

INTERNATIONAL TOWER HILL MINES LTD.

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, 2019. All currency amounts are stated in U.S. dollars unless noted otherwise.

Current Business Activities

General

In response to rising gold prices and changing worldwide macroeconomic conditions that are now supportive of accelerating work on the Livengood Gold Project, on May 7, 2020, the Board directed management to prepare an updated pre-feasibility study ("PFS") for the Project.

Recent Developments

On July 15, 2020, the Company announced that it had finalized the key contracts for completion of the previously announced PFS on the Livengood Gold Project and expected to release the details of the PFS and the associated NI 43-101 Technical Report in October 2021. The comprehensive study will incorporate work that has been done since the last NI 43-101 report was completed to further de-risk and identify the optimal project configuration. The Company has engaged BBA, Inc. in Montreal as its lead consultant and has retained Whittle Consulting, Resource Modeling, Inc., and NewFields Companies, LLC to provide specialized technical support. The estimated cost of the updated PFS through October 2021 is \$3.8 million.

Results of Operations

Summary of Quarterly Results

Description	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Net income (loss)	\$ (1,486,464)	\$ 65,085	\$ (760,035)	\$ (858,406)
Basic and diluted net gain (loss) per common share	\$ (0.01)	\$ 0.00	\$ (0.00)	\$ (0.01)

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Net income (loss)	\$ (1,387,054)	\$ (820,912)	\$ (901,767)	\$ (1,269,636)
Basic and diluted net gain (loss) per common share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)

Three Months Ended June 30, 2020 compared to Three Months Ended June 30, 2019

The Company had a net loss of \$1,486,464 for the three months ended June 30, 2020, compared to a net loss of \$1,387,054 for the three months ended June 30, 2019.

Excluding share-based costs of \$300,927, consulting costs were \$39,649 for the three months ended June 30, 2020 compared to \$43,637 for the three months ended June 30, 2019. The decrease of \$3,988 is primarily due to two less members of the Board.

Insurance costs were \$35,662 for the three months ended June 30, 2020 compared to \$30,791 for the three months ended June 30, 2019. The increase of \$4,871 is primarily due to premium increases.

Excluding share-based costs of \$3,155, investor relations costs were \$28,403 for the three months ended June 30, 2020 compared to \$20,284 for the three months ended June 30, 2019. The increase of \$8,119 is primarily due to an investor conference (\$5,500) and increased printing and mailing costs for annual shareholder meeting materials (\$2,619).

Mineral property expenditures were \$536,603 for the three months ended June 30, 2020 compared to \$911,947 for the three months ended June 30, 2019. The decrease of \$375,344 is primarily due to the differences in the scope of technical and baseline environmental work completed during the periods.

Professional fees were \$37,040 for the three months ended June 30, 2020 compared to \$44,656 for the three months ended June 30, 2019. The decrease of \$7,616 is primarily due to a variation in timing of audit/tax services.

Excluding share-based costs of \$44,170, wages and benefits were \$186,033 for the three months ended June 30, 2020 compared to \$176,777 for the three months ended June 30, 2019. The increase of \$9,256 is primarily due to a variation in timing of employee benefits.

Share-based payment charges

Share-based payment charges for the three-month periods ended June 30, 2020 and 2019 were allocated as follows:

Expense category:	June 30, 2020	June 30, 2019
Consulting	\$ 300,927	\$ -
Investor relations	3,155	-
Wages and benefits	44,170	-
Total	\$ 348,252	\$ -

Share-based payment charges were \$348,252 during the three months ended June 30, 2020 compared to \$Nil during the three months ended June 30, 2019. The increase is mainly the result of the most recent options issued on May 27, 2020 being one third exercisable upon grant (\$53,635) and the DSUs issued on May 27, 2020 being fully vested upon issuance (\$294,617).

Other items amounted to a loss of \$206,462 during the three-month period ended June 30, 2020 compared to a loss of \$86,941 during the three-month period ended June 30, 2019. As a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances, the Company had a foreign exchange loss of \$225,095 during the three-month period ended June 30, 2020 compared to a loss of \$159,708 during the three-month period ended June 30, 2019. The average exchange rate during the three-month period ended June 30, 2020 was C\$1 to US\$0.7221 compared to C\$1 to US\$0.7476 during the three-month period ended June 30, 2019. Interest income was \$13,341 for the three-month period ended June 30, 2020 compared to \$49,036 for the three-month period ended June 30, 2019. The decrease of \$35,695 is primarily due to short-term investment certificates being re-invested upon maturity at a lower interest rate.

Six Months Ended June 30, 2020 compared to Six Months Ended June 30, 2019

The Company had a net loss of \$1,421,379 for the six months ended June 30, 2020, compared to a net loss of \$2,207,966 for the six months ended June 30, 2019.

Excluding share-based costs of \$300,927, consulting costs were \$80,068 for the six months ended June 30, 2020 compared to \$87,508 for the six months ended June 30, 2019. The decrease of \$7,440 is primarily due to two less members of the Board.

Insurance costs were \$66,886 for the six months ended June 30, 2020 compared to \$60,629 for the six months ended June 30, 2019. The increase of \$6,257 is primarily due to premium increases.

Excluding share-based costs of \$3,155, investor relations costs were \$38,893 for the six months ended June 30, 2020 compared to \$34,200 for the six months ended June 30, 2019. The increase of \$4,693 is primarily due to an investor conference.

Mineral property expenditures were \$652,023 for the six months ended June 30, 2020 compared to \$1,162,538 for the six months ended June 30, 2019. The decrease of \$510,515 is primarily due to the differences in the scope of technical and baseline environmental work completed during the periods.

Excluding share-based costs of \$44,170, wages and benefits were \$340,563 for the six months ended June 30, 2020 compared to \$330,841 for the six months ended June 30, 2019. The increase of \$9,722 is primarily due to a variation in timing of employee benefits.

Share-based payment charges

Share-based payment charges for the six-month periods ended June 30, 2020 and 2019 were allocated as follows:

Expense category:	June 30, 2020	June 30, 2019
Consulting	\$ 300,927	\$ -
Investor relations	3,155	-
Wages and benefits	44,170	1,686
Total	\$ 348,252	\$ 1,686

Share-based payment charges were \$348,252 during the six months ended June 30, 2020 compared to \$1,686 during the six months ended June 30, 2019. The increase is mainly the result of the most recent options issued on May 27, 2020 being one third exercisable upon grant (\$53,635) and the DSUs issued on May 27, 2020 being fully vested upon issuance (\$294,617).

Other items amounted to a gain of \$372,049 during the six-month period ended June 30, 2020 compared to a loss of \$258,282 during the six-month period ended June 30, 2019. As a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances, the Company had a foreign exchange gain of \$316,091 during the six-month period ended June 30, 2020 compared to a loss of \$363,246 during the six-month period ended June 30, 2019. The average exchange rate during the six-month period ended June 30, 2020 was C\$1 to US\$0.7332 compared to C\$1 to US\$0.7499 during the six-month period ended June 30, 2019. Interest income was \$50,666 for the six-month period ended June 30, 2020 compared to \$81,233 for the six-month period ended June 30, 2019. The decrease of \$30,567 is primarily due to short-term investment certificates being re-invested upon maturity at a lower interest rate.

Liquidity Risk and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company has predominantly financed its ongoing operations through the 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 June 30, 2020, the Company had cash and cash equivalents of \$5,490,127 compared to \$6,937,621 at December 31, 2019. The decrease of approximately \$1.4 million resulted mainly from expenditures on operating activity of approximately \$1.1 million and a negative foreign currency transaction impact of approximately \$0.3 million.

The Company had no cash flows from financing activities during the six-month period ended June 30, 2020.

Financing activities during the six-month period ended June 30, 2019 included the exercise of stock options. Proceeds of \$64,254 were received on the issuance of 121,174 common shares.

The Company had no cash flows from investing activities during the six-month period ended June 30, 2020.

Investing activities during the six-month period ended June 30, 2019 was comprised of the capitalized acquisition costs of \$31,819 for land acquisitions that closed in the second quarter.

As at June 30, 2020, the Company had working capital of \$5,445,493 compared to working capital of \$6,840,418 at December 31, 2019. The Company expects that it will operate at a loss for the foreseeable future, but believes the current cash and cash equivalents will be sufficient for it to complete its anticipated 2020 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through the next 12 months.

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” included in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

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 the Company’s contractual obligations as of June 30, 2020, including anticipated mineral property payments and work commitments. Under the terms of the Company’s mineral property purchase agreements, mineral leases and unpatented mineral claims, 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
	2020	2021	2022	2023	2024	2025 and beyond	
Mineral Property Leases ⁽¹⁾	\$ -	\$ 428,951	\$ 434,185	\$ 439,498	\$ 444,890	\$ 450,363	\$ 2,197,887
Mining Claim Government Fees	132,460	132,460	132,460	132,460	132,460	132,460	794,760
Total	\$ 132,460	\$ 561,411	\$ 566,645	\$ 571,958	\$ 577,350	\$ 582,823	\$ 2,992,647

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).

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, 2019, 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 June 30, 2020, 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 June 30, 2020, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports filed or submitted to the Securities and Exchange Commission under the Exchange Act: (i) is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) is 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 June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.