4 Mineral Claim, consisting of 16 units, and the Siwash 3 Mineral Claim, consisting of 16 units (the "*Joint Venture Claims*").

Pursuant to the terms of the Mining Venture Agreement, Ravencrest will be responsible for conducting all exploration and development of the Joint Venture Claims.

In order to earn its 50% interest in the Joint Venture Claims, Ravencrest must pay the sum of $25,000 and issue up to 100,000 common shares in the capital stock of Ravencrest at a deemed price of $0.10 per share, which has been paid and issued, respectively. Ravencrest is also required to carry out further work on the Joint Venture Claims based on a work program recommended by APEX Geoscience Ltd. in the sum of $112,500 on or before March 31st, 2006, which has now been extended to October 31st, 2006.

Ravencrest is a reporting company in British Columbia. The transaction is non-arm's length as Anton J. Drescher, one of our directors, is an officer and controlling shareholder of Ravencrest and Gerhard Drescher, brother of Anton J. Drescher and one of our directors, is also a director of Ravencrest.

A total of $3,804 was expended on the Siwash Property during the fiscal year ended May 31, 2006, which included lease costs. A total of $98,555 was expended on the Siwash Property during the fiscal year ended May 31, 2005, which was reduced by $19,711 for tax credits, bringing the net expenditures to $78,844. In addition, we incurred $12,761 in lease costs for the Siwash Property.

Recent Events

Effective April 20th, 2006 we filed a Notice of Alteration with the British Columbia Registrar of Companies to increase our authorized share capital from 20,000,000 common shares without par value to 500,000,000 common shares without par value. We received shareholder approval to the increase in authorized shate capital at our annual meeting held on November 15th, 2005.

Corporate Information

Our Board of Directors is as follows:

Anton J. Drescher
Rowland Perkins
Gerhard Drescher

Our officers are:

Anton J. Drescher *President and Chief Executive Officer*
Donna M. Moroney *Corporate Secretary and Chief Financial Officer*

Share Capital

Our authorized share capital consists of 500,000,000 common shares without par value. As of the year ended May 31, 2006, the total number of issued and outstanding common shares was 10,012,183 common shares. During the year ended May 31, 2006, we completed a private placement of 1,000,000 units at a price of $0.20 per unit, for total proceeds of $200,000. Each unit consisted of one common share and one share purchase warrant to purchase one additional common share, exercisable for a period of two years from the date of issuance, at an exercise price of $0.26 per share.

As of August 10th, 2006, the total number of issued and outstanding common shares was 30,007,924 common shares. Please refer to "*Subsequent Events*" for information regarding share issuances subsequent to the year ended May 31, 2006.

Options

Our shareholders approved our 2005 Stock Option Plan on November 15th, 2005, which provides for the issuance of up to 10% of our issued and outstanding stock at the time of granting. As of August 10th, 2006, no stock options have been granted under the 2005 Stock Option Plan.

Warrants

As of August 10th, 2006, the following share purchase warrants were outstanding:

Description	Date of Issuance	Number	Exercise Price	Expiry Date
Share purchase warrants (1)	October 21, 2005	950,000	$0.26	October 21, 2007
Share purchase warrants (2)	August 4, 2006	3,998,859	$1.00	August 4, 2008
Share purchase warrants (3)	August 4, 2006	2,493,741	$1.50	August 4, 2008
Share purchase warrants (4)	August 4, 2006	306,061	$1.50	August 4, 2006
Agent's warrants (3)	August 4, 2006	174,561	$1.50	August 4, 2008

Description	Date of Issuance	Number	Exercise Price	Expiry Date
Compensation option (3)	August 4, 2006	498,784	$1.30	August 4, 2008

(1) Issued as part of the non-brokered private placement of 1,000,000 units at a price of $0.20 per unit, for gross proceeds of $200,000. Each unit consists of one common share and one share purchase warrant to purchase one additional common share.
(2) Issued as part of the non-brokered private placement of 7,999,718 units at a price of $0.56 per unit, for gross proceeds of $4,479,842. Each unit consists of one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share.
(3) Issued as part of the brokered private placement of 4,987,483 units at a price of $1.25 per unit, for gross proceeds of $6,234,354. Each unit consists of one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional common share.
(4) Issued as part of the non-brokered private placement of 612,122 units at at a price of $1.25 per unit, for gross proceeds of $6,234,354. Each unit consists of one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional common share.

Plan of Operation

Our plans over the next 12 months are to proceed with the proposed 2006 and 2007 exploration programs on our newly acquired Alaskan properties.

Our long-term goal is to carry out additional exploration of our Alaskan properties, as warranted, subject to funding, and to seek out and acquire additional properties for exploration and development.

Selected Annual Information

Description	May 31, 2006 $	May 31, 2005 $	May 31, 2004 $
Interest Income	348	132	4,519
Net income or loss			
Total	(127,228)	(121,483)	(244,330)
Per share	(0.01)	(0.01)	(0.03)
Total Current Assets	20,415	40,788	192,324
Mineral Properties	1,030,316	1,026,512	969,907
Long term financial liabilities	0	0	0
Cash dividends	N/A	N/A	N/A

Summary of Quarterly Results

Description	Year ended May 31 2006 $	Nine months ended Feb 28 2006 $	Six months ended Nov. 30 2005 $	Three months ended Aug. 31 2005 $	Year ended May 31 2005 $	Nine months ended Feb 28 2005 $	Six months ended Nov. 30 2004 $	Three months ended Aug. 31 2004 $
Interest Income	348	342	6	5	132	127	5	0
Net income or loss for period								
Total	(127,228)	(100,057)	(78,604)	(27,940)	(121,483)	(50,120)	(45,881)	(30,466)
Per share	(0.01)	(0.01)	(0.008)	(0.003)	(0.01)	(0.005)	(0.005)	(0.003)

Liquidity and Capital Resources

As of May 31, 2006, we reported cash and cash equivalents of $6,695 compared to $7,711 for the year ended May 31, 2005, for a nominal decrease of $1,016. We have historically satisfied our capital needs by issuing securities.

As of May 31, 2006, we had a working capital of $14,318, compared to a working capital deficiency of $54,560 as at May 31, 2005. Subsequent to the year ended May 31, 2006, we raised a total of $11,479,348 from two private placements (see "*Subsequent Events*"). Our current cash and cash equivalents are sufficient to meet our current cash requirements. We may require additional financing to fund future exploration work on our Alaskan properties, if applicable. We estimate that we will require approximately $83,000 per month, or $1 million annually, to fund our general and administrative expenses for the next twelve months. In addition, we have committed to expend US $7 million (approximately Cdn. $8 million) on our proposed 2006 and 2007 exploration programs on our newly acquired properties in Alaska. Based on our recent two recent private placements raising an aggregate of $11,479,348, we believe we have sufficient funds on hand to cover those expenditures.

We expect that we will operate at a loss for the foreseeable future. We may require additional financing to fund further exploration of our mineral properties or to acquire additional mineral properties. We have historically satisfied our capital needs primarily by issuing equity securities and from loan(s) from directors and officers. We have no funding commitments or arrangements for additional financing at this time and there is no assurance that we will be able to obtain any additional financing on terms acceptable to us, if at all. The quantity of funds to be raised and the terms of any 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 a financing has been completed and management knows what funds will be available for these purposes.

During the year ended May 31, 2006, we raised a total of $200,000 by way of a private placement of 1,000,000 units at a price of $0.20 per unit. Each unit consisted of one common share and one non-transferable share purchase warrant. Each warrant is exercisable into one common share at a price of $0.26 for a period of 2 years from the date of issuance. We did not raise any funds for the year ended May 31, 2005.

Results of Operations

For the year ended May 31, 2006, we had net losses of $127,228 as compared to net losses of $121,483 for the year ended May 31, 2005 for a nominal increase of $5,745.

General and administrative (operating) expenses for the fiscal year ended May 31, 2006 consisted of management fees of $60,000 (2005 - $60,000), office and miscellaneous of $3,338 (2005 - $3,151), professional fees of $18,635 (2005 - $16,360), rent of $7,200 (2005 - $7,200), stock exchange and filing fees of $11,529 (2005 - $7,504), transfer agent fees of $4,428 (2005 - $4,455) and travel and promotion of $1,565 (2005 - $1,688). General and administrative expenses for the year ended May 31, 2006 were $127,576, being a decrease of $18,068 compared to the year ended May 31, 2005. The only significant difference between fiscal 2006 and fiscal 2005 was mineral property due diligence costs, which decreased from $45,286 for fiscal 2005 to $20,881 for fiscal 2006.

During the fiscal year ended May 31, 2006, a total of 1,000,000 share purchase warrants were issued, with an exercise price of $0.26 per share, exercisable on or before October 21, 2007; no stock options were granted. Subsequent to the year ended May 31, 2006, a total of 50,000 share purchase warrant were exercised. During the year ended May 31, 2005, no share purchase warrants or stock options were granted or exercised.

We do not have any employees; all of our services are carried out by the directors and officers or by consultants retained on an as needed basis. Effective August 7th, 2006, our wholly-owned Colorado subsidiary, Talon Gold (US) LLC hired three employees to carry out work on our properties in Alaska.

Transactions with Related Parties

During the year ended May 31, 2006 we paid management fees of $60,000 (2005 - $60,000) and professional fees of $5,500 (2005 - $4,173) to a company controlled by one of our directors.

During the year ended May 31, 2006 loans totalling $80,000 were repaid to a director, which loans were unsecured, non-interest bearing and had no fixed terms of repayment.

Off-Balance Sheet Arrangements

We have no off-blance sheet arrangements.

Deferred Exploration Costs

Siwash Property

Accumulated costs in respect of mineral claims owned, leased or under option for the year ended May 31, 2006 consist of the following:

	Siwash Silver Leases	2006 Total	2005 Total
Acquisition costs			
Beginning balance	$ 182,761	$ 182,761	$ 205,000
Lease costs	3,230	3,230	12,760
Recovery of costs	-	-	(35,000)
Ending balance	185,991	185,991	182,761
Deferred exploration			
Beginning balance	843,751	843,751	764,907
Assay and sampling	574	574	3,120
Drilling	-	-	51,052
Geological assessment report	-	-	17,565
Geological and consulting services	-	-	19,244
Misc; survey, field, travel etc	-	-	7,574
Tax credits	-	-	(19,711)
Ending balance	844,325	844,325	843,751
Total deferred costs	**$ 1,030,316**	**$1,030,316**	**$1,026,512**

Subsequent Events

On August 4th, 2006 we closed the brokered and non-brokered financings announced on June 14, 2006 and July 6, 2006 and concurrently completed the acquisition of all of the Alaskan mineral exploration properties and associated database from AngloGold Ashanti (U.S.A.) Exploration Inc. In addition, in conjunction with the closing of this acquisition, we entered into option agreements with AngloGold to earn a 60% interest in each of two additional properties in Alaska. We received TSX Venture Exchange approval to these transactions on August 4th, 2006.

AngloGold Property Acquisition

Pursuant to the Asset Purchase and Sale and Indemnity Agreement dated June 30, 2006 with AngloGold and Talon Gold Alaska, Inc. (our wholly owned Alaskan subsidiary), we acquired all of AngloGold's interest in a portfolio of six mineral exploration projects in Alaska (aggregating 246 square kilometres) (the "*Sale Properties*") in consideration of the issuance of 5,997,295 common shares in our capital stock, representing approximately 19.99% of our issued shares following the closing of the acquisition and the private placement financings set forth below. AngloGold has the right to maintain its percentage equity interest in our shares, on an ongoing basis, provided that such right will terminate if AngloGold's interest falls below 10% at any time after January 1, 2009. As a result of this transaction, AngloGold is now an insider of the company.

As further consideration for the transfer of the Sale Properties, we granted to AngloGold a 90 day right of first offer with respect to the Sale Properties and any additional mineral properties in which we acquire an interest and which interest we propose to farm out or otherwise dispose of. If AngloGold's equity interest in our issued shares is reduced to less than 10%, then this right of first offer will terminate.

On closing, we entered into option/joint venture agreements with AngloGold with respect to two additional mineral projects in Alaska held by AngloGold, referred to as the LMS (61 sq. km.) and Terra (118 sq. km.) properties (the "*Optioned Properties*").

With respect to the LMS property, we have the right to earn a 60% interest by incurring aggregate exploration expenditures of US $3.0 million within four years, of which we have committed to incur minimum exploration expenditures of US $1.0 million during the 2006 calendar year and, in order to maintain the option, of US $750,000 during the 2007 calendar year. Upon having earned our 60% interest in the LMS property, AngloGold will have the right to re-acquire a 20% interest (for an aggregate 60% interest) and become manager of the joint venture by incurring a further US $4.0 million in exploration expenditures over a further two years.

With respect to the Terra property, we have the right to earn a 60% interest by incurring aggregate exploration expenditures of US $3.0 million within four years, of which we have committed to incur minimum exploration expenditures of US $500,000 during the 2006 calendar year and, in order to maintain the option, of US $750,000 during the 2007 calendar year. Upon having earned our 60% interest in the Terra property, AngloGold will have the right to re-acquire a 20% interest (for an aggregate 60% interest) and become manager of the joint venture by incurring a further US $4.0 million in exploration expenditures over a further two years.

In either case, following the parties having earned their final respective interests, each party will be required to contribute its *pro rata* share of further expenditures or its interest in the property will be diluted. A party that is diluted to 10% or less will have its interest converted to a 2% net smelter return royalty.

AngloGold was funding the property and exploration program expenditures on the Sale Properties and the Optioned Properties since July 1, 2006, and we are required to reimburse AngloGold for all such expenditures.

Closing of Private Placements

On August 4, 2006 we completed a non-brokered private placement of 7,999,718 units at a price of $0.56 per unit for gross proceeds of $4,479,842 (approximately US $3.975 million). Each unit consisted of one common share and one-half of a transferable common share purchase warrant. Each whole warrant entitles the holder, on exercise, to purchase one additional common share at a price of $1.00 until August 4, 2008. Cardero Resource Corp., a public company headquartered in Vancouver, B.C., purchased 4,000,000 units in this placement. As a result of this purchase, Cardero is now an insider of the company.

On August 4, 2006 we also completed a brokered private placement of 4,987,483 units and a non-brokered private placement of 612,122 units, for a total of 5,599,605 units, at a price of $1.25 per unit for gross proceeds of $6,999,506 (approximately US $6.21 million). Each unit consisted of one common share and one-half of a transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $1.50 until August 4, 2008. The agent in the brokered placement received a commission of 349,123 units having the same terms as the units in the offering. In addition, the agent received 498,748 compensation options. Each compensation option entitles the agent to purchase one common share at a price of $1.30 until August 4, 2008. The agent was also paid a corporate finance fee of $15,000.

All of the securities issued in connection with the AngloGold property acquisition and the private placements are subject to a hold period expiring on December 5, 2006.

The proceeds from the placements will be used primarily to fund the proposed 2006 and 2007 exploration programs on the Sale Properties and the Optioned Properties (including the reimbursement to AngloGold for expenditures since July 1, 2006), and for working capital.

As a result of the completion of the AngloGold acquisition and the private placements, we now have approximately 30,007,924 shares outstanding (approximately 37,480,894 fully diluted).

The Properties

The following information with respect to the material mineral properties acquired or optioned from AngloGold has been taken from the N.I. 43-101 compliant reports on the Livengood, Terra and LMS properties prepared by Paul Klipfel, Ph.D of Mineral Resource Services Inc., a "*qualified person*" under N.I. 43-101, copies of which have been filed on SEDAR.

<u>Livengood</u>

The Livengood property is located approximately 75 miles (120 km) northwest of Fairbanks, Alaska in the Tolovana mining district within the Tintina Gold Belt. The area of interest is centered on a hill named Money Knob. This feature is considered by many to be the lode gold source for the Livengood placer deposits which have actively produced more than 500,000 ounces of gold since 1914. The property has been prospected and explored by several companies and private individuals since the 1970s. Past exploration data is not available except from the most recent work conducted by AngloGold. Geochemical surveys by AngloGold in 2003 and 2004 outlined an approximately 1.0 x 0.5 mile (1.6 x 0.6 kilometre) area with anomalous gold in soil. Furthermore, scattered anomalous samples occur along strike to the northeast and southwest for an additional 1.25 and 1.0 miles (2.0 and 1.6 kilometres) respectively. Subsequently, a campaign of eight reverse circulation drill holes was conducted in 2003 and a further 4 diamond core holes were drilled in 2004. Favourable results from these holes include wide intervals of gold mineralization (BAF-7: 133.5 m @ 1.10 gt Au; MK-04-03: 100.58m @ 0.5 g/t Au). On the basis of results to date, the report author concurs that the property merits additional exploration in order to test for the presence of a bulk tonnage gold deposit.

Mineralization consists of gold in multiple stages of quartz veins associated with variable amounts of pyrite, arsenopyrite, stibnite, and minor to trace amounts of other sulfides. Vein and disseminated mineralization are spatially and possibly genetically associated with dikes and sills of monzonite, diorite, and syenite composition. The surrounding host rocks consist of three, thrust-bounded assemblages. Lowest is the Late Proterozoic – early Paleozoic Amy Creek assemblage of basalt and sediments. It is structurally overlain by a Cambrian ophiolite sequence which in turn is overlain by Devonian shale, siltstone and carbonate. The entire package was intruded at 90-93 million years ago, an age consistent with gold mineralization throughout the Tintina Gold Belt.

The report author concludes that sufficient evidence is present to justify an exploration program that tests for the existence of a large, bulk tonnage gold deposit beneath and within the vicinity of Money Knob.

Based upon the extent of the soil anomaly, wide mineralized intercepts in drill holes, and the position of the area as the source for a substantial placer gold deposit, the report author recommends a US $610,000 program consisting of exploration of the Money Knob area through sampling, mapping, trenching, and structural analysis, followed by approximately 2,000 metres of drilling, with the aim of testing the area for a northeast trending zone(s) of mineralization as indicated by the trend of anomalous gold in soil samples. Secondary targets include low angle favourable volcanic beds and/or structures and possible structural splays from the northeast trending zone. Initial drilling will be aimed at defining the extent of mineralization and its structural orientation, while later phases of drilling will be at a density to enable reliable correlation of mineralization along and across strike of any mineralized zones defined. In addition, mineralogical and metallurgical characterization studies are recommended to ascertain the nature of gold and how it occurs in the project area. AngloGold has initiated, and we will continue, the recommended program.

LMS

The LMS property is situated 25 km north of Delta Junction, and 125 km southeast of Fairbanks, Alaska in the Goodpaster district. This part of the district has seen no known previous exploration prior to regional reconnaissance surface sampling by AngloGold in 2004, even though the region has attracted considerable interest following the discovery of the Pogo deposit, 40 kilometres to the northeast. Discovery of a gold-bearing outcrop (6.2 g/t Au) led to further sampling and drilling in 2005 which delineated a planar zone of mineralization that has been defined to a down-dip depth of 300 metres. This feature is situated at the southeast end of a 6 kilometre long, northwest-trending zone of aligned surface geochemical samples containing anomalous gold and arsenic and lesser silver and copper. Rocks within the LMS project area lie within the Yukon-Tanana Terrrane, a structurally complex, composite terrane that was accreted to North America in the mid to late Cretaceous period. Among the diverse suites of rocks in this terrane, those underlying the project area (schist, gneiss, quartzite, and phyllite) are similar in composition and structural character to the host rocks at Pogo.

Mineralization in this region, including at Pogo, is believed to be intrusion-related. The observations of the report author are consistent with this interpretation, even though no intrusive rocks have been identified on the LMS property. Fluids derived from an intrusion at depth or at a distance laterally can migrate along structures to produce the observed veins and gold mineralization.

The report author concludes that sufficient evidence is present to justify a continued exploration program that tests for the existence of a large, bulk tonnage gold deposit beneath the LMS property.

Exploration of the LMS property is at a relatively early stage with discovery and identification of a silicified and vein zone extending from the surface to greater than 300 metres downdip. The report's author recommends that exploration of the LMS property continue with a USD 1,033,000 program of drilling, sampling, and structural analysis, including 3000 metres of diamond drilling and 150 deep auger samples. The aim of exploration is to test the extent of known gold mineralization through drilling, to characterize and explore newly discovered anomalous areas to the northwest, and to continue to conduct soil sampling throughout the property to better define the anomalous zone. AngloGold has initiated, and we will continue, the recommended program.

Terra

The Terra property is located approximately 212 km west-northwest of Anchorage along the southwest portion of the Alaska Range in the Hartman district. The property is centered on a series of gold-bearing bonanza quartz veins. AngloGold drilled 12 diamond core holes in 2005 to test the subsurface continuity of outcropping veins. In two zones, drill holes intersected high grade veins and numerous gold-bearing smaller veins. In the third zone, no veins were intersected indicating that fold and/or fault controls exist that need to be resolved. Samples of vein material from outcrop and drill core contain up to several hundred ppm gold (the highest being 960 ppm) although most samples contain more modest values.

At this early stage of exploration, outcropping veins and drill hole intercepts indicate that the veins can be continuous for more than100 metres along strike and 250 metres down dip. More drilling is required to assess further continuity. Lesser veins also occur to form vein zones. These veins are banded and exhibit relict open-space-fill dog-tooth textures. These textures are now diffuse, suggesting that there has been minor recrystallization. Veins are interpreted to have formed in the transition between mesothermal and epithermal settings.

Veins occur primarily in a ±150 metres wide, subvertical diorite 'dike' that is interpreted to be part of the Hartman intrusive suite. The dike intrudes Jurassic to Cretaceous Kahiltna Terrane sedimentary rocks consisting of shale, phyllite, siltstone, and minor conglomerate and carbonate. The sedimentary host rocks have undergone multiple stages of deformation prior to intrusion, with the principle deformation being a fold-thrust style. The host intrusive rocks are late Cretaceous age (approximately 70 million years ago) diorite to quartz monzonite. This intrusive age and composition is the same as that for other intrusive-related gold deposits in Alaska.

Reconnaissance sampling and mapping has identified three other areas on the property with anomalous gold in rock, soil, and stream sediment samples. Two areas probably consist of more bonanza veins. The third area is unusual, and is a large (tectonic) breccia zone in which breccia fragments are set in a matrix of tan carbonate. Samples of this material contain up to 5 g/t Au, but it is unclear whether the gold lies in the matrix or in the breccia fragments.

The report author recommends a US $750,000 work program, consisting of drilling to better define the strike and dip extent of known veins and to evaluate the three other, newly discovered anomalous areas, expanded reconnaissance prospecting and sampling, and further work to evaluate the structural architecture of this area. AngloGold has initiated, and we will continue, the recommended program.

In addition to the foregoing work programs, we intend to continue the AngloGold work programs on the Cariboo, West Pogo, Gilles and Coffee Dome properties (consisting of prospecting and sampling to follow up on results from the 2005 field season) and the Chisna and Blackshell properties (consisting of first phase prospecting and surface sampling). We will also be continuing an ongoing regional sampling program, which has targeted an additional seven areas as worthy of further review, and are negotiating to lease at least one of these properties.