

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number: 001-33638



INTERNATIONAL TOWER HILL MINES LTD.

(Exact Name of Registrant as Specified in its Charter)

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

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

2300-1177 West Hastings Street
Vancouver, British Columbia, Canada, V6E 2K3
(Address of Principal Executive Offices)

V6E 2K3
(Zip code)

Registrant's telephone number, including area code: (604) 683-6332

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

As of May 1, 2017, the registrant had 162,186,972 Common Shares outstanding.

Table of Contents

	Page
Part I	<u>FINANCIAL INFORMATION</u>
Item 1	<u>Financial Statements</u> 4
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 16
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 21
Item 4	<u>Controls and Procedures</u> 21
Part II	<u>OTHER INFORMATION</u>
Item 1	<u>Legal Proceedings</u> 22
Item 1A	<u>Risk Factors</u> 22
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 22
Item 3	<u>Defaults Upon Senior Securities</u> 22
Item 4	<u>Mine Safety Disclosures</u> 22
Item 5	<u>Other Information</u> 22
Item 6	<u>Exhibits</u> 23
<u>SIGNATURES</u>	24

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

International Tower Hill Mines Ltd. (“we”, “us”, “our,” “ITH” or the “Company”) is a mineral exploration company engaged in the acquisition and exploration of mineral properties. As used in this Quarterly Report on Form 10-Q, the terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101—Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”)—CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in the United States Securities and Exchange Commission (“SEC”) Industry Guide 7 (“SEC Industry Guide 7”). Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves, and the primary environmental analysis or report must be filed with the appropriate governmental authority. In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of a mineral deposit in these categories will ever be converted into reserves.

“Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information contained in this report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

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

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

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

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements or information within the meaning of the United States Private Securities Litigation Reform Act of 1995 concerning anticipated results and developments in the operations of the Company in future periods, planned exploration activities, the adequacy of the Company's financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimates," "potential," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" (or the negative and grammatical variations of any of these terms) occur or be achieved. These forward looking statements may include, but are not limited to, statements concerning:

- the Company's future cash requirements, the Company's ability to meet its financial obligations as they come due, and the Company's ability to be able to raise the necessary funds to continue operations on acceptable terms, if at all;
- the potential to improve the block model or production schedule at the Livengood Gold Project,
- the potential for opportunities to improve recovery or further reduce costs at the Livengood Gold Project;
- the Company's ability to potentially include the results of the optimization process in a new or updated feasibility study or any future financial analysis of the Project, and the estimated cost of such optimization process;
- the Company's ability to carry forward and incorporate into future engineering studies of the Project updated mine design, production schedule, and recovery concepts identified during the optimization process;
- the potential for the Company to carry out an engineering phase that will evaluate and optimize the Project configuration and capital and operating expenses, including determining the optimum scale for the Project;
- the Company's strategies and objectives, both generally and specifically in respect of the Livengood Gold Project;
- the Company's belief that there are no known environmental issues that are anticipated to materially impact the Company's ability to conduct mining operations at the Project;
- the potential for the expansion of the estimated resources at the Livengood Gold Project;
- the potential for a production decision concerning, and any production at, the Livengood Gold Project;
- the 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 any future exploration programs at the Livengood Gold Project, and the timing of the receipt of results therefrom; and
- future general business and economic conditions, including changes in the price of gold and the overall sentiment of the markets for public equity.

Such forward-looking statements reflect the Company's current views with respect to future events and are subject to certain known and unknown risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- the demand for, and level and volatility of the price of, gold;
 - conditions in the financial markets generally, the overall sentiment of the markets for public equity, interest rates and currency rates;
 - general business and economic conditions;
 - government regulation and proposed legislation (and changes thereto or interpretations thereof);
 - defects in title to claims, or the ability to obtain surface rights, either of which could affect the Company's property rights and claims;
 - the Company's ability to secure the necessary services and supplies on favorable terms in connection with its programs at the Livengood Gold Project and other activities;
 - the Company's ability to attract and retain key staff, particularly in connection with the permitting and development of any mine at the Livengood Gold Project;
 - the accuracy of the Company's resource estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
 - the timing of the ability to commence and complete planned work programs at the Livengood Gold Project;
 - the timing of the receipt of and the terms of the consents, permits and authorizations necessary to carry out exploration and development programs at the Livengood Gold Project and the Company's ability to comply with such terms on a safe and cost-effective basis;
-

- the ongoing relations of the Company with the lessors of its property interests and applicable regulatory agencies;
- the metallurgy and recovery characteristics of samples from certain of the Company's mineral properties and whether such characteristics are reflective of the deposit as a whole; and
- the continued development of and potential construction of any mine at the Livengood Gold Project property not requiring consents, approvals, authorizations or permits that are materially different from those identified by the Company.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including without limitation those discussed in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2016, 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.

PART 1

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL TOWER HILL MINES LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

As at March 31, 2017 and December 31, 2016

(Expressed in US Dollars - Unaudited)

	Note	March 31, 2017	December 31, 2016
ASSETS			
Current			
Cash and cash equivalents		\$ 6,630,715	\$ 22,466,493
Prepaid expenses and other		164,661	206,221
Total current assets		6,795,376	22,672,714
Property and equipment		23,800	24,800
Capitalized acquisition costs	4	55,204,041	55,204,041
Total assets		\$ 62,023,217	\$ 77,901,555
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		\$ 415,845	\$ 179,496
Accrued liabilities		332,703	210,182
Derivative liability	6	-	14,694,169
Total liabilities		748,548	15,083,847
Shareholders' equity			
Share capital, no par value; authorized 500,000,000 shares; 162,186,972 shares issued and outstanding at December 31, 2016 and March 31, 2017	7	265,524,796	265,569,796
Contributed surplus		34,092,260	34,079,301
Accumulated other comprehensive income		1,511,198	1,344,219
Deficit		(239,853,585)	(238,175,608)
Total shareholders' equity		61,274,669	62,817,708
Total liabilities and shareholders' equity		\$ 62,023,217	\$ 77,901,555

General Information and Nature of Operations (Note 1)

Commitments (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)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Three Months Ended March 31, 2017 and 2016

(Expressed in US Dollars - Unaudited)

	Note	Three Months Ended	
		March 31, 2017	March 31, 2016
Operating expenses			
Consulting fees		\$ 72,695	\$ 73,190
Depreciation		999	1,315
Insurance		65,995	61,749
Investor relations		28,497	20,958
Mineral property exploration	4	711,116	796,505
Office		8,141	7,837
Other		4,537	4,476
Professional fees		50,219	42,834
Regulatory		57,299	36,738
Rent		35,349	35,361
Travel		31,453	19,213
Wages and benefits		456,414	570,238
Total operating expenses		<u>(1,522,714)</u>	<u>(1,670,414)</u>
Other income (expenses)			
Loss on foreign exchange		(166,124)	(123,862)
Interest income		10,861	6,820
Unrealized loss on derivative	6	-	(700,000)
Total other income (expenses)		<u>(155,263)</u>	<u>(817,042)</u>
Net loss for the period		<u>(1,677,977)</u>	<u>(2,487,456)</u>
Other comprehensive income (loss)			
Unrealized gain/(loss) on marketable securities		1,964	(473)
Exchange difference on translating foreign operations		165,015	299,483
Total other comprehensive income (loss) for the period		<u>166,979</u>	<u>299,010</u>
Comprehensive loss for the period		<u>\$ (1,510,998)</u>	<u>\$ (2,188,446)</u>
Basic and fully diluted loss per share		<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding		<u>162,186,972</u>	<u>116,313,638</u>

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, 2017 and 2016

(Expressed in US Dollars - Unaudited)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income/(loss)	Deficit	Total
Balance, December 31, 2015	116,313,638	\$ 243,692,185	\$ 33,979,717	\$ 816,435	\$ (230,984,980)	\$ 47,503,357
Stock-based compensation	-	-	60,651	-	-	60,651
Unrealized gain/(loss) on available-for-sale securities	-	-	-	(473)	-	(473)
Exchange difference on translating foreign operations	-	-	-	299,483	-	299,483
Net loss	-	-	-	-	(2,487,456)	(2,487,456)
Balance, March 31, 2016	116,313,638	243,692,185	34,040,368	1,115,445	(233,472,436)	45,375,562
Private placement	45,833,334	22,000,000	-	-	-	22,000,000
Share issuance costs	-	(146,735)	-	-	-	(146,735)
Stock-based compensation	-	-	47,875	-	-	47,875
Unrealized gain/(loss) on available-for-sale securities	-	-	-	(10,321)	-	(10,321)
Exchange difference on translating foreign operations	-	-	-	239,095	-	239,095
Exercise of options	40,000	15,404	-	-	-	15,404
Reallocation from contributed surplus	-	8,942	(8,942)	-	-	-
Net loss	-	-	-	-	(4,703,172)	(4,703,172)
Balance, December 31, 2016	162,186,972	265,569,796	34,079,301	1,344,219	(238,175,608)	62,817,708
Share issuance costs	-	(45,000)	-	-	-	(45,000)
Stock-based compensation	-	-	12,959	-	-	12,959
Unrealized gain/(loss) on available-for-sale securities	-	-	-	1,964	-	1,964
Exchange difference on translating foreign operations	-	-	-	165,015	-	165,015
Net loss	-	-	-	-	(1,677,977)	(1,677,977)
Balance, March 31, 2017	<u>162,186,972</u>	<u>\$ 265,524,796</u>	<u>\$ 34,092,260</u>	<u>\$ 1,511,198</u>	<u>\$ (239,853,585)</u>	<u>\$ 61,274,669</u>

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, 2017 and 2016
(Expressed in US Dollars - Unaudited)

	Three Months Ended	
	March 31, 2017	March 31, 2016
Operating Activities		
Loss for the period	\$ (1,677,977)	\$ (2,487,456)
Add items not affecting cash:		
Depreciation	999	1,315
Stock-based compensation	12,959	60,651
Unrealized loss on derivative liability	-	700,000
Changes in non-cash items:		
Accounts receivable	(115,431)	(10,326)
Prepaid expenses and other	50,963	28,870
Advances to contractors	-	(8,835)
Accounts payable and accrued liabilities	350,172	6,477
Cash used in operating activities	<u>(1,378,315)</u>	<u>(1,709,304)</u>
Financing Activities		
Derivative payment	(14,694,169)	-
Share issuance costs	(45,000)	-
Cash used in financing activities	<u>(14,739,169)</u>	<u>-</u>
Effect of foreign exchange on cash	<u>281,706</u>	<u>306,390</u>
Decrease in cash and cash equivalents	<u>(15,835,778)</u>	<u>(1,402,914)</u>
Cash and cash equivalents, beginning of the period	<u>22,466,493</u>	<u>6,493,486</u>
Cash and cash equivalents, end of the period	<u>\$ 6,630,715</u>	<u>\$ 5,090,572</u>

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

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

International Tower Hill Mines Ltd. ("ITH" or the "Company") is incorporated under the laws of British Columbia, Canada. The Company's head office address is 2300-1177 West Hastings Street, Vancouver, British Columbia, Canada.

International Tower Hill Mines Ltd. consists of ITH and its wholly owned subsidiaries Tower Hill Mines, Inc. ("TH Alaska") (an Alaska corporation), Tower Hill Mines (US) LLC ("TH US") (a Colorado limited liability company), Livengood Placers, Inc. ("LPI") (a Nevada corporation), and 813034 Alberta Ltd. (an Alberta corporation). The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At March 31, 2017, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A.

These unaudited condensed consolidated interim financial statements have been prepared on a going-concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

As at March 31, 2017, the Company had cash and cash equivalents of \$6,630,715 compared to \$22,466,493 at December 31, 2016. The Company has no revenue generating operations from which it can internally generate funds. On January 12, 2017, the Company paid \$14,694,169 for the timely and full satisfaction of the final derivative payment due with respect to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project.

The Company will require significant additional financing to continue its operations in connection with advancing activities at the Livengood Gold Project and for the development of any mine that may be determined to be built at the Livengood Gold Project. 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 pursuing a future strategic alliance to assist in further development, permitting and future construction costs.

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. The amount 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 2017 fiscal year.

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 8 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, 2016 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, 2017 and the results of its operations for the three months then ended. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The 2016 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.

On May 4, 2017, the Board approved these condensed consolidated interim financial statements.

Basis of consolidation

These condensed consolidated interim 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.

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, 2017	
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 24,882	\$ -
Total	\$ 24,882	\$ -

	Fair value as at December 31, 2016	
	Level 1	Level 2
Financial assets:		
Marketable securities	\$ 22,754	\$ -
Total	\$ 22,754	\$ -
Financial liabilities:		
Derivative liability (Note 6)	\$ -	\$ 14,694,169
Total	\$ -	\$ 14,694,169

4. CAPITALIZED ACQUISITION COSTS

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

Capitalized acquisition costs	<u>Amount</u>
Balance, December 31, 2016	\$ 55,204,041
Acquisition costs	-
Balance, March 31, 2017	<u>\$ 55,204,041</u>

The following table presents costs incurred for exploration and evaluation activities for the three months ended March 31, 2017 and 2016:

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Exploration costs:		
Assay	\$ 411,617	\$ -
Environmental	48,774	72,799
Equipment rental	10,341	11,152
Field costs	47,026	49,484
Geological/geophysical	121,057	590,829
Land maintenance & tenure	35,315	35,760
Legal	35,710	36,563
Transportation and travel	1,276	(82)
Total expenditures for the period	<u>\$ 711,116</u>	<u>\$ 796,505</u>

Livengood Gold Project Property

The Livengood property is located in the Tintina gold belt approximately 113 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 (all of which minimum royalties are recoverable from production 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 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 as a result of the purchase of Livengood Placers, Inc. in December 2011. During the three months ended March 31, 2017 and from the inception of this lease the Company has paid \$NIL and \$2,302,666, respectively.
- 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. During the three months ended March 31, 2017 and from the inception of this lease the Company has paid \$NIL and \$630,000, respectively.

- c) a lease of patented lode mining 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 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. During the three months ended March 31, 2017 and from the inception of this lease the Company has paid \$20,000 and \$185,000, respectively.
- d) 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. During the three months ended March 31, 2017 and from the inception of this lease the Company has paid \$15,000 and \$128,000, respectively.

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. ACCRUED LIABILITIES

The following table presents the accrued liabilities balances at March 31, 2017 and December 31, 2016.

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Accrued liabilities	\$ 292,612	\$ 41,682
Accrued salaries and benefits	40,091	168,500
Total accrued liabilities	<u>\$ 332,703</u>	<u>\$ 210,182</u>

Accrued liabilities at March 31, 2017 include accruals for general corporate costs and project costs of \$78,824 and \$213,788, respectively. Accrued liabilities at December 31, 2016 include accruals for general corporate costs and project costs of \$13,406 and \$28,276, respectively.

6. 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 for the claims and rights was \$13,500,000 in cash plus an additional payment based on the five-year average daily gold price ("Average Gold Price") from the date of the acquisition ("Additional Payment"). The Additional Payment equaled \$23,148 for every dollar that the Average Gold Price exceeded \$720 per troy ounce. If the Average Gold Price were less than \$720, there would not have been any additional consideration due.

At initial recognition on December 13, 2011 the derivative liability was valued at \$23,100,000. As at December 12, 2016, the five-year average daily gold price was \$1,354.79 resulting in a derivative liability of \$14,694,169. The obligation to make the contingent payment was secured by a Deed of Trust over the rights of the Company in the purchased claims in favor of the vendors. On January 12, 2017, the Company paid \$14,694,169 for the timely and full satisfaction of the final derivative payment.

7. SHARE CAPITAL

Authorized

500,000,000 common shares without par value. At December 31, 2016 and March 31, 2017 there were 162,186,972 shares issued and outstanding.

Share issuances

There were no share issuances during the three months ended March 31, 2017. On December 28, 2016, the Company closed a non-brokered private placement financing of 45,833,334 common shares at a price of \$0.48 per share for gross proceeds of \$22.0 million.

Stock options

The Company adopted an incentive stock option plan in 2006, as amended September 19, 2012 and reapproved on May 28, 2015 at the Company's Annual General Meeting (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 shall be fixed in compliance with the applicable provisions of the TSX Company Manual in force at the time of grant and, in any event, shall not be less than the closing price of the Company's common shares on the TSX on the trading day immediately preceding the day on which the option is granted, 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.

During the three month period ended March 31, 2017, there were no incentive stock options granted by the Company.

A summary of the status of the stock option plan as of March 31, 2017 and December 31, 2016 and changes is presented below:

	Three Months Ended March 31, 2017		Year Ended December 31, 2016	
	Number of Options	Weighted Average Exercise Price (C\$)	Number of Options	Weighted Average Exercise Price (C\$)
Balance, beginning of the period	6,026,200	\$ 1.61	6,066,200	\$ 1.60
Exercised	-	-	(40,000)	0.50
Balance, end of the period	<u>6,026,200</u>	<u>\$ 1.61</u>	<u>6,026,200</u>	<u>\$ 1.61</u>

The weighted average remaining life of options outstanding at March 31, 2017 was 3.79 years.

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Three Months Ended March 31, 2017 and 2016
(Expressed in US dollars – Unaudited)

Stock options outstanding are as follows:

Expiry Date	March 31, 2017			December 31, 2016		
	Exercise Price (C\$)	Number of Options	Exercisable	Exercise Price (C\$)	Number of Options	Exercisable
August 24, 2017	\$ 3.17	1,675,000	1,675,000	\$ 3.17	1,675,000	1,675,000
March 14, 2018	\$ 2.18	319,000	319,000	\$ 2.18	319,000	319,000
February 25, 2022	\$ 1.11	1,030,000	1,030,000	\$ 1.11	1,030,000	1,030,000
February 25, 2022	\$ 0.73	594,000	594,000	\$ 0.73	594,000	594,000
March 10, 2022	\$ 1.11	430,000	430,000	\$ 1.11	430,000	430,000
March 16, 2023	\$ 1.00	1,260,000	1,260,000	\$ 1.00	1,260,000	839,999
March 16, 2023	\$ 0.50	688,200	688,200	\$ 0.50	688,200	445,466
June 9, 2023	\$ 1.00	30,000	20,000	\$ 1.00	30,000	20,000
		6,026,200	6,016,200		6,026,200	5,353,465

A summary of the non-vested options as of March 31, 2017 and changes during the three months ended March 31, 2017 is as follows:

	Number of options	Weighted average grant-date fair value (C\$)
Non-vested options:		
Outstanding at December 31, 2016	672,735	\$ 0.25
Vested	(662,735)	\$ 0.25
Outstanding at March 31, 2017	10,000	\$ 0.24

At March 31, 2017 there was unrecognized compensation expense of C\$226 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.19 years.

Share-based payments

During the three month period ended March 31, 2017, there were no incentive stock options granted by the Company. Share-based payment charges for the three months ended March 31, 2017 totaled \$12,959.

During the three month period ended March 31, 2016, there were no incentive stock options granted by the Company. Share-based payment charges for the three months ended March 31, 2016 totaled \$60,651.

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

	YTD December 31, 2015
Expected life of options	6 years
Risk-free interest rate	0.97%
Annualized volatility	80.60%
Dividend rate	0.00%
Exercise price (C\$)	\$0.80

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

8. 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:

	Canada	United States	Total
March 31, 2017			
Capitalized acquisition costs	\$ -	\$ 55,204,041	\$ 55,204,041
Property and equipment	8,835	14,965	23,800
Current assets	6,353,552	441,824	6,795,376
Total assets	<u>\$ 6,362,387</u>	<u>\$ 55,660,830</u>	<u>\$ 62,023,217</u>
December 31, 2016			
Capitalized acquisition costs	\$ -	\$ 55,204,041	\$ 55,204,041
Property and equipment	8,944	15,856	24,800
Current assets	22,289,678	383,036	22,672,714
Total assets	<u>\$ 22,298,622</u>	<u>\$ 55,602,933</u>	<u>\$ 77,901,555</u>
Three months ended		March 31, 2017	March 31, 2016
Net loss for the period – Canada		\$ (429,819)	\$ (389,928)
Net loss for the period - United States		(1,248,158)	(2,097,528)
Net loss for the period		<u>\$ (1,677,977)</u>	<u>\$ (2,487,456)</u>

9. COMMITMENTS

The following table discloses, as of March 31, 2017, the Company's contractual obligations including anticipated mineral property payments. 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 expenditure, 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 does not exercise any lease purchase or royalty buyout options:

	Payments Due by Year						
	2017	2018	2019	2020	2021	2022 and beyond	Total
Mineral Property Leases ⁽¹⁾	\$ 381,678	\$ 426,653	\$ 431,703	\$ 436,829	\$ 442,031	\$ 447,311	\$ 2,566,205
Mining Claim Government Fees	114,925	114,925	114,925	114,925	114,925	114,925	689,550
Total	<u>\$ 496,603</u>	<u>\$ 541,578</u>	<u>\$ 546,628</u>	<u>\$ 551,754</u>	<u>\$ 556,956</u>	<u>\$ 562,236</u>	<u>\$ 3,255,755</u>

1. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the level of work that 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.

10. RELATED PARTY TRANSACTIONS

In December 2011, in accordance with a Stock and Asset Purchase Agreement (the “Agreement”) between the Company, Alaska/Nevada Gold Mines, Ltd. (“AN Gold Mines”) and the Heflinger Group, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The Company’s derivative liability, as described in Note 6 above, represented the remaining consideration for the purchase of these claims and related rights and was paid in January 2017. Under the Agreement, the payment was made 70% to AN Gold Mines and 30% to the Heflinger Group.

Mr. Hanneman was appointed Chief Operating Officer of the Company on March 26, 2015 and subsequently appointed Chief Executive Officer of the Company effective January 31, 2017. Mr. Hanneman is a partner of the general partner, as well as a limited partner, of AN Gold Mines and holds an 11.9% net interest in AN Gold Mines.

In December 2016, the Company closed a non-brokered private placement financing through the issuance of 32,429,842 shares to Paulson & Co. Inc., 9,041,554 shares to Tocqueville Asset Management, L.P., and 4,361,938 shares to AngloGold Ashanti (U.S.A.) Exploration Inc. at a price of USD 0.48 per share. As at December 31, 2016, Paulson, Tocqueville, and AngloGold beneficially own approximately 34.2%, 19.4%, and 9.5% respectively of the Company’s 162,186,972 common shares.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016. All currency amounts are stated in US dollars unless noted otherwise.

Current Business Activities

General

During the three months ended March 31, 2017 and to the date of this Quarterly Report on Form 10-Q, the Company progressed on a number of opportunities with the potential for optimization and reducing the costs of building and operating a mine at the Project.

Livengood Gold Project – NI 43-101 Report of 2016 Pre-feasibility Study Results

The Company announced the results of a Pre-feasibility Study ("2016 PFS") on September 8, 2016. On October 24, 2016, the Company filed a technical report on SEDAR entitled "NI 43-101 Technical Report Pre-feasibility Study of the Livengood Gold Project, Livengood, Alaska, USA" dated October 24, 2016 ("October Report") that summarized the results of the 2016 PFS on the Livengood Gold Project.

During the first quarter, it was determined that the calculation of All In Sustaining Costs for the Livengood Project ("AISC"), as contained in Table 22-2 on page 22-6 of the October Report, was incorrect as it included, contrary to World Gold Council guidance, both initial capital costs and mining and income taxes in the AISC calculation. The Company issued a news release on March 8, 2017 advising that as a result of the restatement, the AISC for the Livengood Gold Project (the "Project") located near Fairbanks, Alaska, is projected to be \$976/oz. Subsequently, on April 10, 2017, the Company filed an updated technical report on SEDAR entitled "NI 43-101 Technical Report Pre-feasibility Study of the Livengood Gold Project, Livengood, Alaska, USA" dated March 8, 2017 and signed April 10, 2017 ("April Report") reflecting the following changes:

1. The AISC calculation has been corrected to be in accordance with World Gold Council guidance, and a corrected Table 22-2 has been included. The corrected AISC number has also been included in Table 1-11 on page 1-24. Where appropriate, text changes have been made to reflect the correct numbers now shown in the tables.
2. On January 12, 2017, the Company paid USD \$14.7 million for the timely and full satisfaction of the final derivative payment due with respect to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Project and the Company is now in full ownership and has no further liability with respect to this acquisition. The disclosure regarding the Livengood Property Description and Location in section 4.1.7, pages 4-5 and 4-6, has been updated accordingly.

Management Changes

On January 26, 2017, the ITH Board approved a management transition plan, which was implemented on January 31, 2017, in which Karl Hanneman, previously the Chief Operating Officer (COO), became the Chief Executive Officer (CEO), managing both the CEO and COO responsibilities, and Tom Irwin, the previous CEO, transitioned into a part-time position of Senior Advisor prior to his being considered for nomination to the Board at the Company's May 2017 Annual General Meeting (AGM).

Proposed Issuance of Common Shares To Thomas Irwin

On January 1, 2014, Thomas Irwin was appointed as the Chief Executive Officer of the Company. Prior to that he was the Vice President of the Company from August 2012 to December 2013, and was Alaska General Manager from January 2012 to August 2012. Mr. Irwin originally joined the Company as the Livengood Project Construction Manager in March 2011. During his tenure at the Company, Mr. Irwin assumed greater and greater responsibility for the progress of the Livengood Project, and, as CEO, successfully spearheaded the completion of the initial stage of the optimization process that produced the Company's 2016 PFS. In addition, Mr. Irwin successfully negotiated and closed two significant financings allowing the Company to continue the optimization work at Livengood and to retire the outstanding derivative payment which resulted in the Company securing a strategic land package at the Livengood Project.

During Mr. Irwin's tenure as CEO, his employment contract provided for a target bonus equal to 100% of his annual base salary. However, as a consequence of the Company's cash position in a down market, and the desire to fully fund the optimization studies on the Livengood Project, Mr. Irwin was, based on his recommendation, not awarded a bonus for any of the fiscal years during which he served as Chief Executive Officer.

Upon his transition to Senior Adviser (as noted above), the Compensation Committee approved, and the Board voted to award to Mr. Irwin, subject to shareholder and regulatory approval, a one-time payment of \$175,000, to be settled in Common Shares, in recognition of the exemplary efforts of Mr. Irwin on behalf of the Company during his tenure as CEO. Based on the USD-CAD exchange rate (USD 1.00 = CAD 1.3030), and the 5 day volume weighted average price of the Common Shares on the TSX (CAD 0.859), both as at January 31, 2017, the number of Common Shares to be issued to Mr. Irwin is 265,454 (less the number of Common Shares equivalent to any amounts required to be withheld under statutory withholding requirements). The 265,454 Common Shares represent 0.16% of the currently outstanding Common Shares. Mr. Irwin also receives a monthly payment of \$5,000 in his position as Senior Adviser.

Because the proposed issuance to Mr. Irwin is (a) a security-based compensation arrangement, (b) to an insider and (c) not pursuant to a security based compensation arrangement previously approved by the shareholders of the Company, the TSX and the NYSE-MKT both require that such issuance be subject to shareholder approval. Accordingly, at the AGM (to be held in Vancouver, British Columbia at 9:00 a.m., Pacific Daylight Time, on May 24, 2017), the shareholders will be asked to pass a resolution approving the issuance of the 265,454 Common Shares to Mr. Irwin. It is anticipated that, if approved, the Common Shares will be issued to Mr. Irwin forthwith following the AGM.

Other Developments

On January 12, 2017, the Company paid \$14.7 million for the timely and full satisfaction of the final derivative payment due with respect to acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project. On January 17, 2017, the Full Deed of Reconveyance releasing the Deed of Trust on the acquired property was recorded and the Company now fully owns this property and has no further liability with respect to this acquisition.

In connection with the Company's \$22.0 million private placement completed on December 28, 2016, the Toronto Stock Exchange (the "TSX") commenced a de-listing review with respect to the Company. On April 7, 2017, the TSX issued a bulletin confirming that it had completed its review and that the Company meets the TSX's continuous listing requirements.

Next Steps and Opportunities

2017 Work Program

On January 23, 2017 the Board approved a 2017 budget of \$6.3 million. The work program incorporated in this budget will seek to build upon the Project improvements announced with the 2016 PFS, focusing on improving the mineralization and alteration models used to support the resource block model, evaluating alternative block models for production schedule opportunities, and completion of several phases of metallurgical work to better define and optimize the flowsheet and recovery parameters. The 2017 work program has been specifically designed to target those aspects of the Project that could deliver the highest NPV increase for the least expenditure. Preliminary work in 2016 on the block model and metallurgical recovery variability indicates a potential NPV benefit of up to \$280 million and \$100 million respectively.

However, the Company cautions that, until this multi-phase metallurgical program and the updated block model are completed and the results thereof are incorporated into a revised financial model, there can be no assurance that the overall recovery increases, potential process optimizations, or block model improvements, will, in fact, be realized, or that any such increases, optimizations or improvements will have the overall effect suggested above.

During the quarter, work progressed on schedule on the 2017 program. Approximately 20,000 pulps were pulled from the warehouse and analyzed by multi-element ICP, something that had not been done during the initial drilling campaign. All results have been received and are currently being incorporated into the project geologic model. Consultants provided updated variography to support refinement of the project multiple indicator kriging (MIK) resource model. SGS Vancouver is proceeding with metallurgical work. The engineering firm of BBA Inc., who provided support for the 2016 PFS, has been retained to provide oversight on the 2017 program.

The Company has sufficient funds to complete the test programs and engineering work underway.

Results of Operations

Summary of Quarterly Results

Description	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Net loss	\$ (1,677,977)	\$ (1,109,733)	\$ (1,524,589)	\$ (2,068,850)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Net loss	\$ (2,487,456)	\$ (1,119,972)	\$ (1,007,489)	\$ (2,048,868)
Basic and diluted net loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.02)

Three Months Ended March 31, 2017 compared to Three Months Ended March 31, 2016

The Company incurred a net loss of \$1,677,977 for the three month period ended March 31, 2017, compared to a net loss of \$2,487,456 for the three month period ended March 31, 2016.

Mineral property expenditures decreased \$85,389 to \$711,116 for the three months ended March 31, 2017 from \$796,505 for the three months ended March 31, 2016 due to the differences in the scope of technical work completed during the periods.

Excluding share-based payment charges of \$9,322 and \$42,603, respectively, wages and benefits for the three months ended March 31, 2017 decreased to \$447,091 from \$527,635 for the three months ended March 31, 2016 primarily due to staffing changes.

Regulatory costs were \$57,299 for the three months ended March 31, 2017 compared to \$36,738 for the three months ended March 31, 2016. The increase of \$20,561 is primarily due to higher market listing fees as a result of the Company's increased market capitalization.

Excluding share-based payment charges of \$9,323 and \$42,603, respectively, wages and benefits for the three months ended March 31, 2017 decreased \$80,544 to \$447,091 from \$527,635 for the three months ended March 31, 2016 due to lower salaries and benefit-related costs as a result of reduced staffing.

Share-based payment charges

Share-based payment charges for the three month periods ended March 31, 2017 and 2016 were allocated as follows:

Expense category:	March 31, 2017	March 31, 2016
Consulting	\$ 2,789	\$ 14,566
Investor relations	848	3,482
Wages and benefits	9,322	42,603
	<u>\$ 12,959</u>	<u>\$ 60,651</u>

Share-based payment charges were \$12,959 during the three months ended March 31, 2017 compared to \$60,651 during the three months ended March 31, 2016. The decrease of \$47,692 in share-based payment charges during the period was mainly the result of options granted becoming fully expensed.

Most other expense categories reflected moderate increases or decreases period over period reflecting the Company's efforts to maintain or reduce spending.

Other items amounted to a loss of \$155,263 during the three month period ended March 31, 2017 compared to a loss of \$817,042 during the three month period ended March 31, 2016. On January 12, 2017, the Company paid the final derivative payment due so there was no total other loss for the three month period ended March 31, 2017 compared to the unrealized loss on the revaluation of the derivative liability of \$700,000 caused by the increase in the price per ounce of gold during the three month period ended March 31, 2016. The Company had a foreign exchange loss of \$166,124 during the three month period ended March 31, 2017 compared to a loss of \$123,862 during the three month period ended March 31, 2016 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 three month period ended March 31, 2017 was C\$1 to US\$0.7554 compared to C\$1 to US\$0.7282 for the three month period ended March 31, 2016.

Liquidity Risk 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 private placements and the subsequent exercise of share purchase and broker warrants and options issued in connection with such private placements. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the Company's securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no guarantee that any existing warrants/options will be exercised. There are currently no warrants outstanding.

As at March 31, 2017, the Company had cash and cash equivalents of \$6,630,715 compared to \$22,466,493 at December 31, 2016. The decrease of approximately \$15.8 million resulted mainly from financing activities of approximately \$14.7 million and expenditures on the Livengood Gold Project of approximately \$1.3 million offset by a positive foreign currency translation impact of approximately \$0.2 million.

Financing activities during the three month period ended March 31, 2017 included payment of the final derivative payment of approximately \$14.7 million and share issuance costs related to a non-brokered private placement of common shares in December 2014 of \$45,000. The Company had no cash flows from financing activities during the three month period ended March 31, 2016.

The Company had no cash flows from investing activities during the three month periods ended March 31, 2017 and 2016.

As at March 31, 2017, the Company had working capital of \$6,046,828 compared to working capital of \$7,588,867 at December 31, 2016. The Company expects that it will operate at a loss for the foreseeable future, but believes the current working capital will be sufficient for it to complete its anticipated 2017 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through the 2017 fiscal year. To advance the Livengood Gold Project towards permitting and development, the Company anticipates maintaining certain essential development activities for the fiscal year ending December 31, 2017. These essential activities include maintaining environmental baseline data that in its absence could materially delay future permitting of the Livengood Gold Project.

The Company will require significant additional financing to continue its operations (including general and administrative expenses) in connection with advancing activities at the Livengood Gold Project and the development of any mine that may be determined to 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 pursuing 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 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" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. 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 2017 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 the current market conditions.

Contractual Obligations and Commitments

The following table discloses, as of March 31, 2017, the Company's contractual obligations including anticipated mineral property payments. 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 expenditure, 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 does not exercise any lease purchase or royalty buyout options:

	Payments Due by Year						Total
	2017	2018	2019	2020	2021	2022 and beyond	
Mineral Property Leases ⁽¹⁾	\$ 381,678	\$ 426,653	\$ 431,703	\$ 436,829	\$ 442,031	\$ 447,311	\$2,566,205
Mining Claim Government Fees	114,925	114,925	114,925	114,925	114,925	114,925	689,550
Total	\$ 496,603	\$ 541,578	\$ 546,628	\$ 551,754	\$ 556,956	\$ 562,236	\$3,255,755

- Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the level of work that will actually be carried out by the Company. Does not include potential royalties that may be payable (other than annual minimum royalty payments).

Other – Related Party Transactions

In December 2011, in accordance with a Stock and Asset Purchase Agreement (the "Agreement") between the Company, Alaska/Nevada Gold Mines, Ltd. ("AN Gold Mines") and the Heflinger Group, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The Company's derivative liability, as described in Note 6 to the accompanying unaudited condensed consolidated financial statements, represented the remaining consideration for the purchase of these claims and related rights and was paid in January 2017. Under the Agreement, the payment was made 70% to AN Gold Mines and 30% to the Heflinger Group.

Mr. Hanneman was appointed Chief Operating Officer of the Company on March 26, 2015 and subsequently appointed Chief Executive Officer of the Company effective January 31, 2017. Mr. Hanneman is a partner of the general partner, as well as a limited partner, of AN Gold Mines and holds an 11.9% net interest in AN Gold Mines.

In December 2016, the Company closed a non-brokered private placement financing through the issuance of 32,429,842 shares to Paulson & Co. Inc., 9,041,554 shares to Tocqueville Asset Management, L.P., and 4,361,938 shares to AngloGold Ashanti (U.S.A.) Exploration Inc. at a price of USD 0.48 per share. As at December 31, 2016, Paulson, Tocqueville, and AngloGold beneficially own approximately 34.2%, 19.4%, and 9.5% respectively of the Company's 162,186,972 common shares.

Off-Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Environmental Regulations

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures.

Certain U.S. Federal Income Tax Considerations for U.S. Holders

The Company has been a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes in recent years and expects to continue to be a PFIC in the future. Current and prospective U.S. shareholders should consult their tax advisors as to the tax consequences of PFIC classification and the U.S. federal tax treatment of PFICs. Additional information on this matter is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, under "Part II. Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Certain U.S. Federal Income Tax Considerations for U.S. Holders."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of March 31, 2017, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on the evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of March 31, 2017, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports filed or submitted to the SEC under the Exchange Act: (i) is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a manner that allows for timely decisions regarding required disclosures.

The effectiveness of our or any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable assurance that the objectives of the system will be met and is subject to certain limitations, including the exercise of judgement in designing, implementing and evaluating controls and procedures and the assumptions used in identifying the likelihood of future events.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 under the heading "Risk Factors."

The accompanying unaudited condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. This assumes continuing operations and the realization of assets and liabilities in the normal course of business.

As at March 31, 2017, the Company had cash and cash equivalents of \$6,630,715 compared to \$22,466,493 at December 31, 2016. The Company has no revenue generating operations from which it can internally generate funds. On January 12, 2017, the Company paid \$14,694,169 for the timely and full satisfaction of the final derivative payment due with respect to the acquisition of certain mining claims and related rights in the vicinity of the Livengood Gold Project.

The Company will require significant additional financing to continue its operations in connection with advancing activities at the Livengood Gold Project and for the development of any mine that may be determined to be built at the Livengood Gold Project. 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 pursuing a future strategic alliance to assist in further development, permitting and future construction costs.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Pursuant to Section 1503(a) of the Dodd-Frank Act, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose specified information about mine health and safety in their periodic reports. These reporting requirements are based on the safety and health requirements applicable to mines under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") which is administered by the U.S. Department of Labor's Mine Safety and Health Administration ("MSHA"). During the three month period ended March 31, 2017, the Company and its subsidiaries were not subject to regulation by MSHA under the Mine Act and thus no disclosure is required under Section 1503(a) of the Dodd-Frank Act.

ITEM 5. OTHER INFORMATION

As disclosed in the Current Report on Form 8-K filed by the Company on February 1, 2017, the Company's Board of Directors appointed Karl Hanneman as the Chief Executive Officer of the Company, effective January 31, 2017. On March 13, 2017, Mr. Hanneman entered into a new employment agreement with Tower Hill Mines (US) LLC, replacing Mr. Hanneman's prior employment agreement. Under the new employment agreement, and as disclosed in the Form 8-K, Mr. Hanneman's base salary as Chief Executive Officer has been established at \$300,000 per year. Mr. Hanneman is also eligible for an annual performance bonus targeted at 100% of his base salary. The new employment agreement also provides for standard benefits and contains customary confidentiality and non-competition provisions.

The new employment agreement also provides for certain severance payments to Mr. Hanneman. In the event the Company terminates Mr. Hanneman's employment without cause (as defined in the employment agreement) or Mr. Hanneman terminates his employment for good reason (as defined in the employment agreement), Mr. Hanneman would be entitled to payments equal to one year of base salary and a pro-rated annual performance bonus, plus 12 months of continuing COBRA coverage. In the event the Company terminates Mr. Hanneman's employment without cause or Mr. Hanneman terminates his employment for good reason following a change in control (as defined in the employment agreement) of the Company, Mr. Hanneman would be entitled to payments equal to one year of base salary and his annual performance bonus at target, plus 12 months of continuing COBRA coverage, and in addition all equity awards held by Mr. Hanneman would automatically vest in full.

The foregoing summary of the Mr. Hanneman's new employment agreement is not complete and is qualified in its entirety by reference to the copy of the employment agreement filed as Exhibit 10.1 hereto.

ITEM 6. EXHIBITS

- 10.1 Employment Agreement, dated March 13, 2017, between Karl Hanneman and Tower Hill Mines (US) LLC.
- 31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Interim Balance Sheets at March 31, 2017 and December 31, 2016, (ii) the Condensed Consolidated Interim Statements of Operations and Comprehensive Loss for the Three Months ended March 31, 2017 and 2016, (iii) the Condensed Consolidated Interim Statements of Changes in Shareholders' Equity for the Three Months Ended March 31, 2017 and 2016, (iv) the Condensed Consolidated Interim Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016, and (v) the Notes to the Condensed Consolidated Interim Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

International Tower Hill Mines Ltd.

By: /s/ Karl L. Hanneman
Karl L. Hanneman
Chief Executive Officer
(Principal Executive Officer)

Date: May 5, 2017

By: /s/ David Cross
David Cross
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 5, 2017

EMPLOYMENT AGREEMENT

This Employment Agreement (“Agreement”) is made and entered into by and between Tower Hill Mines (US) LLC (hereafter, the “Company”), and Karl Hanneman (hereafter, the “Executive”). The Company and the Executive shall be collectively referred to as the “Parties” and individually as a “Party”.

1. Effective Date and Commencement of Employment.

- (a) This Agreement shall be effective on February 1, 2017 (“Effective Date”). The Executive’s employment commenced on May 17, 2010 (the “Employment Commencement Date”).
- (b) The period commencing on the Employment Commencement Date and ending at the close of business on the date that this Agreement and the Executive’s employment is terminated (the “Termination Date”) shall constitute the “Employment Period”.
- (c) Notwithstanding any other provision of this Agreement, this Agreement may be terminated at any time during the Employment Period in accordance with Section 6.

2. Position.

- (a) During the Employment Period, the Company shall be the Executive’s employer, and the Executive shall serve as the Chief Executive Officer (“CEO”) of the Company, reporting directly to the Board of Directors of the Company (“Board”). The Executive shall also hold all other positions as deemed necessary by the Board. On the Termination Date, Executive shall be deemed to have resigned from all positions held with all affiliates of the Company, including International Tower Hill Mines Ltd. (“ITH”).

3. Duties and Responsibilities of Executive.

- (a) During the Employment Period, and except as set forth below, the Executive shall devote his full time and attention during normal business hours to the business of the Company and its affiliates, including ITH, will act in the best interests of the Company and its affiliates, including ITH, and will perform with due care his duties and responsibilities.
 - (b) The Executive’s duties will include those normally incidental to the position of CEO (to include the duties set forth in Exhibit A), as well as such additional duties consistent therewith as may be assigned to him by the Board. If, in its sole and complete discretion, the Board changes the Executive’s title and/or the Executive’s reporting responsibilities, the Board may make such changes, and such changes shall thereafter apply for purposes of this Agreement, subject only to the provisions of Section 7(c) hereof.
 - (c) The Executive agrees to cooperate fully with the Board and not engage directly or indirectly in any activity that materially interferes with the performance of the Executive’s duties hereunder. During the Employment Period, the Executive shall not hold outside employment, or perform substantial personal services for parties unrelated to the Company, without the advance written approval of the Board; provided, that it shall not be a violation of this Agreement for Executive to:
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- (i) serve on any corporate, civic, or charitable boards or committees (except for boards or committees of any business organization that competes with the Company or its affiliates, including ITH, in any business in which they are regularly engaged), so long as such service does not materially interfere with the performance of Executive's duties and responsibilities under this Agreement, as the Board in its reasonable discretion shall determine,
 - (ii) manage personal investments, or
 - (iii) take vacation days and reasonable absences due to injury or illness as permitted by the general policies of the Company.
- (d) The Executive represents and covenants to the Company that he is not subject or a party to any employment agreement, non-competition covenant, non-solicitation agreement, nondisclosure agreement, or any other agreement, covenant, understanding, or restriction that would prohibit the Executive from executing this Agreement and fully performing his duties and responsibilities hereunder.
- (e) The Executive acknowledges and agrees that the Executive owes the Company and its affiliates, including ITH, a duty of loyalty and that any obligations described in this Agreement are in addition to, and not in lieu of, any obligations the Executive owes the Company as a matter of law.

4. Compensation.

- (a) Base Salary. Commencing on the Effective Date, and during the Employment Period, the Company shall pay to the Executive an annual base salary of \$300,000 (the "Base Salary"), payable in conformity with the Company's customary payroll practices for executive salaries. For all purposes of this Agreement, the Executive's Base Salary shall include any portion thereof which the Executive elects to defer under any nonqualified plan or arrangement. During the Employment Period, the Compensation Committee of the Board ("Compensation Committee") will review and determine the Executive's salary as CEO from time to time after the Effective Date.
- (b) Annual Performance Bonus. The Executive shall be eligible for an annual discretionary performance bonus with respect to each full calendar year during the Employment Period (the "Annual Performance Bonus"), beginning with the calendar year 2013, which shall, if earned, consist of a cash payment targeted at 100% of the Base Salary. The Compensation Committee shall, on an annual basis (at or near the beginning of each full calendar year in such Employment Period), establish performance objectives for the Executive for the upcoming year, and will communicate such objectives to the Executive. The amount, if any, of the Annual Performance Bonus will be determined by the independent members of the Board, or the Compensation Committee if designated this task by the Board, acting in its sole and complete discretion based on annual performance objectives. A bonus determination will be made by the independent members of the Board or the Compensation Committee typically within 90 calendar days of the end of each calendar year and the Annual Performance Bonus, if any, will be paid within 120 days of the end of the calendar year for which the Annual Performance Bonus is awarded. The Executive must be employed by the Company at the time of payment of the Annual Performance Bonus to be entitled to payment of the Annual Performance Bonus, except as provided in Sections 7(a), 7(b) and 7(c).
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(c) Equity Awards. Subject to the approval of the Board and/or the Compensation Committee, as applicable, and subject to all terms and conditions of the 2006 Incentive Stock Plan of ITH (“2006 Plan”) reapproved in 2016 by the stockholders, in recognition of the appointment of the Executive to the position of CEO, the Executive shall be granted an option to purchase 250,000 common shares in the capital of ITH at a price of USD 1.00 per share. Other than the number of such options to be granted and the pricing thereof, all other conditions thereof, including the timing of such grant and any vesting terms thereof, are solely within the discretion of the Board or the Compensation Committee, as applicable. Following such initial grant, the Executive will be eligible to receive, as determined in the sole discretion of the Board or the Compensation Committee, as applicable, additional incentive stock options under, and in accordance with, the 2006 Plan. In addition, the Executive shall be eligible to receive equity awards for past performance or future equity incentive awards as determined in the sole discretion of the Board or the Compensation Committee, as applicable.

5. Benefits. Subject to the terms and conditions of this Agreement, the Executive shall be entitled to the following benefits during the Employment Period:

(a) Reimbursement of Business Expenses and Travel. The Company agrees to promptly reimburse the Executive for reasonable business-related expenses, including travel expenses, incurred in the performance of the Executive’s duties under this Agreement in accordance with Company policies. The Executive understands and agrees that his position may entail frequent and significant travel to places outside of Alaska.

(b) Benefit Plans and Programs. To the extent permitted by applicable law, the Executive (and where applicable, his plan-eligible dependents) shall be eligible to participate in all benefit plans and programs, including improvements or modifications of the same, then being actively maintained by the Company for the benefit of its executive employees (or for an employee population which includes its executive employees), subject in any event to the eligibility requirements and other terms and conditions of those plans and programs, including, without limitation, 401(k) plan, medical and dental insurance, life insurance and disability insurance. The Company shall not, however, by reason of this Section 5(b), have any obligation to institute, maintain, or refrain from changing, amending, or discontinuing any such benefit plan or program.

(c) Disability Insurance. The Company shall maintain a disability insurance policy that will pay, upon the Executive’s termination due to Disability (as defined below), no less than 60% of the Executive’s then-current Base Salary for the shorter of:

(i) two years, or

(ii) the duration of such Disability.

6. Termination of Agreement and Employment.

- (a) Automatic Termination in the Event of Death. This Agreement shall automatically terminate in the event of the Executive's death. In the event of the Executive's death, the Company shall pay to the Executive's estate, a portion of the Annual Performance Bonus, pro-rated based on the percent completion of the calendar year, at the target level.
 - (b) Company's Right to Terminate. At any time during the Employment Period, the Company shall have the right to terminate this Agreement for any of the following reasons:
 - (i) Upon Executive's Disability (as defined below),
 - (ii) For Cause (as defined in Section 7); or
 - (iii) For any other reason whatsoever, in the sole and complete discretion of the Company.
 - (c) Executive's Right to Terminate. At any time during the Employment Period, Executive will have the right to terminate this Agreement with the Company for:
 - (i) Good Reason (as defined in Section 7); or
 - (ii) For any other reason whatsoever, in the sole and complete discretion of the Executive.
 - (d) "Disability". For the purposes of this Agreement, "Disability" means that the Executive has sustained sickness or injury that renders the Executive incapable, with reasonable accommodation, of performing the duties and services required of the Executive hereunder for a period of 90 consecutive calendar days or a total of 120 calendar days during any 12-month period; provided, however, that any termination based on Disability will be made in accordance with applicable law, including the *Americans with Disabilities Act*, as amended.
 - (e) "Notices". Any termination of this Agreement by the Company under Section 6(b) or by the Executive under Section 6(c) shall be communicated by a Notice of Termination to the other Party. A "Notice of Termination" means a written notice that:
 - (i) indicates the specific termination provision in this Agreement relied upon; and
 - (ii) if the termination is by the Company for Cause or by the Executive for Good Reason, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. The Notice of Termination must specify the Executive's Termination Date. The Termination Date may be as early as 14 calendar days after such Notice is given but no later than 60 calendar days after such Notice is given, unless otherwise agreed to by the Parties in writing or unless the termination is For Cause, in which case the Termination Date may be immediate.
 - (f) The termination of this Agreement shall also result in the contemporaneous termination of the Executive's employment.
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7. Severance Payments.

- (a) Termination by the Company pursuant to Section 6(b)(iii). If the Company terminates this Agreement during the Employment Period pursuant to Section 6(b)(iii) hereof, then, except as set forth in Section 7(c), the Company shall pay to the Executive the following severance, in a lump sum, subject to all applicable withholdings, on the 60th day after the Termination Date, provided that the Executive has executed, not revoked, and any period to revoke has lapsed, a full general release in favor of the Company and its affiliates, including but not limited to ITH:
- (i) One year's Base Salary; and
 - (ii) The portion, if any, of his Annual Performance Bonus for the year in which the termination occurs based on the degree of achievement of the relevant performance targets established for such year through the date of termination, using pro-rated performance targets where necessary to account for the shortened performance period.
- (b) Termination by Executive for Good Reason. If the Executive terminates this Agreement during the Employment Period pursuant to Section 6(c)(i) hereof, then, except as set forth in Section 7(c), the Company shall pay to the Executive the following severance, in a lump sum, subject to all applicable withholdings, on the 60th day after the Termination Date, provided that Executive has executed, not revoked, and any period to revoke has lapsed, a full general release in favor of the Company and its affiliates, including but not limited to ITH:
- (i) One year's Base Salary; and
 - (ii) The portion, if any, of his Annual Performance Bonus for the year in which the termination occurs based on the degree of achievement of the relevant performance targets established for such year through the date of termination, using pro-rated performance targets where necessary to account for the shortened performance period.
- (c) Termination by Executive for Good Reason after a Change in Control. If a Change in Control occurs and within six months of the Change in Control:
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- (i) The Executive is terminated pursuant to Section 6(b)(iii) hereof: or
- (ii) The Executive terminates this Agreement during the Employment Period pursuant to Section 6(c)(i) hereof,

then Sections 7(a) and 7(b) shall not apply, but instead pursuant to this Section 7(c), the Company shall pay to the Executive the following severance, in a lump sum, subject to all applicable withholdings, on the 60th day after the Termination Date, provided that Executive has executed, not revoked, and any period to revoke has lapsed, a full general release in favor of the Company and its affiliates, including but not limited to ITH:

- (i) One year's Base Salary; and
- (ii) One year's Annual Performance Bonus at target.

In addition, immediately prior to the termination of the Executive's employment in a situation entitling him to severance under this Section 7 (c), the Executive shall become 100% vested in all of the rights and interests then held by Executive under the ITH stock option and other equity plans (to the extent not theretofore vested), including, without limitation, any stock options, restricted stock, restricted stock units, performance units, and/or performance shares.

- (d) Additional Benefits. If the Company is required to pay to the Executive severance by, and subject to, Sections 7(a) or 7(b) or 7(c), or if the Executive is terminated pursuant to Section 6(b)(l) then:
 - (i) Such severance shall be paid in addition to any other payments the Company may make to the Executive (including, without limitation, salary, fringe benefits, and expense reimbursements) in discharge of the Company's obligations to the Executive under this Agreement with respect to periods ending coincident with or prior to the Termination Date;
 - (ii) The Company shall reimburse Executive for COBRA continuation coverage for twelve full months (or for the lesser duration of such COBRA coverage) beginning with the month following the month in which the Termination Date occurs, such that employee's cost of such COBRA coverage shall equal the cost, if any, that Executive would pay (on behalf of himself and his spouse and dependents, as applicable) under the Company's group health plan had the Executive not terminated; provided, that if group health coverage under another group health plan becomes available thereafter to the Executive, the Executive's spouse, or the Executive's dependents (as applicable), the Company's reimbursement obligations under this Section 7(d)(ii) will cease with respect to each person to whom such coverage becomes available. The Executive shall notify the Company immediately upon group health coverage becoming available to the Executive, the Executive's spouse, or the Executive's dependents.
 - (iii) Payments under Sections 7(a) or 7(b) or 7(c), or payment under the disability insurance policy pursuant to Section 5(c), shall be in lieu of any severance benefits otherwise due to Executive under any severance pay plan or program maintained by the Company that covers its employees and/or its executives.
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- (e) "Cause" means the occurrence or existence, prior to occurrence of circumstances constituting Good Reason, of any of the following events during the Employment Period:
- (i) The Executive's gross negligence or material mismanagement in performing, or material failure or inability (excluding as a result of death or Disability) to perform, the Executive's duties and responsibilities as described herein or as lawfully directed by the Board;
 - (ii) The Executive's having committed any act of willful misconduct or material dishonesty (including but not limited to theft, misappropriation, embezzlement, forgery, fraud, falsification of records, or misrepresentation) against the Company or any of its affiliates, including but not limited to ITH, or any act that results in, or could reasonably be expected to result in, material injury to the reputation, business or business relationships of the Company or any of its affiliates, including but not limited to ITH;
 - (iii) The Executive's material breach of this Agreement, any fiduciary duty owed by the Executive to the Company or its affiliates (including but not limited to ITH), or any written workplace policies applicable to the Executive (including but not limited to the Company's Code of Conduct and policy on workplace harassment) whether adopted on or after the date of this Agreement;
 - (iv) The Executive's having been convicted of, or having entered a plea bargain, a plea of *nolo contendere* or settlement admitting guilt for, any felony, any crime of moral turpitude, or any other crime that could reasonably be expected to have a material adverse impact on the Company's or any of its affiliates' reputations (including but not limited to ITH's reputation); or
 - (v) The Executive's having committed any material violation of any federal law regulating securities (without having relied on the advice of the Company's attorney) or having been the subject of any final order, judicial or administrative, obtained or issued by the Securities and Exchange Commission, for any securities violation involving fraud, including, for example, any such order consented to by Executive in which findings of facts or any legal conclusions establishing liability are neither admitted nor denied.
- (f) "Good Reason" means the occurrence, prior to occurrence of circumstances constituting Cause, of any of the following events during the Employment Period without Executive's consent:
- (i) Any material breach by the Company of this Agreement;
 - (ii) Any requirement by the Company that the Executive relocate outside of the Fairbanks, Alaska metropolitan area;
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- (iii) Failure of any successor to assume this Agreement not later than the date as of which it acquires substantially all of the assets or businesses of the Company;
- (iv) Any material reduction in Executive's title, responsibilities, or duties or the Board directs Executive to report to someone other than the Board; or
- (v) The assignment to Executive of any duties materially inconsistent with his duties as CEO;

Provided, however, that no Good Reason shall have occurred unless Executive provides the Board written notice of the initial occurrence of the event or condition described in (i) through (v) immediately above within 90 days of the initial occurrence of such event or condition, the event or condition is not remedied or cured within 30 days of the Board's receipt of such written notice, and Executive actually terminates his employment with the Company within 120 days of the initial occurrence of such event or condition.

(g) "Change of Control" means:

- (i) any person or group of affiliated or associated persons acquires more than 50% of the voting power of the Company;
 - (ii) the consummation of a sale of all or substantially all of the assets of the Company;
 - (iii) the liquidation or dissolution of the Company;
 - (iv) a majority of the members of the Board are replaced during any 12-month period by Board members whose nomination or election was not approved by the members of the Board at the beginning of such period (the "Incumbent Board") (provided that any subsequent members of the Board whose nomination or election was previously approved by the Incumbent Board shall thereafter be also deemed to be a member of the Incumbent Board); or
 - (v) the consummation of any merger, consolidation, or reorganization involving the Company in which, immediately after giving effect to such merger, consolidation or reorganization, less than 51% of the total voting power of outstanding stock of the surviving or resulting entity is then "beneficially owned" (within the meaning of Rule 13d-3 under the *Securities Exchange Act of 1934*, as amended) in the aggregate by the stockholders of the Company immediately prior to such merger, consolidation or reorganization. Notwithstanding the foregoing, in no event shall a Change of Control be deemed to occur in the event of a sale of Company securities or debt as part of a bona fide capital raising transaction or internal corporate reorganization.
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8. Parachute Payment.

- (a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") including, by example and not by way of limitation, acceleration (by the Company or otherwise) of the date of vesting or payment under any plan, program, arrangement or agreement of the Company, would be subject to the excise tax imposed by Section 4999 of the *Internal Revenue Code of 1986*, as amended (the "Code") or any interest or penalties with respect to such excise tax (such excise tax together with any such interest and penalties, shall be referred to as the "Excise Tax"), then there shall be made a calculation under which such Payments provided to the Executive are reduced to the extent necessary so that no portion thereof shall be subject to the Excise Tax (the "4999 Limit"). A comparison shall then be made between (1) the Executive's Net After-Tax Benefit (as defined below) assuming application of the 4999 Limit; and (2) the Executive's Net After-Tax Benefit without application of the 4999 Limit. If (2) exceeds (1), then no limit on the Payments shall be imposed by this Section 8. Otherwise, the amount payable to the Executive shall be reduced so that no such Payment is subject to the Excise Tax. "Net After-Tax Benefit" shall mean the sum of (x) all payments that the Executive receives or is entitled to receive that are in the nature of compensation and contingent on a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Code Section 280G(b)(2) (either, a "Section 280G Transaction"), less (y) the amount of federal, state, local and employment taxes and Excise Tax (if any) imposed with respect to such payments.
- (b) In the event that a reduction in Payments is required pursuant to this Section 8, then, except as provided below with respect to Payments that consist of health and welfare benefits, the reduction in Payments shall be implemented by determining the "Parachute Payment Ratio" (as defined below) for each Payment and then reducing the Payments in order beginning with the Payment with the highest Parachute Payment Ratio. For Payments with the same Parachute Payment Ratio, such Payments shall be reduced based on the time of payment of such Payments, with amounts being paid furthest in the future being reduced first. For Payments with the same Parachute Payment Ratio and the same time of payment, such Payments shall be reduced on a pro-rata basis (but not below zero) prior to reducing Payments next in order for reduction. For purposes of this Section, "Parachute Payment Ratio" shall mean a fraction, the numerator of which is the value of the applicable Payment as determined for purposes of Code Section 280G, and the denominator of which is the financial present value of such Parachute Payment, determined at the date such payment is treated as made for purposes of Code Section 280G (the "Valuation Date"). In determining the denominator for purposes of the preceding sentence:
- (i) present values shall be determined using the same discount rate that applies for purposes of discounting payments under Code Section 280G;
 - (ii) the financial value of payments shall be determined generally under Q&A 12, 13 and 14 of Treasury Regulation 1.280G-1; and
 - (iii) other reasonable valuation assumptions as determined by the Company shall be used.
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Notwithstanding the foregoing, Payments that consist of health and welfare benefits shall be reduced after all other Payments, with health and welfare Payments being made furthest in the future being reduced first. Upon any assertion by the Internal Revenue Service that any such Payment is subject to the Excise Tax, the Executive shall be obligated to return to the Company any portion of the Payment determined by the Professional Services Firm to be necessary to appropriately reduce the Payment so as to avoid any such Excise Tax.

- (c) All determinations required to be made under this Section 8, including whether and when a Payment is cut back pursuant to Section 8(c) and the amount of such cut-back, and the assumptions to be utilized in arriving at such determination, shall be made by a professional services firm designated by the Board that is experienced in performing calculations under Section 280G (the "Professional Services Firm") which shall provide detailed supporting calculations both to the Company and the Executive. If the Professional Services Firm is serving as accountant or auditor for the individual, entity or group effecting the Section 280G Transaction, the Board shall appoint another qualified professional services firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Professional Services Firm hereunder). All fees and expenses of the Professional Services Firm shall be borne solely by the Company.
9. Conflicts of Interest. The Executive agrees that he shall promptly disclose to the Board any conflict of interest involving the Executive upon the Executive becoming aware of such conflict. The Executive's ownership of an interest not in excess of one percent in a business organization that competes with the Company or its affiliates (including but not limited to ITH) shall not be deemed to constitute a conflict of interest.
10. Confidentiality.
- (a) The Company agrees to provide the Executive valuable Confidential Information of the Company and its affiliates (including but not limited to ITH) and of third parties who have supplied such information to the Company. In consideration of such Confidential Information and other valuable consideration provided hereunder, Executive agrees to comply with this Section 10.
 - (b) "Confidential Information" means, without limitation and regardless of whether such information or materials are expressly identified as confidential or proprietary:
 - (i) any and all non-public, confidential or proprietary information or work product of the Company or its affiliates (including but not limited to ITH);
 - (ii) any information that gives the Company or its affiliates (including but not limited to ITH) a competitive business advantage or the opportunity of obtaining such advantage;
 - (iii) any information the disclosure or improper use of which is reasonably expected to be detrimental to the interests of the Company or its affiliates (including but not limited to ITH);
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- (iv) any trade secrets of the Company or its affiliates (including but not limited to ITH); and
- (v) any other information of or regarding the Company or any of its affiliates (including but not limited to ITH), or its or their past, present or future, direct or indirect, potential or actual officers, directors, employees, owners, or business partners, including but not limited to information regarding any of their businesses, operations, assets, liabilities, properties, systems, methods, models, processes, results, performance, investments, investors, financial affairs, future plans, business prospects, acquisition or investment opportunities, strategies, business partners, business relationships, contracts, contractual relationships, organizational or personnel matters, policies or procedures, management or compensation matters, compliance or regulatory matters, as well as any technical, seismic, industry, market or other data, studies or research, or any forecasts, projections, valuations, derivations or other analyses, performed, generated, collected, gathered, synthesized, purchased or owned by, or otherwise in the possession of, the Company or its affiliates (including but not limited to ITH) or which the Executive has learned of through his employment with the Company.

Confidential Information also includes any non-public, confidential or proprietary information about or belonging to any third party that has been entrusted to the Company or its affiliates (including but not limited to ITH). Notwithstanding the foregoing, Confidential Information does not include any information which is or becomes generally known by the public other than as a result of Executive's actions or inactions.

- (c) Protection. In return for the Company's promise to provide the Executive with Confidential Information, the Executive promises:
 - (i) to keep the Confidential Information, and all documentation, materials and information relating thereto, strictly confidential;
 - (ii) not to use the Confidential Information for any purpose other than as required in connection with fulfilling his duties as CEO for the benefit of the Company; and
 - (iii) to return to the Company all documents containing Confidential Information in the Executive's possession upon separation from the Company for any reason.
 - (d) Value and Security. The Executive understands and agrees that all Confidential Information, and every portion thereof, constitutes the valuable intellectual property of the Company, its affiliates (including but not limited to ITH), and/or third parties, and the Executive further acknowledges the importance of maintaining the security and confidentiality of the Confidential Information and of not misusing the Confidential Information.
 - (e) Disclosure Required By Law. If the Executive is legally required to disclose any Confidential Information, the Executive shall promptly notify the Company in writing of such request or requirement so that the Company and/or its affiliates (including but not limited to ITH) may seek an appropriate protective order or other relief. The Executive agrees to cooperate with and not to oppose any effort by the Company and/or its affiliates (including but not limited to ITH) to resist or narrow such request or to seek a protective order or other appropriate remedy. In any case, the Executive will:
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- (i) disclose only that portion of the Confidential Information that, according to the advice of Executive's counsel, is required to be disclosed (and Executive's disclosure of Confidential Information to Executive's counsel in connection with obtaining such advice shall not be a violation of this Agreement);
 - (ii) use reasonable efforts (at the expense of the Company) to obtain assurances that such Confidential Information will be treated confidentially; and
 - (iii) promptly notify the Company and/or its affiliates (including but not limited to ITH) in writing of the items of Confidential Information so disclosed.
- (f) Third-Party Confidentiality Agreements. To the extent that the Company or its affiliates (including but not limited to ITH) possesses any Confidential Information which is subject to any confidentiality agreements with, or obligations to, third parties, the Executive shall comply with all such agreements or obligations in full. The immediately preceding sentence shall apply only if the Company or any affiliate (including but not limited to ITH) has provided the Executive with a copy of such agreements, and the Executive may disclose such agreements and any related Confidential Information to the Company's attorneys and rely on their advice regarding compliance therewith.

11. Agreement Not to Compete.

- (a) The Executive acknowledges that, in the course of the performance of the Executive's duties and obligations under this Agreement, the Executive will acquire access to Confidential Information and the Executive further acknowledges that if the Executive were to compete against the Company or any of its affiliates (including but not limited to ITH), or be employed or in any way involved with a person or company that was in competition with the Company or any of its affiliates (including but not limited to ITH) following the termination of the Executive's employment with the Company, the Company and its affiliates (including but not limited to ITH) would suffer irreparable damages. Accordingly, the Executive will not, at any time or in any manner, during the Employment Period or at any time within one (1) year following the termination of Executive's employment for whatever reason, and notwithstanding any alleged breach of this Agreement:
- (i) directly or indirectly engage in any business involving the acquisition, exploration, development or operation of any mineral property which is competitive or in conflict with the business of the Company or any of its affiliates (including but not limited to ITH);
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- (ii) accept employment or office with or render services or advice to any other company, firm or individual, whether a competitor or otherwise, engaged in the acquisition, exploration, development or operation of mineral property which is competitive or in conflict with the business of the Company or any of its affiliates (including but not limited to ITH);
 - (iii) solicit or induce any director, officer or employee of the Company or of any its affiliates (including but not limited to ITH) to end their association with the Company or any of its affiliates (including but not limited to ITH);
 - (iv) directly or indirectly, on the Executive's own behalf or on behalf of others, solicit, divert or appropriate to or in favor of any person, entity or corporation, any maturing business opportunity or any business of the Company or of any of its affiliates (including but not limited to ITH); or
 - (v) directly or indirectly take any other action inconsistent with the fiduciary relationship of a senior officer to his company, without the prior written consent of the Board, which consent may be withheld in the Board's sole discretion.
- (b) For this purpose of this Section 11, a mineral property which is competitive or in conflict with the business of the Company or any of its affiliates (including but not limited to ITH) means one:
- (i) which is primarily prospective for gold, and
 - (ii) any part of which lies within a horizontal distance of twenty-five (25) kilometers from the outer boundaries of any mineral property in which the Company or any of its affiliates (including but not limited to ITH) holds, or has the right to acquire, an interest.

12. Withholdings. The Company may withhold and deduct from any payments made or to be made pursuant to this Agreement:

- (i) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling;
- (ii) any deductions consented to in writing by Executive.

13. Severability. It is the desire of the Parties that this Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction or arbitrator (pursuant to Section 15), the Parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted from this Agreement without affecting any other provision of this Agreement.

14. Title and Headings: Construction. Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Any and all Exhibits referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes. The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement and not to any particular provision hereof. This Agreement shall be deemed drafted equally by both the Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Party shall not apply.

15. Arbitration; Injunctive Relief; Attorneys' Fees.

- (a) Subject to Section 15(b), any dispute, controversy or claim between the Executive and the Company arising out of or relating to this Agreement, the Executive's employment with the Company, or the termination of either (other than with respect to claims arising exclusively under one or more of the Company's employee benefit plans subject to ERISA) will be finally settled by arbitration in Denver, Colorado before, and in accordance with the rules for the resolution of employment disputes then in effect at the American Arbitration Association. The arbitrator's award shall be final and binding on both Parties.
- (b) Notwithstanding Section 15(a), an application for emergency or temporary injunctive relief by either Party shall not be subject to arbitration under this Section 15; provided, however, that the remainder of any such dispute (beyond the application for emergency or temporary injunctive relief) shall be subject to arbitration under this Section 15. The Executive acknowledges that the Executive's violation of Sections 9 and/or 10 and/or 11 of this Agreement shall cause irreparable harm to the Company and its affiliates (including but not limited to ITH), the Executive agrees not to contest that the Executive's violation of Sections 9 and/or 10 and/or 11 of this Agreement will cause irreparable harm to the Company and its affiliates (including but not limited to ITH), and the Executive agrees that the Company shall be entitled as a matter of right to specific performance of the Executive's obligations under Sections 9 and 10 and 11 and an injunction, from any court of competent jurisdiction, restraining any violation or further violation of such agreements by the Executive or others acting on his behalf, without any showing of irreparable harm and without any showing that the Company and its affiliates (including but not limited to ITH) does not have an adequate remedy at law. The right of the Company and its affiliates (including but not limited to ITH) to injunctive relief shall be cumulative and in addition to any other remedies provided by law or equity.
- (c) Each Party shall share equally the cost of the arbitrator and bear its own costs and attorneys' fees incurred in connection with any arbitration, unless a statutory claim authorizing the award of attorneys' fees is at issue, in which event the arbitrator may award a reasonable attorneys' fee in accordance with the jurisprudence of that statute.
- (d) Nothing in this Section 15 shall prohibit a party to this Agreement from:
 - (i) instituting litigation to enforce any arbitration award; or
 - (ii) joining another party to this Agreement in a litigation initiated by a person which is not a party to this Agreement.

16. Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS. THE EXCLUSIVE VENUE FOR THE RESOLUTION OF ANY DISPUTE RELATING TO THIS AGREEMENT OR THE EXECUTIVE'S EMPLOYMENT (THAT IS NOT SUBJECT TO ARBITRATION UNDER SECTION 15 FOR ANY REASON) SHALL BE IN THE STATE AND FEDERAL COURTS LOCATED IN DENVER, COLORADO AND THE PARTIES HEREBY EXPRESSLY CONSENT TO THE JURISDICTION OF THOSE COURTS.
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17. Entire Agreement and Amendment. This Agreement contains the entire agreement of the Parties with respect to the Executive's employment and the other matters covered herein (except to the extent that other agreements are specifically referenced herein); moreover, this Agreement supersedes all prior and contemporaneous agreements and understandings, oral or written, between the Parties hereto concerning the subject matter hereof and thereof. This Agreement may be amended, waived or terminated only by a written instrument executed by both Parties.
 18. Survival of Certain Provisions. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties, including, but not limited to, the rights and obligations set forth in Sections 6 through 16 hereof, shall survive any termination or expiration of this Agreement for any reason.
 19. Waiver of Breach. No waiver by either party hereto of a breach of any provision of this Agreement by the other Party, or of compliance with any condition or provision of this Agreement to be performed by such other Party, will operate or be construed as a waiver of any subsequent breach by such other Party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either Party hereto to take any action by reason of any breach will not deprive such Party of the right to take action at any time while such breach continues.
 20. Assignment. Neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by the Executive (except by will or by operation of the laws of intestate succession) or by the Company, except that the Company shall assign this Agreement to any successor (whether by merger, purchase or otherwise) to all or substantially all of the equity, assets or businesses of the Company, if such successor expressly agrees to assume the obligations of the Company hereunder.
 21. Notices. Notices provided for in this Agreement shall be in writing and shall be deemed to have been duly received:
 - (a) when delivered in person or sent by facsimile transmission;
 - (b) on the first business day after such notice is sent by air express overnight courier service; or
 - (c) on the third business day following deposit in the United States mail, registered or certified mail, return receipt requested, postage prepaid and addressed,
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to the following address, as applicable:

If to Company, addressed to:

International Tower Hill Mines Ltd.,
Suite 200, Fairbanks, Alaska 99701
Attention: The Board

with a copy for informational purposes only to:

Lawrence Talbot, General Counsel,
International Tower Hill Mines Ltd.,
Suite 2300-1177 West Hastings Street
Vancouver British Columbia
Canada V6E 2K3.

If to Executive:

addressed to the address set forth below Executive's name on the execution page hereof;

or to such other address as either Party may have furnished to the other Party in writing in accordance with this Section 21.

22. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one Party, but together signed by both Parties.
23. Definitions. The Parties agree that, as used in this Agreement, the following terms shall have the following meanings:
- (a) an "affiliate" of a person shall mean any person directly or indirectly controlling, controlled by, or under common control with, such person;
 - (b) the terms "controlling, controlled by, or under common control with" shall mean the possession, directly or indirectly, of the power to direct or influence or cause the direction or influence of management or policies (whether through ownership of securities or other ownership interest or right, by contract or otherwise) of a person; and
 - (c) the term "person" shall mean a natural person, partnership (general or limited), limited liability Company, trust, estate, association, corporation, custodian, nominee, or any other individual or entity in its own or any representative capacity, in each case, whether domestic or foreign.
24. Internal Revenue Code Section 409A.
- (a) If at the time of the Executive's separation from service:
 - (i) the Executive is a specified employee (within the meaning of Section 409A of the Code, and using the identification methodology selected by the Company from time to time); and
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- (ii) the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code), the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid additional taxes or interest under Section 409A of the Code,

then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first to occur of (x) the first business day after such six-month period, (y) Executive's death, or (z) such other date as will not cause such payment to be subject to tax or interest under Code Section 409A.

- (b) It is the intention of the Parties that payments or benefits payable under this Agreement not be subject to the additional tax or interest imposed pursuant to Code Section 409A. To the extent such potential payments or benefits could become subject to Code Section 409A, the Parties shall cooperate to amend this Agreement with the goal of giving the Executive the economic benefits described herein in a manner that does not result in such tax being imposed. The Executive shall, at the request of the Company, take any action (or refrain from taking any action), required to comply with any correction procedure promulgated pursuant to Code Section 409A. In no event shall the Company be liable to Executive for any taxes, penalties, or interest that may be due as a result of the application of Code Section 409A.
 - (c) With respect to payments under this Agreement, for purposes of Code Section 409A, each severance payment will be considered one of a series of separate payments, and each such payment shall be a separately identifiable and determinable amount.
 - (d) For purposes of determining the timing of any payment of severance compensation, the Executive will be deemed to have a termination of employment only upon a "separation from service" within the meaning of Code Section 409A.
 - (e) Any amount that the Executive is entitled to be reimbursed under this Agreement will be reimbursed to the Executive as promptly as practical, and in any event not later than the last day of the calendar year following the year in which the expenses were incurred.
 - (f) The Executive's termination of his employment for Good Reason is intended to be a separation from service for good reason as described in Treas. Reg. § 1.409A-1(n)(2) and this Agreement shall be interpreted and construed accordingly.
 - (g) For purposes of this Agreement, each payment of severance compensation is intended to be excepted from Code Section 409A to the maximum extent provided under Code Section 409A as follows:
 - (i) each payment that is scheduled to be made following the Executive's termination of employment and within the applicable 2 1/2 month period specified in Treas. Reg. § 1.409A(b)(4) is intended to be excepted under the short-term deferral exception as specified in Treas. Reg. § 1.409A-1(b)(4); and
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- (ii) each payment that is not otherwise excepted under the short-term deferral exception is intended to be excepted under the involuntary separation pay exception as specified in Treas. Reg. § 1.409A-1(b)(9)(iii) or the exception for limited payments described in Treas. Reg. § 1.409A-1(b)(9)(v)(D).

The Executive shall have no right to designate the date of any payment of severance compensation to be made hereunder.

- 25. Employment at Will. The Executive agrees that, by signing below, he agrees that he is an employee at will and just as he is free to terminate his employment at any time, for any reason, the Company is also free to terminate his employment at any time, for any reason.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Executive and the Company have executed this Agreement to be effective for all purposes as of the Effective Date.

EXECUTIVE:

Dated: March 13, 2017

By: /s/ Karl Hanneman
Karl Hanneman
P.O. Box 10664
Fairbanks, AK 99710

THE COMPANY:

Dated: March 13, 2017

By: /s/ Marcelo Kim
Marcelo Kim
Board Chair

Exhibit "A"

Description of Duties and Responsibilities of Employee

- The Executive is responsible for running a public company (ITH), and for all facets of the business.
 - The Executive is responsible for creating and maintaining stability and investor confidence.
 - The Executive is responsible for driving realistic value creation as the Livengood Project (the "Project") moves through the early stages of development.
 - The Executive's responsibilities also include:
 - o To ensure that the Company health, safety, and environmental management programs meet or exceed the corporate standards;
 - o In close partnership with the Board, to develop and execute the current vision and strategic plan required for future value accrual;
 - o To ensure that the business plan as approved by the Board is executed at a high quality of work to schedule and budget;
 - o To ensure ITH's solid reputation among the local and global investment communities;
 - o To continue to retain and build a top tier management team capable of advancing the Project through permitting and to ensure senior management succession;
 - o To pursue the identification and development of merger, acquisition or partnership opportunities that fit the strategic direction and enhance shareholder value;
 - o To continue and protect the development of strong relationships with existing key stakeholders and different levels of government (State and Federal) in Alaska to help ensure the acquisition of future environmental permitting;
 - o To obtain financing to satisfy future cash requirements for the Company by gaining access to capital markets on appropriate terms;
 - o To ensure personal professional development by serving on outside boards as approved by the Board;
 - o Other duties as assigned by the Board
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CERTIFICATION

I, Karl L. Hanneman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Tower Hill Mines Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

By: /s/ Karl L. Hanneman
Karl L. Hanneman
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, David Cross, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Tower Hill Mines Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

By: /s/ David Cross
David Cross
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of International Tower Hill Mines Ltd. (the "Company"), for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karl L. Hanneman, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 5, 2017

By: /s/ Karl L. Hanneman
Karl L. Hanneman
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of International Tower Hill Mines Ltd. (the "Company"), for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Cross, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 5, 2017

By: /s/ David Cross
David Cross
Chief Financial Officer
(Principal Financial and Accounting Officer)
