



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)**

**(Expressed in US Dollars)**

**Three Months Ended March 31, 2013 and 2012**

**Corporate Head Office**

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# INTERNATIONAL TOWER HILL MINES LTD.

March 31, 2013 and 2012

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**INTERNATIONAL TOWER HILL MINES LTD.**  
(An Exploration Stage Company)  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
As at March 31, 2013 and December 31, 2012  
(Expressed in US Dollars - Unaudited)

	Note	March 31, 2013	December 31, 2012
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 24,675,780	\$ 30,170,905
Marketable securities		126,521	180,415
Accounts receivable		86,125	262,516
Advance to contractors		514,009	582,009
Prepaid expenses		115,056	228,221
Total current assets		25,517,491	31,424,066
Property and equipment		84,251	89,714
Capitalized acquisition costs	4	55,173,564	55,173,564
<b>Total assets</b>		<b>\$ 80,775,306</b>	<b>\$ 86,687,344</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 896,432	\$ 1,198,771
Accrued liabilities		1,478,779	2,548,498
Total current liabilities		2,375,211	3,747,269
<b>Non-current liabilities</b>			
Derivative liability	5	20,900,000	22,400,000
Total liabilities		23,275,211	26,147,269
<b>Shareholders' equity</b>			
Share capital, no par value; authorized 500,000,000 shares; 98,068,638 shares issued and outstanding at March 31, 2013 and December 31, 2012	6	236,401,096	236,401,096
Contributed surplus		30,167,619	28,589,591
Accumulated other comprehensive income		3,547,242	4,101,968
Deficit accumulated during the exploration stage		(212,615,862)	(208,552,580)
Total shareholders' equity		57,500,095	60,540,075
<b>Total liabilities and shareholders' equity</b>		<b>\$ 80,775,306</b>	<b>\$ 86,687,344</b>

**Nature and continuance of operations** (note 1)

**Commitments** (note 8)

**On behalf of the Board:**

"Anton Drescher" (signed) Director  
Mr. Anton J. Drescher

"Timothy Haddon" (signed) Director  
Mr. Timothy J. Haddon

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

**INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

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

For the Three Months Ended March 31, 2013 and 2012

(Expressed in US Dollars - Unaudited)

	Note	Three Months Ended		
		March 31, 2013	March 31, 2012	From Inception
<b>Operating expenses</b>				
Consulting fees		\$ 639,003	\$ 260,886	\$ 14,263,060
Depreciation		5,463	7,913	249,294
Insurance		69,422	68,161	985,599
Investor relations		129,381	113,365	4,530,085
Mineral property exploration	4	2,794,435	5,121,876	146,823,484
Office		27,097	44,389	924,354
Other		16,354	21,978	1,750,869
Professional fees		184,027	127,106	3,286,412
Regulatory		100,122	83,607	1,054,820
Rent		60,010	64,785	910,998
Travel		93,062	71,404	1,287,318
Wages and benefits		1,876,964	3,262,636	40,287,522
Write-down of mineral properties		-	-	1,605,522
<b>Total operating expenses</b>		<b>(5,995,340)</b>	<b>(9,248,106)</b>	<b>(217,959,337)</b>
<b>Other income (expenses)</b>				
Gain (loss) on foreign exchange		397,829	(20,420)	720,454
Interest income		34,229	84,613	2,537,526
Income from mineral property earn-in		-	141,948	660,744
Spin-out cost		-	-	(775,249)
Unrealized gain/(loss) on derivative	5	1,500,000	(2,400,000)	2,200,000
<b>Total other income (expense)</b>		<b>1,932,058</b>	<b>(2,193,859)</b>	<b>5,343,475</b>
<b>Loss from continuing operations</b>		<b>(4,063,282)</b>	<b>(11,441,965)</b>	<b>(212,615,862)</b>
<b>Loss from discontinued operations</b>		<b>-</b>	<b>-</b>	<b>(19,630,113)</b>
<b>Net loss for the period</b>		<b>(4,063,282)</b>	<b>(11,441,965)</b>	<b>(232,245,975)</b>
<b>Other comprehensive income (loss)</b>				
Unrealized loss on marketable securities		(50,577)	(22,472)	(419,276)
Exchange difference on translating foreign operations		(504,149)	812,177	3,966,518
<b>Total other comprehensive income (loss) for the period</b>		<b>(554,726)</b>	<b>789,705</b>	<b>3,547,242</b>
<b>Comprehensive loss for the period</b>		<b>\$ (4,618,008)</b>	<b>\$ (10,652,260)</b>	<b>\$(228,698,733)</b>
<b>Basic and fully diluted loss per share from continuing operations</b>				
		\$ (0.04)	\$ (0.13)	
<b>Basic and fully diluted loss per share from discontinued operations</b>				
		\$ -	\$ -	
<b>Basic and fully diluted loss per share</b>		<b>\$ (0.04)</b>	<b>\$ (0.13)</b>	
<b>Weighted average number of shares outstanding</b>		<b>98,068,638</b>	<b>86,683,919</b>	

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

**INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the Three Months Ended March 31, 2013 and 2012

(Expressed in US Dollars - Unaudited)

	<b>Number of shares</b>	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Accumulated other comprehensive income/(loss)</b>	<b>Deficit</b>	<b>Total</b>
Balance, December 31, 2011	86,683,919	\$ 207,186,847	\$ 19,382,616	\$ 3,524,125	\$ (151,909,118)	\$ 78,184,470
Stock based compensation	-	-	1,965,316	-	-	1,965,316
Unrealized gain/(loss) on available-for-sale securities	-	-	-	(22,472)	-	(22,472)
Exchange difference on translating foreign operations	-	-	-	812,177	-	812,177
Net loss	-	-	-	-	(11,441,965)	(11,441,965)
Balance, March 31, 2012	86,683,919	207,186,847	21,347,932	4,313,830	\$ (163,351,083)	69,497,526
Private placement	11,384,719	29,768,529	-	-	-	29,768,529
Share issuance costs	-	(554,280)	-	-	-	(554,280)
Stock based compensation	-	-	7,241,659	-	-	7,241,659
Unrealized gain/(loss) on available-for-sale securities	-	-	-	(140,704)	-	(140,704)
Exchange difference on translating foreign operations	-	-	-	(71,158)	-	(71,158)
Net loss	-	-	-	-	(45,201,497)	(45,201,497)
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	-	-	1,578,028	-	-	1,578,028
Unrealized gain/(loss) on available-for-sale securities	-	-	-	(50,577)	-	(50,577)
Exchange difference on translating foreign operations	-	-	-	(504,149)	-	(504,149)
Net loss	-	-	-	-	(4,063,282)	(4,063,282)
Balance, March 31, 2013	98,068,638	\$ 236,401,096	\$ 30,167,619	\$ 3,547,242	\$ (212,615,862)	\$ 57,500,095

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

**INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

For the Three Months Ended March 31, 2013 and 2012

(Expressed in US Dollars - Unaudited)

	<b>Three Months Ended</b>		
	<b>March 31, 2013</b>	<b>March 31, 2012</b>	<b>From Inception</b>
<b>Operating Activities</b>			
Loss for the period from continuing operations	\$ (4,063,282)	\$ (11,441,965)	\$ (212,615,862)
Add items not affecting cash:			
Depreciation	5,463	7,913	249,294
Stock based compensation	1,578,028	1,965,316	34,892,738
Unrealized (gain) loss on derivative liability	(1,500,000)	2,400,000	(2,200,000)
Spin-out recovery	-	-	(254,339)
(Gain) loss on foreign exchange	-	-	(254,512)
Write-down of mineral properties	-	-	1,605,522
Other	-	(41,948)	(285,323)
Changes in non-cash items:			
Accounts receivable	226,082	368,450	(46,131)
Prepaid expenses	110,346	15,175	(254,142)
Advance to contractors	68,000	(471,500)	381,082
Accounts payable and accrued liabilities	(1,369,439)	(6,565,044)	2,369,644
<b>Cash used in operating activities of continuing operations</b>	<b>(4,944,802)</b>	<b>(13,763,603)</b>	<b>(176,412,029)</b>
<b>Cash used in operating activities of discontinued operations</b>	<b>-</b>	<b>-</b>	<b>(12,786,324)</b>
<b>Financing Activities</b>			
Issuance of share capital	-	-	251,751,411
Share issuance costs	-	-	(7,643,229)
<b>Cash provided by financing activities of continuing operations</b>	<b>-</b>	<b>-</b>	<b>244,108,182</b>
<b>Cash used in financing activities of discontinued operations</b>	<b>-</b>	<b>-</b>	<b>(3,902,947)</b>
<b>Investing Activities</b>			
Proceeds from sale of available-for-sale-securities	-	-	172,734
Capitalized acquisition costs	-	(2,000,000)	(27,781,245)
Expenditures on property and equipment, net	-	-	(332,415)
<b>Cash used in investing activities of continuing operations</b>	<b>-</b>	<b>(2,000,000)</b>	<b>(27,940,926)</b>
<b>Cash used in investing activities of discontinued operations</b>	<b>-</b>	<b>-</b>	<b>(312,593)</b>
<b>Effect of foreign exchange on cash of continuing operations</b>	<b>(550,323)</b>	<b>809,475</b>	<b>2,457,293</b>
<b>Effect of foreign exchange on cash of discontinued operations</b>	<b>-</b>	<b>-</b>	<b>(534,876)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(5,495,125)</b>	<b>(14,954,128)</b>	<b>24,675,780</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>30,170,905</b>	<b>54,712,073</b>	<b>-</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 24,675,780</b>	<b>\$ 39,757,945</b>	<b>\$ 24,675,780</b>

**Supplemental cash flow information** (note 9)

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

## **INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three Months Ended March 31, 2013 and 2012

(Expressed in US dollars - Unaudited)

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#### **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. (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 March 31, 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 ("US 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 March 31, 2013 and the results of its operations for the three months then ended. Operating results for the three months ended March 31, 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 US 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.

**INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(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, 2013		
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 126,521	\$ -
	<u>\$ 126,521</u>	<u>\$ -</u>
Financial liabilities:		
Derivative liability (note 5)	\$ -	\$20,900,000
	<u>\$ -</u>	<u>\$20,900,000</u>

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

**4. CAPITALIZED ACQUISITION COSTS**

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

Capitalized acquisition costs	Amount
<b>Balance, December 31, 2012</b>	\$ 55,173,564
Acquisition costs	-
<b>Balance, March 31, 2013</b>	<u>55,173,564</u>



**INTERNATIONAL TOWER HILL MINES LTD.**

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three Months Ended March 31, 2013 and 2012

(Expressed in US dollars - Unaudited)

The following table presents costs incurred for exploration and evaluation activities for the three months ended March 31, 2013 and March 31, 2012:

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
Exploration costs:		
Aircraft services	\$ 4,760	\$ 14,000
Assay	9,724	269,154
Drilling	(28,714)	644,484
Environmental	830,584	621,944
Equipment rental	68,780	430,499
Field costs	283,500	1,596,106
Geological/geophysical	1,510,737	1,435,580
Land maintenance & tenure	15,050	18,203
Legal	78,869	15,260
Surveying and mapping	-	60,750
Transportation and travel	21,145	15,896
Total expenditures for the period	\$ 2,794,435	\$ 5,121,876

**Livengood Gold Project Property**

The Livengood Gold Project property is located in the Tintina gold belt approximately 110 kilometers (68 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:

- 1) a lease of the Alaska Mental Health Trust mineral rights having an initial term of three years commencing July 1, 2004, subject to two extensions of three years each and subject to further extension beyond June 30, 2013 by payment of a flat annual fee of 125% of the last rate paid for advance minimum royalties and diligent pursuit of development. The lease requires work expenditures of \$10/acre/year in years 1 - 3, \$20/acre/year in years 4-6 and \$30/acre/year in years 7- 9 and advance minimum royalties of \$5/acre/year in years 1 - 3, \$15/acre/year in years 4- 6, \$25/acre/year in years 7-9, and 125% of the year 9 payment in subsequent years (all of which advance minimum royalties are recoverable from production royalties). A net smelter return ("NSR") production royalty of between 2.5% and 5.0% (depending upon the price of gold) is payable to the lessor with respect to the lands subject to this lease. In addition, an NSR production royalty of 1% is payable to the lessor with respect to the unpatented federal mining claims subject to the lease described in b) below and an NSR production royalty of between 0.5% and 1.0% (depending upon the price of gold) is payable to the lessor with respect to the lands acquired by the Company in December 2011. As of March 31, 2013 the Company has paid \$1,014,800 from the inception of this lease.
- 2) 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 March 31, 2013, the Company has paid \$430,000 from the inception of this lease.
- 3) 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.

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Three Months Ended March 31, 2013 and 2012

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The Company may purchase all interests of the lessors in the leased property (including the production royalty) for \$1,000,000 (less all minimum and production royalties paid to the date of purchase), of which \$500,000 is payable in cash over four years following the closing of the purchase and the balance of \$500,000 is payable by way of the 3% NSR production royalty. As of March 31, 2013, the Company has paid \$95,000 from the inception of this lease.

- 4) a lease of unpatented federal lode mining and federal unpatented placer claims having an initial term of ten years commencing on March 28, 2007, and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of \$15,000 on or before each anniversary date, (all of which minimum royalties are recoverable from production royalties). The Company is required to pay the lessor the sum of \$250,000 upon making a positive production decision, payable \$125,000 within 120 days of the decision and \$125,000 within a year of the decision (all of which are recoverable from production royalties). An NSR production royalty of 2% is payable to the lessor. The Company may purchase all of the interest of the lessor in the leased property (including the production royalty) for \$1,000,000. As of March 31, 2013, the Company has paid \$68,000 from the inception of this lease.

**Title to mineral properties**

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

**5. DERIVATIVE LIABILITY**

During 2011, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The aggregate consideration was \$13,500,000 in cash plus an additional contingent payment based on the five-year average daily gold price ("Average Gold Price") from the date of the acquisition. The contingent payment will equal \$23,148 for every dollar that the Average Gold Price exceeds \$720 per troy ounce. If the Average Gold Price is less than \$720, there will be no additional contingent payment.

At initial recognition on December 13, 2011 the derivative liability was valued at \$23,100,000. The key assumption used in the valuation of the derivative is the estimate of the future Average Gold Price. The estimate of the future Average Gold Price was determined using a forward curve on future gold prices as published by the CME Group. The CME Group represents the merger of the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), the New York Mercantile Exchange (NYMEX) and its commodity exchange division, Commodity Exchange, Inc. (COMEX). Using this forward curve, the Company estimated an Average Gold Price based on actual gold prices to March 31, 2013 and projected gold prices from March 31, 2013 to the end of the five year period in December 2016 of \$1,625 per ounce of gold.

The fair value of the derivative liability and the estimated Average Gold Price are as follows:

	<b>Total</b>	<b>Average Gold Price (\$/oz.)</b>
<b>Derivative value at December 31, 2011</b>	\$ 20,800,000	\$ 1,619
Unrealized (gain) loss for the period	2,400,000	
<b>Derivative value at March 31, 2012</b>	23,200,000	\$ 1,722
Unrealized (gain) loss for the period	(800,000)	
<b>Derivative value at December 31, 2012</b>	22,400,000	\$ 1,688
Unrealized (gain) loss for the period	(1,500,000)	
<b>Derivative value at March 31, 2013</b>	\$ 20,900,000	\$ 1,625

**INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three Months Ended March 31, 2013 and 2012

(Expressed in US dollars - Unaudited)

**6. SHARE CAPITAL****Authorized**

500,000,000 common shares without par value. At March 31, 2013 and December 31, 2012 there were 98,068,638 shares issued and outstanding.

**Share issuances**

There were no share issuances during the three months ended March 31, 2013.

**Stock options**

The Company has adopted an incentive stock option plan (the "2006 Plan"). The essential elements of the 2006 Plan provide that the aggregate number of common shares of the Company's capital stock that may be made issuable pursuant to options granted under the 2006 Plan may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the 2006 Plan will have a maximum term of ten years. The exercise price of options granted under the 2006 Plan will not be less than the discounted market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, less the maximum discount permitted under applicable stock exchange policies), or such other price as may be agreed to by the Company and accepted by the Toronto Stock Exchange. Options granted under the 2006 Plan vest immediately, unless otherwise determined by the directors at the date of grant.

On March 14, 2013, the Company granted incentive stock options to certain officers, employees and consultants of the Company to purchase 613,000 common shares in the capital stock of the Company. The options are exercisable on or before March 14, 2018 at a price of C\$2.18 per share and will vest as to 204,328 shares on March 14, 2013; 204,328 shares on March 14, 2014 and the balance on March 14, 2015.

A summary of the status of the stock option plan as of March 31, 2013, and December 31, 2012 and changes is presented below:

	<b>Three Months Ended March 31, 2013</b>		<b>Year Ended December 31, 2012</b>	
	Number of Options	Weighted Average Exercise Price (C\$)	Number of Options	Weighted Average Exercise Price (C\$)
Balance, beginning of the period	8,570,000	\$ 4.73	7,215,000	\$ 7.48
Granted	613,000	\$ 2.18	6,380,000	\$ 3.26
Exercised	-	\$ -	-	\$ -
Expired	(190,000)	\$ 9.15	(4,050,000)	\$ 7.16
Cancelled	-	\$ -	(975,000)	\$ 5.42
<b>Balance, end of the period</b>	<b>8,993,000</b>	<b>\$ 4.46</b>	<b>8,570,000</b>	<b>\$ 4.73</b>

The weighted average remaining life of options outstanding at March 31, 2013 was 3.79 years.

**INTERNATIONAL TOWER HILL MINES LTD.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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Stock options outstanding are as follows:

Expiry Date	March 31, 2013			December 31, 2012		
	Exercise Price (C\$)	Number of Options	Exercisable	Exercise Price (C\$)	Number of Options	Exercisable
January 10, 2013	-	-	-	\$ 9.15	190,000	190,000
July 28, 2013	\$ 7.47	950,000	950,000	\$ 7.47	950,000	950,000
May 9, 2016	\$ 8.35	1,000,000	666,666	\$ 8.35	1,000,000	666,667
August 23, 2016	\$ 8.07	600,000	400,000	\$ 8.07	600,000	400,000
November 15, 2016	\$ 5.64	100,000	66,666	\$ 5.64	100,000	66,666
January 9, 2017	\$ 4.60	30,000	20,000	\$ 4.60	30,000	10,000
August 24, 2017	\$ 3.17	4,700,000	1,566,655	\$ 3.17	4,700,000	1,566,655
September 19, 2017	\$ 2.91	1,000,000	333,333	\$ 2.91	1,000,000	333,333
March 14, 2018	\$ 2.18	613,000	204,328	-	-	-
		8,993,000	4,207,648		8,570,000	4,183,321

A summary of the non-vested options as of March 31, 2013 and changes during the three months ended March 31, 2013 is as follows:

	Number of options	Weighted average grant-date fair value (C\$)
Non-vested options:		
Outstanding at December 31, 2012	4,386,680	\$2.05
Granted	613,000	0.50
Vested	(214,328)	0.59
Outstanding at March 31, 2013	4,785,352	\$1.91

At March 31, 2013 there was unrecognized compensation expense of C\$3,876,461 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 1.0 years.

**Share-based payments**

During the three month period ended March 31, 2013, the Company granted 613,000 stock options with a fair value of C\$304,585, calculated using the Black-Scholes option pricing model. Share-based payment charges for the three months ended March 31, 2013 totaled \$1,578,028.

During the three month period ended March 31, 2012, the Company granted 680,000 stock options with a fair value of C\$1,799,345; calculated using the Black-Scholes option pricing model. Share-based payment charges for the three months ended March 31, 2012 totaled \$1,965,316.

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

	March 31, 2013	December 31, 2012
Expected life of options	4 years	4 years
Risk-free interest rate	1.29%	1.32%
Annualized volatility	59.48%	67.68%
Dividend rate	0.00%	0.00%
Exercise price (C\$)	\$2.18	\$3.26

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

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(Expressed in US dollars - Unaudited)

**7. SEGMENT AND GEOGRAPHIC INFORMATION**

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

	<b>Canada</b>	<b>United States</b>	<b>Total</b>
<b>March 31, 2013</b>			
Exploration and evaluation assets	\$ -	\$ 55,173,564	\$ 55,173,564
Property and equipment	13,724	70,527	84,251
Current assets	24,023,527	1,493,964	25,517,491
<b>Total assets</b>	<b>\$ 24,037,251</b>	<b>\$ 56,738,055</b>	<b>\$ 80,775,306</b>
<b>December 31, 2012</b>			
Exploration and evaluation assets	\$ -	\$ 55,173,564	\$ 55,173,564
Property and equipment	14,317	75,397	89,714
Current assets	29,046,485	2,377,581	31,424,066
<b>Total assets</b>	<b>\$ 29,060,802</b>	<b>\$ 57,626,542</b>	<b>\$ 86,687,344</b>
<b>Three months ended</b>			
		<b>March 31, 2013</b>	<b>March 31, 2012</b>
Net loss for the period – Canada		\$ (1,656,129)	\$ (2,359,419)
Net loss for the period - United States		(2,407,153)	(9,082,546)
Net loss for the period		\$ (4,063,282)	\$ (11,441,965)

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three Months Ended March 31, 2013 and 2012

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**8. COMMITMENTS**

The following table discloses, as of March 31, 2013, the Company's contractual obligations including optional mineral property payments and work commitments and committed office and equipment lease obligations. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interests in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditures, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but no other lease purchase or royalty buyout options:

	Payments Due by Year						
	2014	2015	2016	2017	2018	2019 and beyond	Total
Livengood Property Purchase <sup>(1)</sup>	\$ -	\$ -	\$ 20,900,000	\$ -	\$ -	\$ -	\$ 20,900,000
Mineral Property Leases <sup>(2)</sup>	396,563	396,563	396,563	396,563	401,563	401,563	2,389,378
Mining Claim Government Fees	89,110	89,110	89,110	89,110	89,110	89,110	534,660
Office and Equipment Lease Obligations	102,825	362	362	362	362	362	104,635
<b>Total</b>	<b>\$ 588,498</b>	<b>\$ 486,035</b>	<b>\$ 21,386,035</b>	<b>\$ 486,035</b>	<b>\$ 491,035</b>	<b>\$ 491,035</b>	<b>\$ 23,928,673</b>

1. The amount payable in December 2016 of \$20,900,000 represents the fair value of the Company's derivative liability as at March 31, 2013 and will be revalued at each subsequent reporting period. See note 5.
2. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the work for which will actually be carried out by the Company. Does not include potential royalties that may be payable (other than annual minimum royalty payments). See note 4.

**9. SUPPLEMENTAL CASH FLOW INFORMATION**

	March 31, 2013	March 31, 2012
Income taxes paid	\$ -	\$ 146,172