## 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, 2020. All currency amounts are stated in U.S. dollars unless noted otherwise.

### Current Business Activities

### General

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), and Livengood Placers, Inc. ("LPI") (a Nevada 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 September 30, 2021, the Company has a 100% interest in its Livengood Gold Project, an exploration-stage project in Alaska, U.S.A.

In response to improved gold prices and changing worldwide macroeconomic conditions that were 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 Livengood Gold Project.

### Recent Developments

On January 12, 2021, the Company announced that the Board had approved a 2021 budget of $5.6 million and endorsed the associated 2021 work program to advance the Livengood Gold Project. The key element of the 2021 work program is the completion of the PFS for the Livengood Gold Project. The work program will also advance the baseline environmental data collection in critical areas of hydrology and waste rock geochemical characterization needed to support future permitting, as well as advance community engagement.

#### *Livengood Gold Project Pre-Feasibility Study*

On November 4, 2021, the Company announced the results of the PFS for its Livengood Gold Project (the "Project"). The PFS details a project that would process 65,000 tons per day and produce 6.4 million ounces of gold over 21 years from a gold resource estimated at 13.6 million ounces at 0.60 g/tonne. The PFS utilized a third-party review by Whittle Consulting and BBA Inc. to integrate new interpretations based on an expanded geological database, improved geological modelling, new resource estimation methodology, an optimized mine plan and production schedule, additional detailed metallurgical work at various gold grades and grind sizes, changes in the target grind for the mill, new engineering estimates, and updated cost inputs, all of which significantly de-risk the Project. The PFS has estimated the capital costs of the Project at US$1.93 billion, the total cost per ton milled at US$13.12, the all-in sustaining costs at US$1,171 per ounce, and the net present value (5%) at US$1,800/oz of US$400 million.

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

#### *Whittle Enterprise Optimization*

Prior to beginning the PFS, the Company retained Whittle Engineering and BBA Engineering to collaborate on an enterprise optimization study (the "Whittle and BBA Study") to review various technologies and project configurations and to recommend the optimum configuration for the PFS. The Whittle and BBA Study reviewed secondary crushing with SAG and ball mill, tertiary crushing with ball mill, gravity/CIL at p80 of 90 micron to 250 micron, stand-alone and auxiliary heap leach configurations, gravity only gold recovery, gravity/flotation with pressure oxidation and CIL of flotation concentrate. These configurations were evaluated at various combinations of project ramp up strategy, annual throughput, primary, secondary, and tertiary grind size, as well as mining fleet size and stockpile management strategies. Tailings technologies reviewed included conventional tailings and pressure filtered tailings.

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

The PFS was prepared by independent third-party consultants and provides information on the optimized Project with higher throughput, updated resource estimate, and capital and operating cost estimates as compared to the project evaluated in the National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") April 2017 Technical Report (the "2017 Report"). The final version of the NI 43-101 technical report containing the PFS will be filed on SEDAR within 45 days. As a result of the changes to the Project as evaluated in the PFS, including differences in the mineral resource estimation methodology and changes to the economic parameters applied to the geologic block model (gold price, recovery, CAPEX, and OPEX), all of which resulted in a change in the mineral resources, the Project as evaluated in the 2017 Report is no longer considered current and the 2017 Report should therefore not be relied upon by investors.

The Company cautions that the PFS is preliminary in nature, and is based on technical and economic assumptions which would be further refined and evaluated in a full feasibility study. The PFS is based on an updated Project mineral resource estimate effective as of August 20, 2021 using a different mineral resource model than used in the 2017 Report.

***COVID-19 Pandemic***

In March 2020, the World Health Organization declared the novel coronavirus 2019 ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak, including as a result of the emergence of variant strains of the virus and ongoing vaccination efforts, and its ultimate effects on the Company's business, results of operations or ability to raise funds at this time, as of the date of this Quarterly Report on Form 10-Q, the COVID-19 pandemic has not had any material adverse effects on the Company.

**Results of Operations**

**Summary of Quarterly Results**

| Description | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 |
|---|---|---|---|---|
| Net income (loss) | $ (1,648,913) | $ (2,178,014) | $ (1,137,872) | $ (1,995,576) |
| Basic and diluted net gain (loss) per common share | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.01) |

| | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 |
|---|---|---|---|---|
| Net income (loss) | $ (1,101,763) | $ (1,486,464) | $ 65,085 | $ (760,035) |
| Basic and diluted net gain (loss) per common share | $ (0.01) | $ (0.01) | $ 0.00 | $ (0.00) |

***Three Months Ended September 30, 2021 compared to Three Months Ended September 30, 2020***

The Company had a net loss of $1,648,913 for the three months ended September 30, 2021, compared to a net loss of $1,101,763 for the three months ended September 30, 2020.

Mineral property expenditures were $1,378,786 for the three months ended September 30, 2021, compared to $718,541 for the three months ended September 30, 2020. The increase of $660,245 is primarily due to work associated with the completion of the PFS for the Livengood Gold Project of $339,144, land maintenance in the Livengood area of $240,000, the timing variance of State of Alaska claim rentals of $153,430, partially offset by land-related legal costs of ($69,282) and the timing variance of baseline environmental costs of ($3,047) during the three months ended September 30, 2021.

Excluding share-based costs of $2,235 and $2,169 for the three months ended September 30, 2021 and September 30, 2020, respectively, consulting costs were $68,970 for the three months ended September 30, 2021 compared to $40,006 for the three months ended September 30, 2020. The increase of $28,964 is primarily due to increased investor relations support services.

Insurance costs were $46,695 for the three months ended September 30, 2021 compared to $37,913 for the three months ended September 30, 2020. The increase of $8,782 is primarily due to premium increases.

Office costs were $10,963 for the three months ended September 30, 2021 compared to $4,976 for the three months ended September 30, 2020. The increase of $5,987 is primarily due to the timing of computer equipment replacements.

Regulatory costs were $52,229 for the three months ended September 30, 2021 compared to $59,065 for the three months ended September 30, 2020. The decrease of $6,836 is primarily due to Toronto Stock Exchange ("TSX") listing fees of $6,360 incurred during the three months ended September 30, 2020.

Share-based payment charges

Share-based payment charges for the three-month periods ended September 30, 2021 and 2020 were allocated as follows:

| **Expense category:** | **September 30, 2021** | **September 30, 2020** |
|---|---|---|
| Consulting | $ 2,235 | $ 2,169 |
| Investor relations | 1,852 | 1,084 |
| Wages and benefits | 25,934 | 15,180 |
| Total | $ 30,021 | $ 18,433 |

Share-based payment charges were $30,021 during the three months ended September 30, 2021 compared to $18,433 during the three months ended September 30, 2020. The increase of $11,588 is mainly the result of the stock options to purchase common shares of the Company issued to its employees and consultants on May 27, 2020 and May 25, 2021. One-third of the stock options vested automatically upon grant with the remaining options vesting in equal parts over a period of two years.

Other items amounted to total other income of $258,079 during the three-month period ended September 30, 2021, compared to total other income of $85,510 during the three-month period ended September 30, 2020. 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 $249,160 during the three-month period ended September 30, 2021, compared to a gain of $73,542 during the three-month period ended September 30, 2020. The average exchange rate during the three-month period ended September 30, 2021 was C$1 to US$0.7937, compared to C$1 to US$0.7508 during the three-month period ended September 30, 2020. Interest income was $3,627 for the three-month period ended September 30, 2021, compared to $11,968 for the three-month period ended September 30, 2020. The decrease of $8,341 is primarily due to short-term investment certificates being re-invested upon maturity at a lower interest rate.

***Nine Months Ended September 30, 2021 compared to Nine Months Ended September 30, 2020***

The Company had a net loss of $4,964,799 for the nine months ended September 30, 2021, compared to a net loss of $2,523,142 for the nine months ended September 30, 2020.

Mineral property expenditures were $3,043,856 for the nine months ended September 30, 2021 compared to $1,370,564 for the nine months ended September 30, 2020. The increase of $1,673,292 is primarily due to work associated with the completion of the PFS for the Livengood Gold Project of $1,253,667, land maintenance in the Livengood area of $240,000, the timing variance of State of Alaska claim rentals $151,315, and the timing variance of baseline environmental costs of $50,156, partially offset by land-related legal costs of ($21,846) during the nine months ended September 30, 2021.

Excluding share-based costs of $378,645 and $303,096 for the nine months ended September 30, 2021 and September 30, 2020, respectively, consulting costs were $174,225 for the nine months ended September 30, 2021 compared to $120,074 for the nine months ended September 30, 2020. The increase of $54,151 is primarily due to increased investor relations support services.

Regulatory costs were $185,235 for the nine months ended September 30, 2021 compared to $139,321 for the nine months ended September 30, 2020. The increase of $45,914 is primarily due to costs for TSX listing fees and increased filing fees due to the Company's increased market valuation.

Insurance costs were $134,632 for the nine months ended September 30, 2021 compared to $104,799 for the nine months ended September 30, 2020. The increase of $29,833 is primarily due to premium increases.

Excluding share-based costs of $8,430 and $4,239 for the nine months ended September 30, 2021 and September 30, 2020, respectively, investor relations costs were $56,944 for the nine months ended September 30, 2021 compared to $45,002 for the nine months ended September 30, 2020. The increase of $11,942 is primarily due to participation in investor relations conferences and increased investor relations services.

Office costs were $24,368 for the nine months ended September 30, 2021 compared to $18,703 for the nine months ended September 30, 2020. The increase of $5,665 is primarily due to timing of computer equipment replacements.

Share-based payment charges

Share-based payment charges for the nine-month periods ended September 30, 2021 and 2020 were allocated as follows:

| **Expense category:** | **September 30, 2021** | **September 30, 2020** |
|---|---|---|
| Consulting | $ 378,645 | $ 303,096 |
| Investor relations | 8,430 | 4,239 |
| Wages and benefits | 118,026 | 59,350 |
| Total | $ 505,101 | $ 366,685 |

Share-based payment charges were $505,101 during the nine months ended September 30, 2021 compared to $366,685 during the nine months ended September 30, 2020. The increase of $138,416 is mainly the result of the DSUs issued on May 25, 2021 being expensed at a closing price of C$1.40 as compared to the DSUs issued on May 27, 2020 being expensed at a closing price of C$0.90 ($73,233) and the stock options to purchase common shares of the Company issued to its employees and consultants on May 27, 2020 and May 25, 2021. One-third of the stock options vested automatically upon grant with the remaining options vesting in equal parts over a period of two years ($65,183).

Other items amounted to expense of $16,674 during the nine-month period ended September 30, 2021 compared to income of $457,559 during the nine-month period ended September 30, 2020. 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 $49,356 during the nine-month period ended September 30, 2021 compared to a gain of $389,633 during the nine-month period ended September 30, 2020. The average exchange rate during the nine-month period ended September 30, 2021 was C$1 to US$0.7994 compared to C$1 to US$0.7391 during the nine-month period ended September 30, 2020. Interest income was $17,390 for the nine-month period ended September 30, 2021 compared to $62,634 for the nine-month period ended September 30, 2020. The decrease of $45,244 is primarily due to short-term investment certificates being re-invested upon maturity at a lower interest rate.

**Liquidity 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 public offerings and private placements and the subsequent exercise of share purchase and broker warrants and options issued in connection with such private placements.

As at September 30, 2021, the Company had cash and cash equivalents of $9,268,200 compared to $13,049,293 at December 31, 2020. The decrease of approximately $3.8 million resulted mainly from expenditures on operating activities of $3.8 million, with a foreign currency transaction impact of $Nil.

The Company had no cash flows from financing activities during the nine-month period ended September 30, 2021.

Financing activities during the nine-month period ended September 30, 2020 included the issuance of common shares pursuant to the sales agreement entered into by the Company for "at the market offerings" with B. Riley Securities, Inc. ("B. Riley") (the "Sales Agreement"), which allowed the Company to offer and sell up to $10.3 million of common shares from time to time, at prevailing market prices at the time of the sale, through B. Riley, acting as sales agent. In the three months ended September 30, 2020, the Company sold 6,531,273 common shares under the Sales Agreement and raised approximately $9.2 million in aggregate gross proceeds before commissions and expenses and paid B. Riley aggregate commissions of $0.1 million. At September 30, 2020, there remained approximately $1.2 million of availability to sell common shares through the Sales Agreement, all of which were sold during the fourth quarter of 2020.

The Company had no cash flows from investing activities during the nine-month periods ended September 30, 2021 and 2020.

As at September 30, 2021, the Company had working capital of $8,311,032 compared to working capital of $12,718,381 at December 31, 2020. 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 to cover the anticipated 2021 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through at least 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 considering a future strategic alliance to assist in further development, permitting and future construction costs, although there can be no assurance that any such strategic alliance will, in fact, be pursued or realized.

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. See "Risk Factors – *We will require additional financing to fund exploration and, if warranted, development and production. Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern*" included in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Other than cash held by its subsidiaries for their immediate operating needs in the United States, all of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of current market conditions.

**Contractual Obligations and Commitments**

The following table discloses the Company's contractual obligations as of September 30, 2021, 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** | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 and beyond | Total |
| Mineral Property Leases[1] | $ - | $ 426,972 | $ 513,715 | $ 519,136 | $ 524,625 | $ 530,183 | $ 2,514,631 |
| Mining Claim Government Fees | 7,400 | 205,720 | 205,720 | 205,720 | 205,720 | 205,720 | 1,036,000 |
| Total | $ 7,400 | $ 632,692 | $ 719,435 | $ 724,856 | $ 730,345 | $ 735,903 | $ 3,550,631 |

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, 2020, 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 September 30, 2021, 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 September 30, 2021, 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 September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.