

INTERNATIONAL TOWER HILL MINES LTD.

For the annual period ended December 31, 2023

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

All currency amounts are stated in U.S. dollars unless noted otherwise.

Current Business Activities

General

ITH is a company engaged in the acquisition and development of mineral properties. The Company currently holds or has the right to acquire interests in a development stage project in Alaska referred to as the "Livengood Gold Project" or the "Project". The Company has not yet begun extraction of mineralization from the deposit or reached commercial production. The Company has a 100% interest in the Livengood Gold Project, which as of December 31, 2023, has proven and probable reserves of 430.1 million tonnes at an average grade of 0.65 g/tonne (9.0 million ounces) based on a gold price of \$1,680 per ounce and a measured and indicated mineral resource, exclusive of mineral reserves, of 274.51 million tonnes at an average grade of 0.52 g/tonne (4.62 million ounces), based on a gold price of \$1,650 per ounce, both as reported in the Technical Report Summary (the "TRS") attached as Exhibit 96.1 to the 2022 Annual Report on Form 10-K/A filed with the SEC on October 17, 2023. A more complete description of the Livengood Gold Project, including detailed presentation of resources and reserves, is set forth in Part I, Item 2. Properties of this Annual Report on Form 10-K.

Livengood Gold Project Developments

On March 8, 2023, the Company announced that the Board had approved a 2023 work program that advanced the baseline environmental data collection in critical areas of hydrology and waste rock geochemical characterization needed to support future permitting, as well as advanced community engagement.

Livengood Gold Project Technical Report Summary

The TRS details a project that would process 65,000 tons per day and produce 6.4 million ounces of gold over 21 years from a gold reserve estimated at 9.0 million ounces at 0.65 g/tonne. The study utilized a third-party review by Whittle Consulting and BBA Inc. to integrate new interpretations based on an expanded geological database, improved geological modelling, new resource estimation methodology, an optimized mine plan and production schedule, additional detailed metallurgical work at various gold grades and grind sizes, changes in the target grind for the mill, new engineering estimates, and updated cost inputs, all of which significantly de-risk the Project. The TRS has estimated the capital costs of the Project at \$1.93 billion, the total cost per ton milled at \$13.12, the all-in sustaining costs at \$1,171 per ounce, and net present value (5%) at \$1,800/oz of \$400 million.

The Project configuration evaluated in the TRS is a conventional, owner-operated surface mine that would utilize large-scale mining equipment in a blast/load/haul operation. Mill feed would be processed in a 65,000 tons per day comminution circuit consisting of primary and secondary crushing, wet grinding in a single semi-autogenous ("SAG") mill and single ball mill followed by a gravity gold circuit and a conventional carbon in leach ("CIL") circuit.

Whittle Enterprise Optimization

Prior to beginning the Pre-feasibility Study ("PFS") for the Livengood Gold Project which is summarized in the TRS, the Company retained Whittle Engineering and BBA Inc. to collaborate on an enterprise optimization study (the "Whittle and BBA Study") to review various technologies and project configurations and to recommend the optimum configuration for the PFS. The Whittle and BBA Study reviewed secondary crushing with SAG and ball mill, tertiary crushing with ball mill, gravity/CIL at p80 of 90 micron to 250 micron, stand-alone and auxiliary heap leach configurations, gravity only gold recovery, gravity/flotation with pressure oxidation and CIL of flotation concentrate. These configurations were evaluated at various combinations of project ramp up strategy, annual throughput, primary,

secondary, and tertiary grind size, as well as mining fleet size and stockpile management strategies. Tailings technologies reviewed included conventional tailings and pressure filtered tailings.

The Whittle and BBA Study determined that the gravity/CIL plant at p80 250 micron with conventional tailings provided the highest net present value, which is the configuration detailed in the PFS.

The TRS was prepared by independent third-party consultants.

The Company cautions that the TRS is preliminary in nature and is based on technical and economic assumptions which will be further refined and evaluated in a full feasibility study. The TRS is based on an updated Project mineral resource estimate effective as of August 20, 2021.

The Company has determined that the mineral resource estimate of August 20, 2021 remains current as of December 31, 2023.

2024 Outlook

On January 22, 2024, the Company announced that it had completed a non-brokered private placement (the “Private Placement”) pursuant to which it issued common shares to existing major shareholders to raise gross proceeds of approximately \$2.5 million. The Private Placement consisted of 3,807,911 common shares of the Company, representing approximately 1.9% of the 195.9 million common shares issued and outstanding prior to the completion of the Private Placement, at a price of \$0.664 per common share, the closing price of the Company's common shares on the NYSE American on January 12, 2024. The Private Placement was taken up by current institutional shareholders of the Company, Paulson & Co. Inc., Sprott Asset Management USA, Inc., and Kopernik Global Investors, LLC on behalf of Heptagon plc Kopernik Global All-Cap Equity Fund. The Company intends to use the net proceeds of the Private Placement for general working capital purposes.

On March 8, 2024, the Company announced that the Board had approved a 2024 budget of \$3.3 million and endorsed the associated 2024 work program to advance the Livengood Gold Project. The 2024 work program will advance the baseline environmental data collection in critical areas of hydrology and waste rock geochemical characterization needed to support future permitting, as well as advance community engagement.

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

Results of Operations

Summary of Quarterly Results

Description	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net loss	\$ (716,184)	\$ (710,351)	\$ (1,467,897)	\$ (503,537)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)

Description	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Net loss	\$ (832,181)	\$ (295,260)	\$ (1,200,279)	\$ (713,973)
Basic and diluted net loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

Significant fluctuations in the Company’s quarterly net losses have mainly been the result of operating cost changes.

Year Ended December 31, 2023 compared to Year Ended December 31, 2022

The Company had cash and cash equivalents of \$1,687,690 at December 31, 2023 compared to \$4,847,429 at December 31, 2022. The Company incurred a net loss of \$3,397,969 for the year ended December 31, 2023 compared to a net loss of \$3,041,693 for the year ended December 31, 2022. The following discussion highlights certain selected financial information and changes in operations between the year ended December 31, 2023 and the year ended December 31, 2022.

Share-based payment charges were \$415,186 during the year ended December 31, 2023 compared to \$448,474 during the year ended December 31, 2022. The \$33,288 decrease in share-based payment charges during the year was mainly the result of equity compensation issued or granted to certain officers and employees of the Company at a lower issue price during the year ended December 31, 2023 as compared to the year ended December 31, 2022. The Company granted 526,984 deferred share units (“DSUs”) at an issue price of C\$0.63 per DSU, 145,614 DSUs at an issue price of C\$0.57 per DSU, and 240,000 incentive stock options at an issue price of C\$0.63 per option during the year ended December 31, 2023 compared to 451,085 DSUs at an issue price of C\$0.92 per DSU and 240,000 incentive stock options at an issue price of C\$0.92 per option during the year ended December 31, 2022. All DSUs granted in each of these years were fully vested upon issuance. All options vest one-third on the grant date, one-third on the first anniversary, and one-third on the second anniversary. At December 31, 2023, there was \$46,265 of unrecognized compensation expense related to non-vested options outstanding.

Share-based payment charges were allocated as follows:

Expense category:	Year Ended December 31, 2023	Year Ended December 31, 2022
Consulting	\$ 329,515	\$ 322,052
Investor relations	5,711	8,428
Wages and benefits	79,960	117,994
	<u>\$ 415,186</u>	<u>\$ 448,474</u>

Professional fees were \$267,056 for the year ended December 31, 2023 compared to \$226,439 for the year ended December 31, 2022. The increase of \$40,617 is primarily due to increased legal fees of \$54,660 partially offset by reduced audit and tax services due to timing of \$12,849 and reduced XBRL costs of \$1,194.

Travel costs were \$45,925 for the year ended December 31, 2023 compared to \$29,935 for the year ended December 31, 2022. The increase of \$15,990 is primarily due to increased travel requirements.

Excluding share-based payment charges of \$5,711 and \$8,428 for the years ended December 31, 2023 and 2022, respectively, investor relations decreased to \$45,809 for the year ended December 31, 2023 from \$57,163 for the year ended December 31, 2022. The decrease of \$11,355 is primarily due to reduced participation in investor relations conferences.

Excluding share-based payment charges of \$79,960 and \$117,994 for the years ended December 31, 2023 and 2022, respectively, wages and benefits decreased to \$741,529 for the year ended December 31, 2023 from \$796,084 for the year ended December 31, 2022. The decrease of \$54,555 is primarily due to payroll-related benefit accruals as at December 31, 2023.

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

Other items amounted to other income of \$88,532 during the year ended December 31, 2023 compared to other income of \$404,346 during the year ended December 31, 2022. The Company had a foreign exchange loss of \$30,754 during the year ended December 31, 2023 compared to a foreign exchange gain of \$348,207 during the year ended December 31, 2022 as a result of the impact of exchange rates on certain of the Company’s U.S. dollar cash balances. The average exchange rate during the year ended December 31, 2023 was C\$1 to \$0.7410 compared to C\$1 to \$0.7692 for the year ended December 31, 2022.

Liquidity and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed through sale of its equity securities by way of public offerings, private placements and the subsequent exercise of share purchase and broker warrants issued in connection with such private placements. There are currently no warrants outstanding.

As at December 31, 2023, the Company reported cash and cash equivalents of \$1,687,690 compared to \$4,847,429 at December 31, 2022. The decrease of approximately \$3.2 million resulted mainly from planned expenditures on operating activities during the year ended December 31, 2023.

Our anticipated expenditures for year 2024 are approximately \$3.3 million, including \$539,528 for mineral property leases and \$206,215 for mining claim government fees. Total commitments for years 2024 through 2029 for mineral property leases and mining claim government fees are \$3,324,780 and \$1,237,290, respectively.

Based on cash and cash equivalents on hand of \$1,687,690 as of December 31, 2023 and estimated \$2.2 million of net proceeds from the Private Placement, as at March 7, 2024, management believes that the Company has sufficient financial resources to maintain its operations for the next twelve months.

The Company had no cash flows from financing activities during the year ended December 31, 2023. On January 22, 2024, the Company announced that it had completed the Private Placement pursuant to which it issued 3,807,911 common shares to existing major shareholders to raise gross proceeds of approximately \$2.5 million.

Financing activities during the year ended December 31, 2022 included the exercise of stock options. Proceeds of \$290,290 were received on the issuance of 405,000 common shares.

The Company had no cash flows from investing activities during the years ended December 31, 2023 and December 31, 2022.

As at December 31, 2023, the Company had working capital of \$1,757,465 compared to working capital of \$4,711,616 at December 31, 2022. The Company expects that it will operate at a loss for the foreseeable future but believes its current cash and cash equivalents will be sufficient for it to complete its anticipated 2024 work plan.

The Company will require significant additional financing to continue its operations beyond the 2024 fiscal year (including general and administrative expenses) in connection with advancing activities at the Livengood Gold Project and the development of any mine that may be built at the Livengood Gold Project, and there is no assurance that the Company will be able to obtain the additional financing required on acceptable terms, if at all. In addition, any significant delays in the issuance of required permits for the ongoing work at the Livengood Gold Project, or unexpected results in connection with the ongoing work, could result in the Company being required to raise additional funds to advance permitting efforts. The Company's review of its financing options includes considering a future strategic alliance to assist in further development, permitting and future construction costs, although there can be no assurance that any such strategic alliance will, in fact, be pursued or realized.

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. See "Risk Factors – *We will require additional financing to fund exploration and, if warranted, development and production. Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern.*" The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Due to this uncertainty, if the Company is unable to secure additional financing, it may be required to reduce all discretionary activities at the Project to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2024 fiscal year.

Other than cash held by its subsidiaries for their immediate operating needs in the United States, all of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit,

liquidity or market risks with respect thereto have increased as a result of current market conditions.

Critical Accounting Estimates

Mineral property assets

The Company's mineral project is currently in the development stage, as defined under subpart 1300 of Regulation S-K. Mineral property acquisition costs are capitalized when incurred. Mineral property costs are expensed as incurred. At such time that the Company makes a decision to proceed to production, subsequent mineral property expenses will be capitalized during the development of such property.

The Company assesses interests in its mineral property assets for impairment at least annually, but will also conduct an assessment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assets that are tested for recoverability are the Company's long-lived assets related to mineral property rights and claims. At December 31, 2023, the Company's mineral property assets totaled approximately \$55 million. As these assets are all similar in nature (they represent mining claims or rights to mining claims all within the same area), they are viewed as one asset group for impairment testing purposes. The Company evaluates recoverability of its mineral property assets based on the undiscounted cash flows using the life of mine cash flows beginning with production as stated in the TRS for the Livengood Gold Project, which uses a life of mine of approximately 21 years. The estimates used in the life of mine cash flows are subject to uncertainty, including as a result of the assumed gold price.

At the reporting period end, price of gold is compared to the prior year-end gold price. The price of gold on December 31, 2023 was \$2,063, or \$249 and 14% higher than the price of \$1,814 at December 31, 2022. The Livengood Gold Project is a long-term project that will take time to develop and eventually monetize making the use of a longer-term gold price assumption in the TRS more appropriate compared to recent spot prices for gold.

As at December 31, 2023, the Company concluded that the recoverability of the mineral property assets exceeded the carrying value.

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

Stock-based compensation

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

Recently Adopted Accounting Policies

For a description of recently adopted accounting policies, please see Note 2 – *Summary of Significant Accounting Policies* within our Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.